The City and Guilds of London Institute
Trustees' Annual Report & Consolidated Financial Statements
For the year ended 31 August 2021

Annual Report
2020/21

For over 140 years City & Guilds has worked with people, organisations and economies to help them identify and develop the skills they need to thrive.

We are a registered charity and a Royal Charter organisation and we understand the life changing link between skills development, social mobility, prosperity and success.

We combine commercial delivery with social enterprise and charity to develop and deliver high-quality skills training and credentials – face to face and online – that lead to jobs and meet the changing needs of industry.

Contents

Welcome

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CEO

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Chief Financial Officer

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Dr Ann G Limb CBE DL FCGI
Chair

Chair's Statement

It is an honour to step into the role of Chair of City & Guilds following nine years of successful stewardship by Sir John Armitt.

As we move towards the 150th Anniversary of the establishment of City & Guilds in 1878, I take on a role which I feel well prepared to fulfil – our mission of helping people into a job, developing on the job and moving on to the next job.

Over the last two years, Covid-19 has brought challenges across the globe, and City & Guilds is no exception. However, I am delighted to report that we have not only endured this period but we have adapted well, emerging in a sound financial position. Perhaps some of this success can be attributed to the legacy we have to build on - few other organisations can say that they have weathered two global pandemics – the first in 1918, the second in 2020.

It is clear that the nature of work and learning has been fundamentally changed by Covid-19. So have we. I am hugely enthusiastic about our new long term skills strategy which stresses the importance of digital learning and bitesize courses to create an agile workforce, able to rapidly acquire and adapt their skills to meet the needs of the modern world.

Sir John's legacy is also to leave a more diverse trustee board, with expertise drawn not only from within City & Guilds but also from other organisations, including people from a broad range of backgrounds. As Chair, I want to build on his legacy, embracing diversity and inclusion not only at the governance level but throughout City & Guilds. I feel proud to be part of this diversity as for the first time in its 143-year history City & Guilds has both a female chair and a female CEO.

I look forward to supporting City & Guilds to harness the capability it has across the organisation to increase our impact – reaching more people than ever before, both in the UK and overseas, to equip them with the skills they need for the future.

Ann Limb

Dr Ann G Limb CBE DL FCGI
Chair

Chief Executive Officer Statement

A new world of challenges and opportunities

As documented in last year's report my own journey as CEO of City & Guilds began just a few weeks before we were all plunged into the 'new world', now permanently changed by Covid-19.

Fast forward and as we enter 2022, the way we live and work is still very much impacted by the pandemic and it is clear that many of the changes that occurred are ones we need to embrace, as they are now permanent.

Kirstie Donnelly MBE
CEO

For all the disruption Covid-19 has brought, and its huge impact on peoples' lives, the pandemic has also reaffirmed my belief in the importance of what we do at City & Guilds - transforming lives through skills. Our work has a huge positive impact as we help people and organisations navigate their transitions back to growth and prosperity, and we have seen that play out throughout the last year on so many levels from the beneficiaries of our Foundation activity through to the large numbers of learners and students who have benefited from training we delivered.

So, although the future we face is uncertain and likely a challenging one, it is also one which is filled with opportunities, which we are seizing.

The UK and the wider world is rebuilding after the economic fallout of the pandemic, but we have made huge strides in refining remote working and learning, helping to bring opportunities to more people and making skills development more flexible and accessible.

Our 'Back to Our Future' strategic transformation, which is all about re-connecting with our heritage as we move forwards, will accelerate further as we look to the year ahead and beyond, ensuring we can deliver even more value to our customers. We are focusing on training, assessment and credentials that lead directly to employment as well as ensuring that we make the right investments in our own digital transformation while also expanding our direct delivery training activity.

The way City & Guilds looks at skills and technical education will continue to evolve to enable a lifelong learning culture, supported by government and employers, ensuring individuals' skills remain up to date and adaptable.

Creating best in class blended learning programmes is also where we will invest and differentiate from our competitors. Bitesize, flexible training programmes with the potential for remote learning, alongside workplace and classroom training, will be a key tool in combatting skills shortages and equipping people with the skills they need.

Remaining as we were is not an option to ensure we remain relevant, and continue to deliver public benefit, for the next decade and beyond and seize the growth opportunities that are available to us in today's marketplace. However, this will mean we have to remain bold and brave in the choices ahead and the investments we make. We have already learned important lessons from the pandemic that are shaping our future strategy and improving the way we work with a growth mindset.

We will continue to face challenges in how we effectively lead our people and transformation while operating with remote and hybrid working. However, I am immensely proud of the way all our colleagues, across the globe have stepped up and coped with the enormous personal and work challenges and disruption Covid-19 has brought. The sense of community, peer support and engagement across the whole organisation has been one of my highlights as CEO.

I feel privileged to see what City & Guilds colleagues are already achieving and it's an honour to work alongside each and every one of them.

We are also striving to make City & Guilds an employer of choice and have used this goal to shine a light on the lived experience of all of our colleagues across the organisation. We first sought to understand people's different experiences of working at City & Guilds and have created space for conversation through Community Support Groups focused on racial equity, the menopause, women, men, disabilities and the environment. We are now taking action and using data to see where we need to improve and set ourselves stretching goals to work towards. We've seen our gender pay gap reduce although we still have more work to do here and have committed to actions to help reduce the gap as well as helping colleagues understand the reasons behind the numbers. We have also published an ethnicity pay gap for the first time which again holds us accountable to improve through a clear action plan.

Where 2020 was in many ways defined by our need to adapt over the short term, 2021 has been focused on building our future and growing our business in the "new normal" world and the 2021 performance achieved is testimony to that. As we move forward into 2022, I am excited and optimistic for the opportunities we have to grow commercially, so we can further invest and play a key role in reshaping the way we learn for the skills sector as a whole.

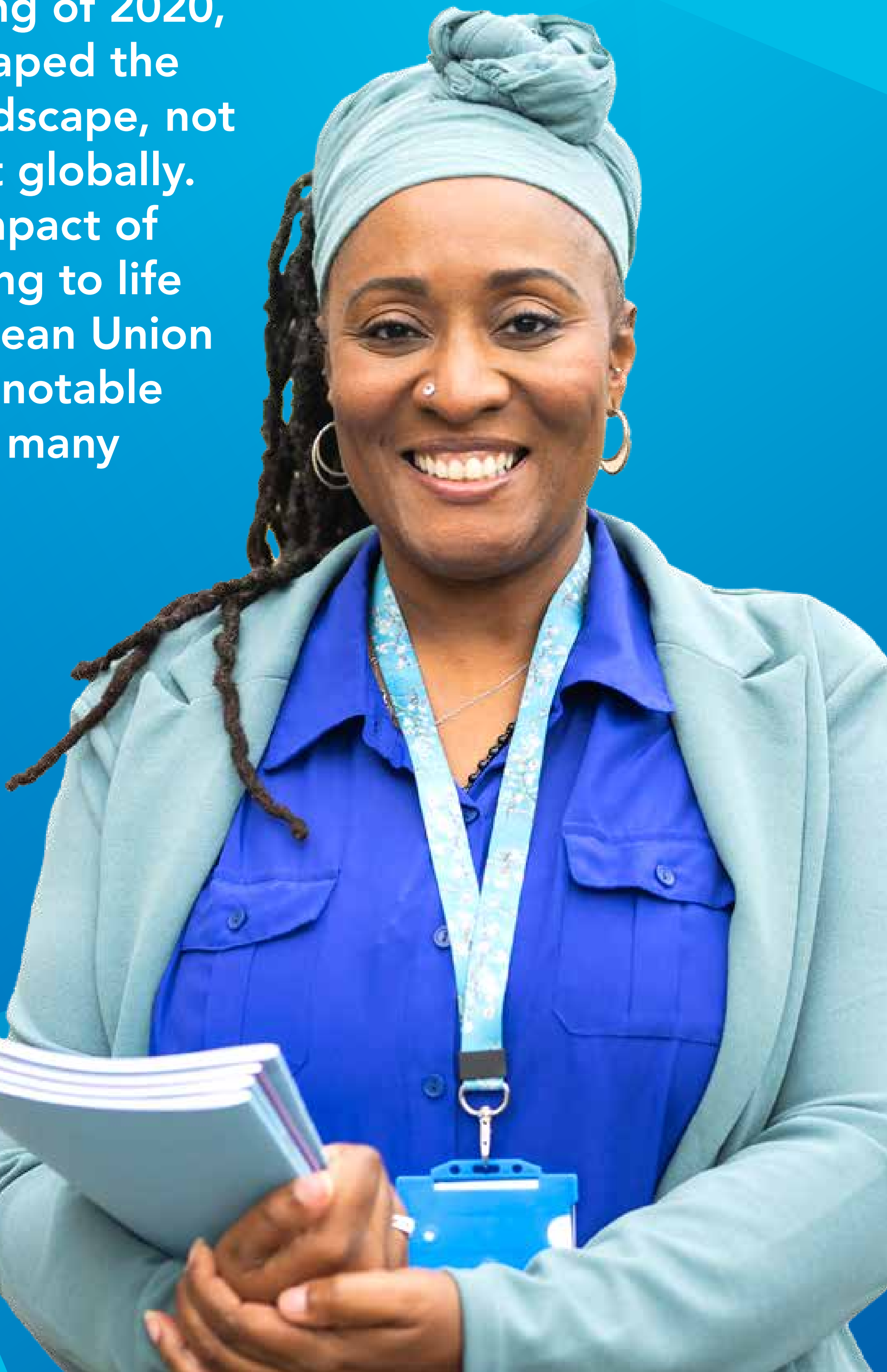
[1] https://www.cbi.org.uk/media/5723/learning-for-life-report.pdf
[2] https://www.cityandguildsgroup.com/-/media/cgg-website/documents/cg-skills-index-report-pdf.ashx?la=en&hash=B04AAEA0DBBF4F4A9203BBF024350A7C1B07257A

I would like to thank everyone at City & Guilds across our global business for the hard work and dedication they have shown to continuing to deliver an exceptional experience to our customers and trainees. I would also like to thank the Trustees who have provided sound stewardship and counsel throughout this challenging period. And, finally to the Institute Council for engaging with our work in such a supportive and enthusiastic way – and getting to grips so quickly with our virtual engagement! Thank you all.

Kirstie Donnelly MBE
CEO

Our Strategy

Since the beginning of 2020, Covid-19 has reshaped the jobs and skills landscape, not only in the UK but globally. In addition, the impact of the UK transitioning to life outside the European Union is being felt, with notable skills shortages in many key industries.



Back to Our Future

Our 'Back to Our Future' strategy is designed to respond to these circumstances, adapting to changes in the way training is funded and delivered. It is also a recognition that we need to look back at why we were originally created and focus on ensuring that everything we do supports the delivery of our mission: helping people into a job, to develop in the job and move into the next job.

We have evolved our approach to the market, centring our offerings around the needs of our customers and ensuring that the training and assessments we offer will genuinely enable people to gain, and progress in, employment. We have identified two main customer groups for our solutions: we will be looking to broaden our reach among employers as well as continuing to deliver training and assessments through our channel partners in the further education and skills sector and local government.

To create solutions that have real and lasting impact we will bring together our expertise in credentialing and assessment as well as our high quality direct digital and face to face training capability.

One City & Guilds

To do this we will need greater collaboration across our organisation and a large part of our strategy is to come together as one organisation, breaking down the siloes that have existed between our different brands.

Over the next three years we will reshape City & Guilds to bring all of our customer-facing brands together under one organisational brand. We will be focused on creating consistency for our customers and our employees so that regardless of whether people are interacting with or working for brands such as Gen 2, City & Guilds, Intertrain or Kineo, we will offer great customer service and consistent processes that make it easy to do business with us.

We will also be using our brand refresh to restore pride in the quality of our brand and to re-associate City & Guilds as the preeminent brand for skills, jobs and credentials.

The plan will touch every area of the business, including design, development, and delivery, with the process being carefully monitored and managed to support all colleagues to become part of a more integrated City & Guilds.

City & Guilds Foundation

The Foundation remains a core part of our organisation and one of the means by which we deliver on our commitments as a charity to help people into a job, to develop on the job and move into the next job. Alongside our work supporting learning centres, companies and individuals to develop and improve skills, the Foundation continues to enable us to deliver on our purpose of delivering public benefit.

Our strategic approach for the Foundation is to focus on four target areas to ensure that we meet our responsibilities and deliver meaningful impact on our goals.

Social Investment – Dedicating funding to social programmes that help remove barriers for people to secure lasting employment, such as our Future Skills Commission for Prisons and our bursary programme.

Awards – Recognising those who demonstrate excellence and outstanding results from their investment in skills development, such as the organisations who have achieved the Princess Royal Training Award standard.

Advocacy – Bringing people together to lobby for and champion skills development.

Impact – Measuring the impact of all activities across City & Guilds and the extent to which we are achieving our charitable purpose and creating secure and sustained employment, strengthened organisations, and a skilled and productive society.

Further details on this framework can be found in our 2020 and 2021 Social Impact Reports.

Measuring the effect of our efforts is of course essential, and we are continuing to use and refine the 'Theory of Change' model we developed in 2020 to do this. The background and methodology behind this model is explained in more detail in the following section.

Our goals

Our mission is to inspire and help people and organisations to continually improve their skills, performance and productivity, recognising and making visible their achievement.

To support this, we will be focusing on the industry sectors where we can have the most impact and make a real difference. Our primary goal is to establish City & Guilds as the go-to provider for skills, jobs and credentials across 13 key target sectors, delivering employment outcomes for people in those industries.

Our impact

Given the purpose-led nature of our organisation, it is essential that everything we do, whether commercially or through our social investments, delivers public benefit.

In 2019 we partnered with Cranfield University and The Giving Department to create a framework that allows us to assess, monitor and measure the impact of our activities and ensure they are delivering secure and sustained employment, stronger organisations and a more highly skilled and productive workforce.

Using this framework, we have now produced our second Social Impact Report which highlights how we achieved our purpose as an organisation and delivered on our goals and values.

Below are featured some of the highlights from this report.

People:

Learner Reach

3.5m

Despite the challenges of COVID-19, we supported almost 3.5m leaners across the Group, including 20,000 on technical training courses, higher education, apprenticeships and 19,000 leaders and managers, across 28 sectors.

Resilience & Wellbeing

90%

of those completing the Step Into courses feel confident in the future, with 50% increasing their confidence through the course.

Progression

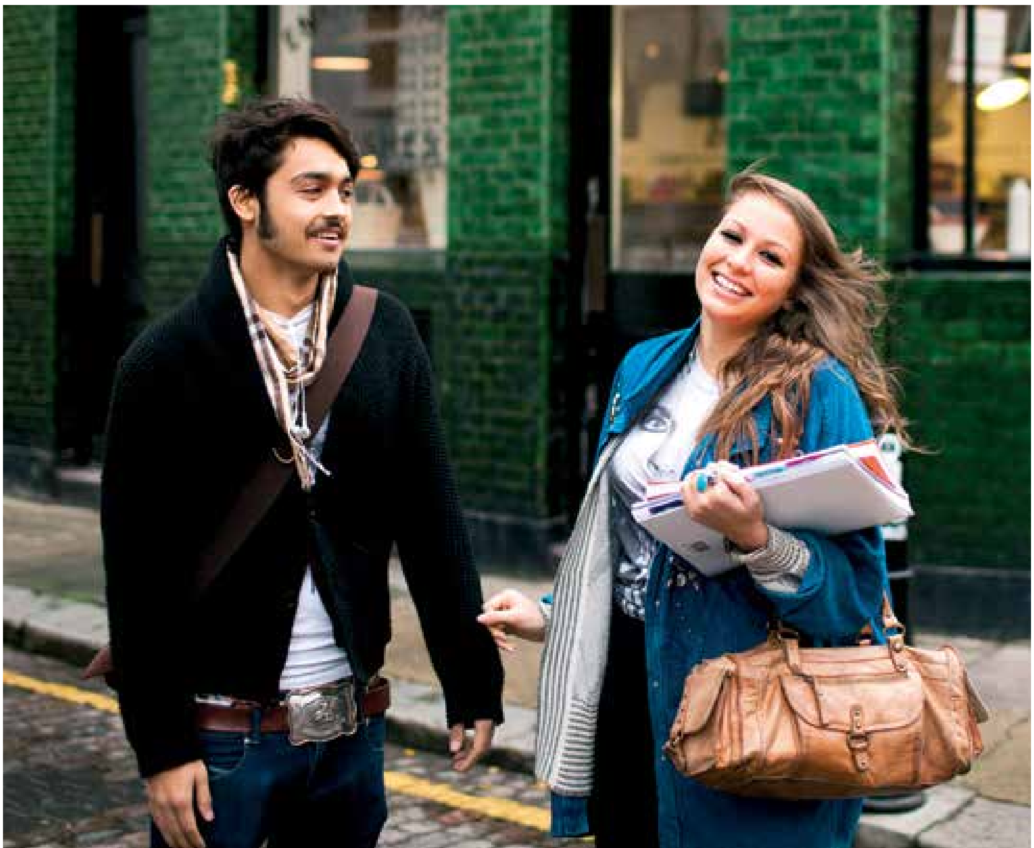
92%

of City & Guilds bursary recipients are in employment 6 months post completing their course.

Sustained learning

84%

of City & Guilds Land-based Technical learners achieved a sustained positive destination outcome six months after completion of their course. (This measure will now be incorporated into all research among learners).



Organisations:

Reach

1,563

Last year, City & Guilds Group worked with 1,563 organisations across 80 countries.

Embedded Skills

74%

As a result of skills development from training with Gen2, 74% of staff improved their grade in subsequent observation.

Organisational Performance

86%

of PRTA alumni organisations say that investing in training leads to high productivity.

Added Value

1st

The Oxford Group's programmes and Kineo's e-learning supported clients to win prestigous industry awards, including Brandon Hall Group and Stevie awards.

Wider Society:

Changing Nature of Learning

200

Responding to the pandemic, we adapted apprenticeship invigilation remotely for over 200 organisations, enabling over 1,600 online tests.

Addressing Skills in Need

5,281

Developed and delivered skills bridges for new entrants for construction, social care and IT, already accessed in 2021 by 5,281 learners.

Championing Vocational Learning

2020

City & Guilds research in 2020 led to the 'Act Now' report proposing the creation of digitally enabled employment and training hubs, unlocking capability in the current system.

Focusing on Sector-based Outcomes

109

Nearly 9000 healthcare workers accessed the new Comprehensive Covid-19 Care platform across 109 countries, to urgently upskill or re-skill in ICU training.

CFO Statement

In FY21 we faced further significant challenges from the pandemic. This continued to have an impact on our revenues for the first half of the year resulting in negative growth of 15.5% in the first half of the year compared to the prior year. There were additional pressures on face-to-face training when the December lockdown was announced. However, towards the end of the financial year we began to see a recovery with revenues growing almost 20% compared to the prior year, resulting in our total income ending down just 4.3% versus the prior year. The business successfully continued to adapt to remote working with training being moved online wherever possible and with innovation across the business.

Jim Conybeare-Cross ACA
Chief Financial Officer

As last year there was a continual strong focus on cost control, including travel, contractor costs and other discretionary costs. We also reduced staff costs at the beginning of the financial year and as a result did not make any further material calls on the Job Retention Scheme as all remaining employees were working at full capacity. However, we continued to invest in the business bringing in new resources and investing in new products and services, including new T Levels that we successfully tendered for and won.

Key highlights from the year

Income and expenditure

Income of £129.9m declined 4.3% compared to last financial year as a result of the continuing impact of the pandemic and, in particular, the third lockdown over winter. As a result of cost saving measures, total expenditure of £93.8m on charitable activities was reduced by 3.4% compared to last year, resulting in net expenditure of £3.1m being slightly up compared to net expenditure of £2.2m last year. This included a gain on our investment portfolio of £4.4m compared to a loss of £1.9m last year. However this year we did not record any gain on the sale of investments compared to last year where we made a £7.8m gain on the sale of our share in Totara. Finally, after a £3.9m actuarial loss on the defined benefit pension scheme, there was a net reduction in funds of £7.9m (2020 increase of £0.7m).

Cashflow

Cash generation from operating activities for the year was -£2.7m compared to £5.5m last year. As I reported last year, the positive cash movement in the year ended 31/8/20 was enhanced by the cash preservation actions we took to mitigate against the effects of the pandemic, including capital expenditure projects delayed, taking advantage of Government concessions to delay VAT and other taxes, a pension deficit payment deferral and negotiating with our large suppliers to delay payment terms. These actions have caught up with us in this financial year thereby negatively impacting cashflows by approximately -£5m. It is however good to report that we still ended up the year with a very satisfactory position of cash and liquid assets (equity investments) of £88.0m comprising £46.6m in cash and £41.4m in liquid investments, just slightly down on £89.8m last year.

Investments

City & Guilds' investment policy is to grow the portfolio by a growth rate equivalent to the prevailing interest rate plus 4%, by way of a diversified portfolio consistent with the trustees' legal powers and duties. During the year an additional amount of £14.0m was invested into investment funds as it was considered that this cash was not required for use in the business in the short term. As a result of favourable markets during the year our investment portfolio valued at £41.35m at year end performed strongly and yielded £4.4m growth during the year.

Going Concern

The financial planning process for the next five years includes financial and cashflow projections and stress test scenarios. This takes into consideration a range of macroeconomic scenarios, including a continuation of the Covid-19 pandemic and their potential impact on the various sources of income and planned expenditure. The plans and financial projections have been prepared on the basis of a number of scenarios so the organisation is prepared for different levels of potential impact and identified mitigating actions that can be considered. The scenarios used range from an optimistic case scenario through to a pessimistic scenario in which there is disruption to activities caused by a pandemic or other event such as a cyber security attack. The point at which cash reserves fall below the minimum level required to continue operations has also been reviewed and is considered highly remote. In all scenarios, City & Guilds has sufficient cash and cash investments and reserves to continue to operate. Accordingly, the trustees are of the opinion that it is appropriate for the financial statements to be prepared on a going concern basis.

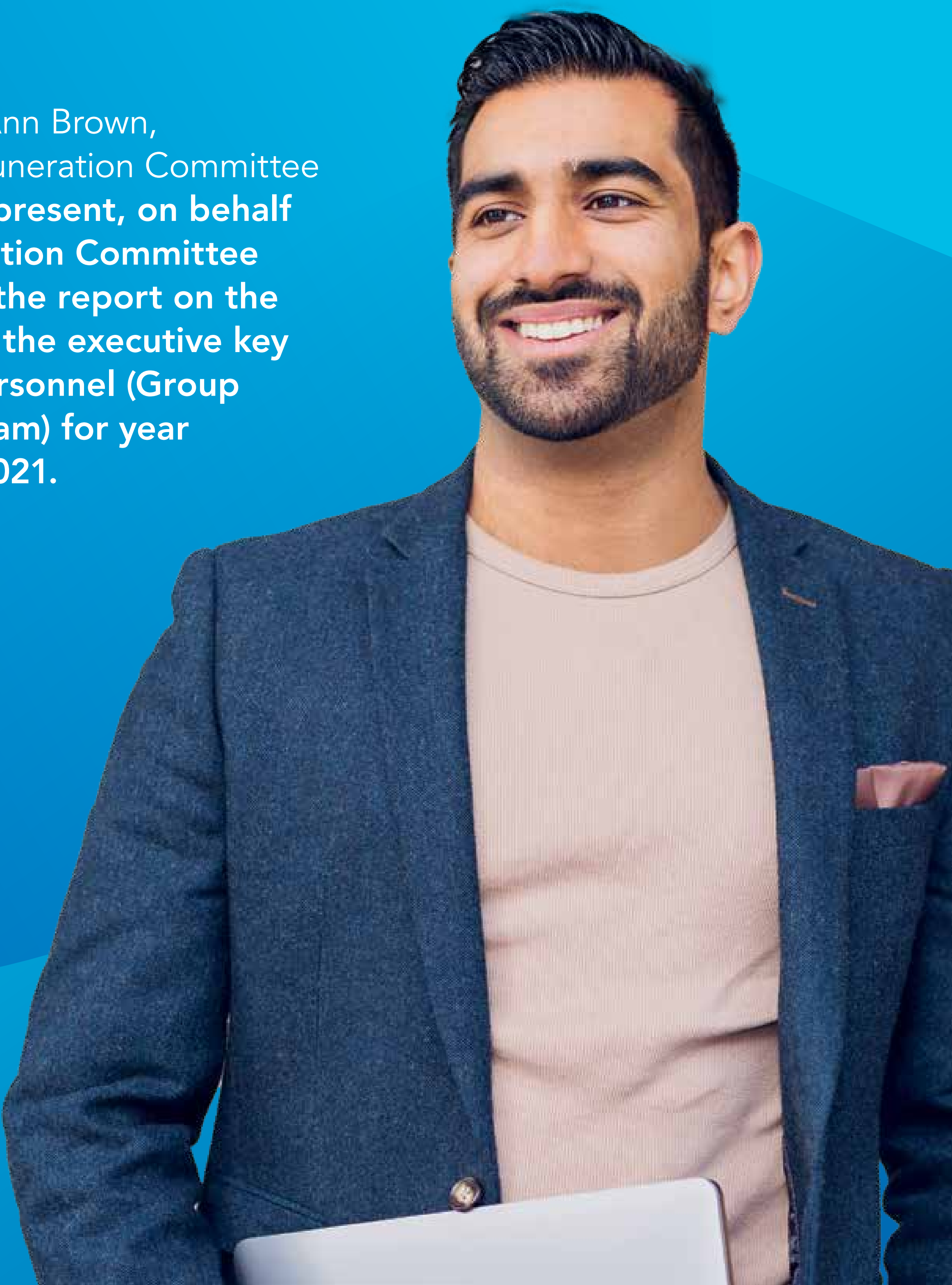
In summary, although income was impacted by further lockdowns resulting in a lower income than we expected, we were able to mitigate the impact through the actions we took during the year and were able to perform significantly better than expected.

Looking forward, we have some significant investments to make in the coming year in both technology and further products and services as we pursue our 'Back to our Future' strategy to enable us to grow and deliver on our purpose and maintain a sound financial foundation that allows us to pursue and deliver on our social goals as an organisation.

Jim Conybeare-Cross ACA
Chief Financial Officer

Remuneration Report

City & Guilds of London Institute



Statement from Ann Brown,
Chair of the Remuneration Committee

I am pleased to present, on behalf of the Remuneration Committee of the Trustees, the report on the remuneration of the executive key management personnel (Group Management Team) for year ended August 2021.

The UK and the wider world continue to deal with the impact and economic fallout of the Coronavirus and in that context City & Guilds has made significant progress in helping to bring opportunities to more people by making work as well as study more flexible and accessible to enable lifelong learning. The importance of a strong digital strategy has been borne out by the pandemic and we have been able to quickly adapt our training and assessments online to support our learners. At the same time, we have navigated the challenges in our own working approach moving to a hybrid workplace, with greater use of remote working and a focus on ensuring our colleagues are engaged, learning and, most importantly, safe.

As such the year ended 31 August 2021 can be seen as one of rebuilding and growing the business to reflect the new world. We will continue to take advantage of opportunities which present themselves ensuring we play a key role in re-shaping the way we learn and in the skills sector as a whole. The performance of the business over the year reflects our priorities to manage our finances in a prudent manner, whilst also making the appropriate investments for future growth, which includes the appropriate reward of our key talent.

Reward Philosophy

In setting the remuneration policy for the Group Management Team, the Committee is conscious of the status of the Institute as a charity and the reality that it is competing against purely commercial organisations, both in product/service markets and talent markets. The Institute is not funded by charitable donations or grants but must earn all its revenues in the commercial marketplace. Only through financial success can the Institute fund activities which reflect its purpose and values.

Consequently, the remuneration policy needs to achieve a sufficient level of competitiveness in the relevant executive talent markets to allow the recruitment and retention of sufficient high calibre people needed to lead the organisation in a global market in line with the relative size of our business activities. At the same time, meaningful incentive plans need to be in place to provide focus and alignment with the Institute's challenging objectives. The Committee has decided that the balance is best struck by providing a fixed pay package (salary, pension, and benefits) which is competitive against similar-sized commercial service businesses (excluding financial services) against which we compete for talent. In addition, the package includes a bonus plan to reward the achievement of stretching goals.

At the same time, the Committee has considered information on the total remuneration available in other substantial unlisted organisations and has set our incentive policy on a conservative basis, so that the total earnings opportunity is rather less at maximum than would be provided in purely commercial organisations of a similar size.

This approach is considered appropriate in being able to recruit, retain and motivate our management team to deliver our strategy and reflects the approach that the Institute uses more widely across our employees.

The Committee is cognisant of its responsibilities in setting senior management pay in the context of the wider organisation and all its stakeholders, and in particular the alignment with other employees. The Committee has taken on board a number of the relevant provisions of the UK Corporate Governance Code for listed companies, which includes a standing agenda item to consider the pay and employment conditions across the organisation. This gives the Committee a better insight into the impact of any changes in senior management remuneration.

Pension equalisation has been the practice in the Institute since the 1966 Pension Scheme was introduced. The same contribution structure now applies to all employees in that scheme with no enhanced contribution levels for more senior staff (although those subject to HMRC caps on payments to a registered plan may receive cash payments in lieu). The new starters' pension plan introduced in July 2019 is used for all new Group Management Team members.

Our approach to reporting remuneration is to make voluntary disclosure which goes above and beyond the statutory requirements.

Performance outcomes for FY21

As a reminder there was no annual bonus paid for FY20, nor any normal pay increases due to the impact of Covid-19 on the business.

Given the market environment at the time, the annual bonus for FY21 was simplified to focus on financial performance, through the Group Operating Surplus (60% weighting), and individual strategic measures (40% weighting). The individual measures were tailored to each role but were based around 5 core areas: strategic transformation, financial, operational, customer, people and leadership.

The Group Operating Surplus target range was set taking into account the volatility in the market and the potential disruption caused by the pandemic. Against this the business performed extremely well in the circumstances and achieved well over its budgeted operating surplus. This results in a maximum pay-out for this element of the bonus.

The Institute achieved a number of notable successes including the developments in its digital offering and attaining a leading position in the EPA market as well as several notable contracts bid wins. The progress made in delivering our strategic goals was reflected in the outcomes for individual strategic measures for the Group Management Team members which ranged 50% to 100% of maximum for this element of the bonus.

£1,000

one-off bonus payment to 850 employees for the recognition for their hard work

The bonus outcomes are aligned with the wider Corporate Bonus which will pay out at maximum to circa 850 employees. To recognise the contribution of colleagues and to thank them for their hard work and exceptional performance we have also granted them an additional one-off enhanced bonus payment of £1,000 which is on top of the Corporate Bonus.

Decisions for FY22

As a result of the continued uncertainty in business recovery, the Committee has decided that there will be no normal annual pay increases for the members of the Group Management Team for FY22. Future pay reviews for the Group Management Team will be considered to the extent they feature across the wider workforce.

For FY22 the annual bonus plan will continue to be based on a combination of both business and individual performance measures:

- Group Financial Objectives: Group OS & Group cost savings – 60% weighting
- Individual objectives – 40% weighting

The structure set out above will apply to all members of the senior management annual bonus plan, albeit the individual objectives will be tailored to each role and business unit reflecting 5 core areas – strategic transformation, financial, operational, customer, people and leadership. Parts of the development of our Social Impact Framework are reflected in the individual measures, although it is the Committee's desire to incorporate a specific performance measure around social impact once such metrics have been fully embedded into the business.

At this stage, no other changes are proposed to the operation of the remuneration policy as it is working effectively and supports the aims and purpose of the Institute. However, the Committee is mindful of the need to retain and incentivise key talent during this critical period in the Institute's development, particularly in supporting our drive for growth over the next three years. As such the Committee will take time during FY22 to consider if the existing incentives are sufficient to support the high-performance culture which is being developed in the business. Any changes will be considered in the context of the wider stakeholder experience.

Ann Brown, Chair of Remuneration Committee of Trustees

The Remuneration Committee

The Remuneration Committee ("the Committee") is a Committee of the Trustee Board of the Institute. The Trustee Board considers the Committee's members to be independent. The members of the Committee during the financial year were Ann Brown (Chair), Ann Limb, Andy Marchant, Jane Gibbon and Peter McKee. The Chair of the Institute Trustees, Sir John Armitt until end of October 2021 and Ann Limb thereafter, sits as an ex-officio Member. Peter McKee retired at the end of October 2021 and Iain Ailles was appointed to the Committee after the financial year on 1 November 2021.

The role of the Committee is to decide remuneration policy, terms of employment and remuneration plan design for the Group Management Team, including the Group Chief Executive (GCE) and to confirm their salaries, individual incentive opportunity and pay-outs under the annual bonus plan and LTIP. During FY21, the Terms of Reference for the Remuneration Committee were reviewed and updated.

The Committee meets at least 4 times during the year, discussing a range of topics which for FY21 included:

- Market practice developments and regulatory changes
- Gender pay gap review
- Business performance and employee updates
- Group reward overview

- Received updates on the work of the Pensions sub-committee
- Review of incentive arrangements – monitoring current progress and considering performance measures/ targets for future awards
- Review of Group Management Team service contracts
- Approval of the Remuneration Report
- Committee Terms of Reference

During the year the Committee took external advice from FIT Remuneration Consultants LLP ("FIT") on matters of remuneration policy implementation and pay market information. FIT is a member of the Remuneration Consultants' Group and complies with its Code of Conduct which sets out guidelines to ensure that its advice is independent and free of undue influence. FIT carries out no other work for the Institute or any of its subsidiaries.

The Committee also receives support from the Chief People and Customer Officer and the Reward, Recognition and Performance Management Director. The Group Chief Executive attends meetings by invitation to provide input on the discussions regarding strategy and performance. No member of management is present when their own remuneration arrangements are discussed.

Alignment with Institute strategy and purpose

The key objective of the remuneration policy is to support the delivery of our strategy and recognise the Institute's purpose. As such, our incentive arrangements are designed to directly align with the delivery of our key short and longer-term objectives.

The performance measures chosen are a combination of financial and non-financial strategic metrics which recognise that performance outcomes for the Institute need to be assessed on a broad basis. The performance measures used for the annual bonus will be kept under review to ensure they remain aligned to our strategy. Performance targets are set at the start of the financial year taking into account internal financial plans, external forecasts (to the extent they exist) and a wider view of the macroeconomic environment at that time. The target range is set to be challenging, but realistic and have the appropriate balance of risk and reward.

Recognising that it had been a number of years since the executives' service contracts were last reviewed, a new model contract was prepared to ensure that all executives are subject to suitable restrictive covenants and generally comply with current expectations as to best practice provisions. All of the executives have signed new contracts on this basis.

Report on Remuneration for Year Ending 31 August 2021

The following table shows the salary, benefits and bonus of the Group Chief Executive. Chris Jones resigned and stepped down as Group Chief Executive on 31 January 2020. He was replaced, initially on an interim basis, by Kirstie Donnelly who was formally appointed as Group Chief Executive on 2 March 2020.

Group Chief Executive Salary, Benefits and Bonus

Group Chief Executive Kirstie Donnelly	Financial Year 2021 full year	Financial Year 2020 8 months only
Salary [1]	£296,000	£187,167
Taxable benefits [2]	£59,986	£34,916
Cash bonus earned in the year [3]	£192,400	Nil
Total	**£548,386**	**£222,083**

Group Chief Executive Chris Jones	Financial Year 2021 full year	Financial Year 2020 5 months only
Salary 1	N/A	£121,975
Taxable benefits 2	N/A	£23,881
Cash bonus earned in the year 3	N/A	Nil
Total		**£145,856**

Notes

1. Reported amounts relate to their period of employment.
2. Includes pension cash in lieu, car allowance, private medical insurance and health assessment.
3. As the Group Operating Surplus underpin for the FY20 annual bonus was not achieved there was no bonus payable for FY20.
4. The bonus achieved for FY21 bonus performance criteria for the Group Chief Executive is set out below:

   a. Group Operating Surplus – 100% (on target 27.3%, maximum 39%)

   b. Individual performance – 100% (on target 18.2%, maximum 26%)

   c. Individual performance was focused on areas including strategic transformation, financial, operational, customer, people and leadership and was assessed by the Committee taking into account a broad view of performance. As part of the review the Committee considered feedback from the Chair of the Institute Trustees and the Audit and Risk Committee.

Group Management Team Emoluments

The total value of emoluments (salaries, pensions, bonuses, and taxable benefits-in-kind and severance) paid to the Group Management Team (including the Chief Executive) in year ending August 2021 was £2,801,449 (FY20: £2,696,505). The increase relates to bonus awards made for FY21 targets being exceeded. In addition to these emoluments, members of the Group Management Team participate in the Institute's pension schemes on the same terms as other staff members, except that they may elect to take earned contributions in excess of £10,000 as cash.

The number of Group Management Team members at the year-end was 8 (including the Chief Executive).

Trustees

The Institute Trustees are not remunerated providing their services as trustees pro bono. Nor do they receive any other benefits. Expenses claimed can be found in the Financial Statements.

Gender Pay

The Institute published its 2020/21 Gender Pay Gap in September 2021 which is available here. The Committee continues to monitor gender pay as an annual agenda item.

Remuneration Policy

The Institute is non-profit making, and our mission is the achievement of our charitable objectives and fulfilment of our charter.

At the same time most of our services are being sold and provided in a highly competitive and commercial marketplace in which we must either develop and grow or lose ground to stronger competitors. We need to make a healthy net surplus to allow reinvestment in the business to maintain the high-quality products for our learners, and to provide investment for growth. We also need to be able to recruit and retain talented staff.

Consequently, the Committee has proposed and agreed with the Trustees a clear remuneration philosophy and set of principles to guide its decisions about executive remuneration. These require it to consider both market levels of remuneration and the economic and funding realities of the Group's business and to provide variable reward so as to allow employment costs to be managed and enhance the focus on performance.

Future policy table – remuneration of Chief Executive and other members of the Group Management Team

Base salary	
Purpose/Link to corporate strategy	Part of a basic competitive package to recruit and retain individuals of the necessary calibre to execute the Institute's business strategy.
Operation	Salary only. Normally reviewed annually with changes effective 1st January if appropriate.
Opportunity	Reviews based on external market comparisons, the skills and experience of the individual, the Institute's financial position and increases to other Group staff. Increases in salary will normally be limited to the average staff % increase in the Group or less. There is no automatic expectation of an increase each year.
Performance metrics	Individuals have scorecards, priorities and measures.

Pension	
Purpose/Link to corporate strategy	To provide Directors with a long-term retirement savings opportunity. The pension contribution or cash-in-lieu is part of a basic competitive package to recruit and retain.
Operation	Members of the Group Management Team are members of the standard Institute pension schemes. However, they have the choice to opt out of the pension scheme if their contributions come near to the annual allowance ceiling and take a cash in lieu option through PAYE, as compensation for loss of pension benefits at the value of 16% of their gross base salary. Any amount paid in cash in lieu of pension is fully subject to income tax and National Insurance deductions
Opportunity	The maximum total contribution for all members of the Group Management Team is up to 16% of gross base salary (i.e., excluding bonus or any allowance) depending on the pension scheme. Members of the Group Management Team may participate in the Institute's pension schemes on the same terms as other members of staff, except that they may elect for a cash-in-lieu arrangement as described above.
Performance metrics	None

Benefits	
Purpose/Link to corporate strategy	Insured benefits are included to provide employee protection for the benefit of the employee and Company. A car allowance may be provided as part of a competitive package.
Operation	Car allowance paid in cash; private medical insurance for self and family under the Group scheme; life assurance and income protection under the Group scheme.
Opportunity	• Private medical insurance – premium family cover • Life assurance – six times salary • Income Protection Policy – up to 55% of salary • Car Allowance currently up to £9,000 for Chief Executive and other Group Management Team members
Performance metrics	None

Bonus	
Purpose/Link to corporate strategy	To incentivise and focus attention on Institute key strategic objectives and performance indicators (KPIs) and provide a competitive performance-related annual earnings opportunity. Mindful of the need to retain and incentivise key talent during this critical period in the Institute's development, particularly in supporting our drive for growth over the next three years, the Committee will take time during FY22 to consider if the existing incentives are sufficient to support the high performance culture which is being developed in the business.
Operation	Targets are set at start of the year. Payment is made after the year end, depending on achievement against targets after year end audit. The group operating surplus target has to be met as it acts as a financial gateway for any bonus payment.
Opportunity	On-target bonus of 45% of salary for the Chief Executive and 35% for the other Group Management Team members. Maximum bonus for exceptional achievement is 65% salary for the Chief Executive and 50% for other Group Management Team members.
Performance metrics	Corporate financial goals are set which include operating surplus and revenue at a Group and an individual business level. Over-achievement of goals is required for maximum bonus. There is no payment below threshold performance. All bonus payments are at the discretion of the Committee.

Structure, governance and management

Our constitution and charitable status

The Institute's purposes and administration are regulated by its Royal Charter (RC000117) granted on 26 October 1900, and the associated Supplemental Charters, Statutes, Ordinances and Standing Orders.

In 1965 the Institute was registered as a charity in England and Wales (312832) and it is now also registered as a charity in Scotland (SC039576). The Trustees have due regard to the Charity Commission public benefit guidance when exercising any powers or duties to which it is relevant and take the view that the contents of this Report demonstrate that its requirements are met.

The Office of the Scottish Charity Regulator (OSCR) expects the Trustees to include some narrative in this Report about the Institute's activities in Scotland. They are the same as in the rest of the United Kingdom, but the Institute has been supported by an Industry Skills Board (into which the three National Advisory Committees were merged in late 2020). The Board includes representatives from each of the four nations. It held its inaugural meeting in November 2020 and meets bi-monthly throughout the year. Although the remit of the Board is to advise in relation to the United Kingdom as a whole, it recognises the special requirements applying to its constituent parts. At recent meetings, the Board discussed the ongoing evaluation of National Occupational Standards across Scotland, Wales and Northern Ireland, the Scottish Employer Skills Survey and the impending reform of SQA and Education Scotland.

Honorary Officers

Her Royal Highness The Princess Royal is the President of the Institute. The other Honorary Officers are the Vice-Presidents, the Treasurer (who is elected annually by the Members) and the Honorary Secretaries (who are appointed by Council).

Members

There are five categories of Member: Ex-officio, Honorary, Founder, Ordinary and Non-Corporate.

Council

Council's primary role is to appoint and advise the board of Trustees ('Trustee Board') and, jointly with the Trustees, to act as guardian of its constitution. There are four categories of Councillor: Ex-officio, Appointed (by the City of London Corporation and certain livery companies), Elected (by Members), and Co-opted (by Council itself). Appointed, Elected and Co-opted Councillors serve for limited terms.

Trustees

The Trustees have control of, and responsibility for, the affairs of the Institute. The Trustee Board consists of the Chairman and Vice-Chairman of Council, the Treasurer, the Honorary Secretaries, and other Trustees appointed from and by Council on advice from the Nominations Committee. The Trustee Board meets at least six times a year, its meetings presided over by the Chairman or Vice-Chairman of Council. Trustees undergo an induction process and receive updates and briefings on specific topics during their terms of office. One quarter of the appointed Trustees retire every year and are eligible for re-appointment.

Under the constitution the Trustees may be remunerated for professional services, and the Chairman of Council may also be remunerated for acting as Chairman. Details of trustee expenses and any other benefits and remuneration may be found in the Financial Statements.

As in previous years, a Board Effectiveness Review using the format recommended by the Charity Governance Code for larger charities was conducted by the Vice Chair. An Action Plan for the year to 31 August 2021 was agreed by the Trustee Board and is currently being implemented.

Secretary

The Secretary, who is appointed by the Trustees, is responsible, on behalf of the Trustee Board and Council, for ensuring compliance with the Constitution and the Institute's legal obligations and is accountable to the Trustee Board and Council through the Group Chief Executive.

Committees

There are five Trustee Board Committees: the Nominations Committee (which has a Fellowship sub-committee), the Audit and Risk Committee, the Remuneration Committee (which has a Pensions sub-committee), the Foundation Committee, and the Investment Committee. They meet between two and four times a year, and the chairman of each committee is a Trustee who reports to the Trustee Board on its activities. More information about the Remuneration Committee may be found in the Remuneration Report (which forms part of the Trustees' Report).

Quality and Standards Committee

The Quality and Standards Committee is independent of the Trustees and Council. Its principal role is to assist the Institute in respect of all Group activities to maintain and enhance the confidence of learners and centres in the currency and credibility of the Group's assessment and qualifications work. Included in this is oversight of Group internal appeal processes and the role as the final arbiter in appeals against decisions relating to qualifications and assessments awarded or made by Group members. It meets four times a year but if necessary, holds additional meetings to deal with appeals or any other matter.

Executive management

The executive management of the Institute is delegated to the Group Chief Executive, who reports to the Trustees and Council. She has all the powers not expressly reserved to them or delegated by them to committees, and these powers may be exercised on her behalf by such members of staff as she determines. She works with and through a Group Management Team, which deals with major strategic and operational issues and receives reports from representatives of the Institute's divisions and the other Group members. The affairs of the other active Group members are overseen either by a chief executive or managing director (with or without a senior management team) or by their directors, depending on the extent and nature of their activities.

The policies maintained by the Trustees and the governing bodies of the other Group members include a policy which sets out the limits of the authority given to people at different levels to commit to transactions by reference to their financial or other value.

Reference and administrative details

The City and Guilds of London Institute is a Royal Charter body (RC117) and registered as a charity in England & Wales (Reg No: 312832) and Scotland (Reg No: SC039576). On page 48 and 49 of this Report are set out the address of its principal office, and the names of the Trustees as at the date on which this Report was approved, any other Trustees serving during the year ended 31 August 2021, the Secretary, the Group Chief Executive and other Key Management Personnel as well as City & Guilds' principal bankers, investment managers, solicitors and auditors.

Financial review

The year ending 31 August 2021 saw resilience of qualifications markets and in year revenue from existing and previously acquired subsidiaries of the Institute. This, together with cost savings and reorganisation, partially offset the effect of adverse trading conditions during the pandemic in the year.

Income and assets

The Group

The Group's income was £129.9m (2019-20: £135.7m). Of this 65% (2019-20: 64%) is classed as educational in the Financial Statements. The Group's expenditure was £137.4m (2019-20: £143.8m). Of this 68% (2019-20: 68%) is classed as educational in the Financial Statements. The educational components include income and expenditure from the Institute and City and Guilds International Limited. The Institute and City and Guilds International Limited are registered charities specialising in the education sector.

The Group's net expenditure was £3.1m (2019-20: £2.2m).

Funds decreased by £7.9m (2019-20: increase of £0.7m). This movement included an actuarial loss in relation to the defined benefit pension scheme of £3.9m (2019-20: gain of £3.3m), and foreign currency losses of £0.9m (2019-20: £0.4m). The difference in funds movement between the current and prior years is due to a gain of £7.8m on the disposal of our investment in Totara in 2020. There is more information about pensions on pages 80-82 of this Report.

The balance sheet value of the Group's net assets at 31 August 2021 was £88.0m (31 August 2020: £95.9m). Cash at the end of the year was £46.6m vs £66.0m last year. The £19.4m decrease in cash is largely due to the purchase of equity investments of £14.0m and the purchase of tangible fixed assets of £4.6m. Negative cashflow from operations of £2.7m was mostly offset by proceeds from the sale of investments and fixed assets of £1.8m.

The Institute

The Institute's income was £83.8m (2019-20: £81.6m). Of this 100% (2019-20: 100%) is classed as educational in the Financial Statements. The Institute's expenditure was £84.0m (2019-20: £87.3m). Of this 100% (2019-20: 100%) is classed as educational in the Financial Statements. The Institute's loss on investments and disposal of assets was £0.1m (2019-20: £1.9m). The Institute's net income was £3.7m (2019-20: net expenditure of £7.6m).

From the net expenditure was deducted £3.9m (2019-20: added £3.0m), consisting mainly of an actuarial loss in relation to the defined benefit pension scheme of £3.9m (2019-20: gain of £3.3m) to arrive at the net movement in funds, which decreased by £0.2m (2019-20: £4.6m). There is more information about pensions on pages 80 to 82 in this Report. The balance sheet value of the Institute's net assets at 31 August 2021 was £98.0m (31 August 2020: £98.2m).

Other principal active members of the Group

The results of the other principal active members of the Group can be found in note 7 of the Financial Statements. If the Institute's direct subsidiaries make profits and this is permitted by their constitutions, they normally pay them (either by dividend or gift aid donation) to the Institute. No subsidiary was in a material deficit to the Group, as at 31 August 2021.

Capital expenditure and depreciation

The Group capital expenditure of £4.6m (2019-20: £3.4m) was largely on IT assets. Depreciation was £4.9m (2019-20: £6.8m). The Institute's capital expenditure of £2.6m (2019-20: £1.6m) was largely on IT assets. Depreciation was £2.6m (2019-20: £3.9m).

Fund-raising statement

Fund-raising is defined as 'soliciting or otherwise procuring money or other property for charitable purposes'. Income of this nature received in the year to 31 August 2021 amounted to £nil (2019-20: £nil). We do not undertake fund-raising from the public. We are not subject to any undertaking to be bound by any voluntary scheme for regulating fund-raising or any voluntary fund-raising standard. All solicitations are managed internally, without the involvement of commercial participators, professional fund-raisers or third parties. The day to day management of all income generation is delegated to the executive team and, since we do not solicit funds from the public and expect our staff to act appropriately at all times, we do not consider it necessary to put in place specific internal procedures to monitor fund-raising activities. We have received no complaints in relation to fund-raising activities.

Risk management

Understanding the risks we face and managing them appropriately is important to us to enhance the Group's ability to make better decisions to deliver on our purpose, with more impact, to more people.

How we manage risk

The City & Guilds Group has a clear Risk Management framework that supports the delivery of its risk management objectives and requirements for identifying, assessing, reporting, and monitoring risk.

The Trustees, supported by the Audit and Risk Committee, keep under regular review the risks to which the Group is exposed, the risk appetite, and ways in which risk management processes can be used to enhance performance.

Trustees formally approve the Strategic Risk Register and the risk appetite matrix annually. The Strategic Risk Register and Operational Risk Registers are managed by the Group Management Team. The Group Internal Auditor provides independent assurance that the risk management, governance, and internal control processes are operating effectively.

The Trustees have identified the following principal risks and uncertainties facing the Institute and its subsidiary undertakings and the mitigation plans to manage those risks are summarised below.

- We do not generate sufficient business cashflow or identify and secure other funding options to protect our existing business and to grow our strategic reserves in order to invest in our future growth. The Trustees' plans include using our five year forecasting process as a key point in our capital allocation review, linking to the wider strategic planning activities and undertake an external review of future funding options
- We are unable to fund the 1966 defined benefit pension scheme deficit to meet internal and external stakeholders needs. The Trustees' plans include reviewing the use of the actuarial monitoring tools in place and having finalised an achievable and sustainable deficit repayment plan with the Pension Scheme Trustees in August 2021

- We do not evolve our operating model to support our evolving strategy. The Trustees' plans include an ongoing review of change programme structure and wider approach to project governance structure, engaging external expertise and undertaking benchmarking to review the ability of our target operating model to deliver new and traditional business
- We do not effectively plan for, respond to or manage a major business continuity incident or crisis event through capabilities which are aligned with business needs. The Trustees' plans include working with specialist consultants to support the full review, update, and testing of all activities including running crisis management scenarios
- We do not effectively control information security threats, implement compliance standards and address weaknesses in our existing estate and new digital services which may expose us to unacceptable risk and hamper our ability to compete in key commercial markets. The Trustees' plans include a rolling information security and data protection compliance programme, baselining policies and driving continuous improvement through robust risk management and standards compliance across the Group and implementing information assessment management software tools

The Trustees have also identified the following secondary risks and uncertainties facing the Institute and its subsidiary undertakings:

- We do not make the right resource allocation decisions to meet customer needs and deliver surplus generating growth and do not achieve the desired level of impact to meet our purpose.
- We fail to comply with our obligations to regulators e.g. Ofqual, IfATE, Ofsted (in particular safeguarding), ESFA, and other stakeholders e.g. professional bodies and membership institutes.
- We do not effectively influence and respond to changes in skills policy and reform due to poor monitoring and engagement with government departments, agencies, membership bodies and other industry stakeholders to target influence at a ministerial/ senior level.
- We do not have strong enough employee engagement and lack the capability to support commercial business performance and the execution of our strategy.
- We do not effectively identify, manage and comply with general legal, Charity Commission, HSE and financial compliance (excluding regulatory requirements applicable to Awarding Organisation, End-Point Assessment Organisation or Training Provider).
- We do not effectively transform our legacy technology architecture to provide secure, resilient, agile scalable technology to support our future strategy, compliance obligations and reduce the cost to serve.

Designated Fund

The Skills Development Fund was created by the Institute and made its first grants in the year ended 31 August 2016. Its aim is to invest in new and innovative activities which have a demonstrable impact; create long-term and sustainable change; deliver real benefit to the education sector, employers and/or learners; and reflect the Group's global profile. The timing of the expenditure depends on the strategies adopted for the Fund's use, and the nature, size and number of opportunities which present themselves. The value of the Fund at 31 August 2021 was £3.0m (2020: £3.3m).

Restricted Funds

City & Guilds Land Based Services (NPTC)

Since 30 June 2010, the Institute has held a fund which supports its land-based activities. The timing of the expenditure depends on the strategies adopted for the Fund's use, and the nature, size and number of opportunities which present themselves. The value of the Fund at 31 August 2021 was £3.7m (2020: £3.7m), invested in bank deposit accounts to limit risk exposure. During the year, £nil (2020: £nil) was spent.

Other Funds

TILM (The Institute of Leadership and Management)

Since 1 January 2016, the Institute has held a fund whose objects are the promotion and development of the science of leadership and management, and the advancement of education involving the study of the skills of leadership and management. At 31 August 2021, the Fund consisted of £1.7m in cash. This was the present value of the balance at 1 September 2020 (£2.1m) plus interest of £0.1m less the sixth in a series of annual payments to TILM of £0.5m. The Fund is not referred to in the Financial Statements. This is because it is valued at £nil for accounting purposes since it is the Trustees' intention to use it for the remaining payments to TILM.

Reserves

The Institute adopts a risk-based approach to setting a minimum level of free reserves which the Trustees consider to be appropriate to maintain for the coming year. Factors considered include budget cash flow forecasts, long-term plans, key risks, the timing of major income, expenditure and capital items and potential cash outflows not included in the budget process (such as acquisitions). The Trustees review the policy on an annual basis to ensure it continues to comply with current Charity Commission guidance. The remit of the Audit & Risk Committee includes evaluation of the target for reserve levels and consideration of the use to which reserves should be put.

The level of free reserves deemed appropriate for the Group at 31 August 2021 was £54.3m (2020: £69.6m). This has decreased from last year, reflecting the reduced level of risk of changes in government funding and in Covid-19. The value of the actual free reserves at 31 August 2021 was £59.3m (2020: £63.4m), calculated by adding the net current assets (£26.8m) to the fund investments (£41.4m) and then deducting the value of the Restricted Funds (£3.7m), Designated Fund (£3.0m), long term creditors (£1.2m) and provisions for liabilities and charges (£1m). The aggregate free reserves of the Charity's subsidiaries at 31 August 2021 was £17.1m (2020: £19.9m).

Investments

The Institute's investments in cash, securities (including equities, and gilts) and property are directed and monitored by the Investment Committee.

Subsidiaries

Investments include shares in companies owned or controlled by the Institute, or loans to those companies. The Institute's investment in City and Guilds International Ltd is a 'programme-related investment', made to further the Institute's aims in a way that may also produce some financial return for it. The remainder are 'social investments', made with a view both to directly furthering the Institute's purposes and to achieving a financial return. The Trustees' policy is to set up new subsidiaries where it is prudent or desirable for activities to be carried out by a separate legal entity, and to acquire existing companies where this is preferable to creating a product or service in-house.

Other investments in companies

Other investments in companies are also social investments. The Trustees' policy is to become a minority shareholder in existing companies where participation in their management will be more beneficial than contractual arrangements alone. Information about the values of these investments can be found in Note 7(c) to the Financial Statements.

Cash and equities

The Group's investments primarily are in place to act as a source of funds for acquisitions and business development. The target risk is a 10% loss in value being a once in 20 years event; the target growth is the prevailing interest rate plus 4%.

In aggregate £41.4m was invested in the following three funds as at 31 August 2021:

- Insight Broad Opportunities Fund (IBOF)
- Vanguard LifeStrategy 60% Equity Fund (VLEF)
- Trojan Investment funds

At 31 August 2021, the Group's cash amounted to £46.6m (2020: £66.0m) and the Group's listed investments were valued at £41.4m (2020: £23.8m). £Nil (2020: £0.9m) was invested in the BDAAF, £14.4m (2020: £12.9m) in the IBOF, £13.8m (2020: £10.0m) in the VLEF and £13.2m (2020: £Nil) in the Trojan Investment funds. Our investment portfolio has returned 14.67% (2020: minus 1.67%) in the year.

Pension Fund

At 31 August 2021, the funding of the defined benefit section of the City and Guilds (1966) Pension Scheme was in deficit by £35.7m (2020: £37.5m). The improvement in the pension deficit was the result of the £21.6m increase in the value of the liabilities (from £267.1m to £288.7m), and the £23.4m increase in the value of the scheme assets (from £229.6m to £253.0m). The net of these variances gives the improvement in position of £1.8m.

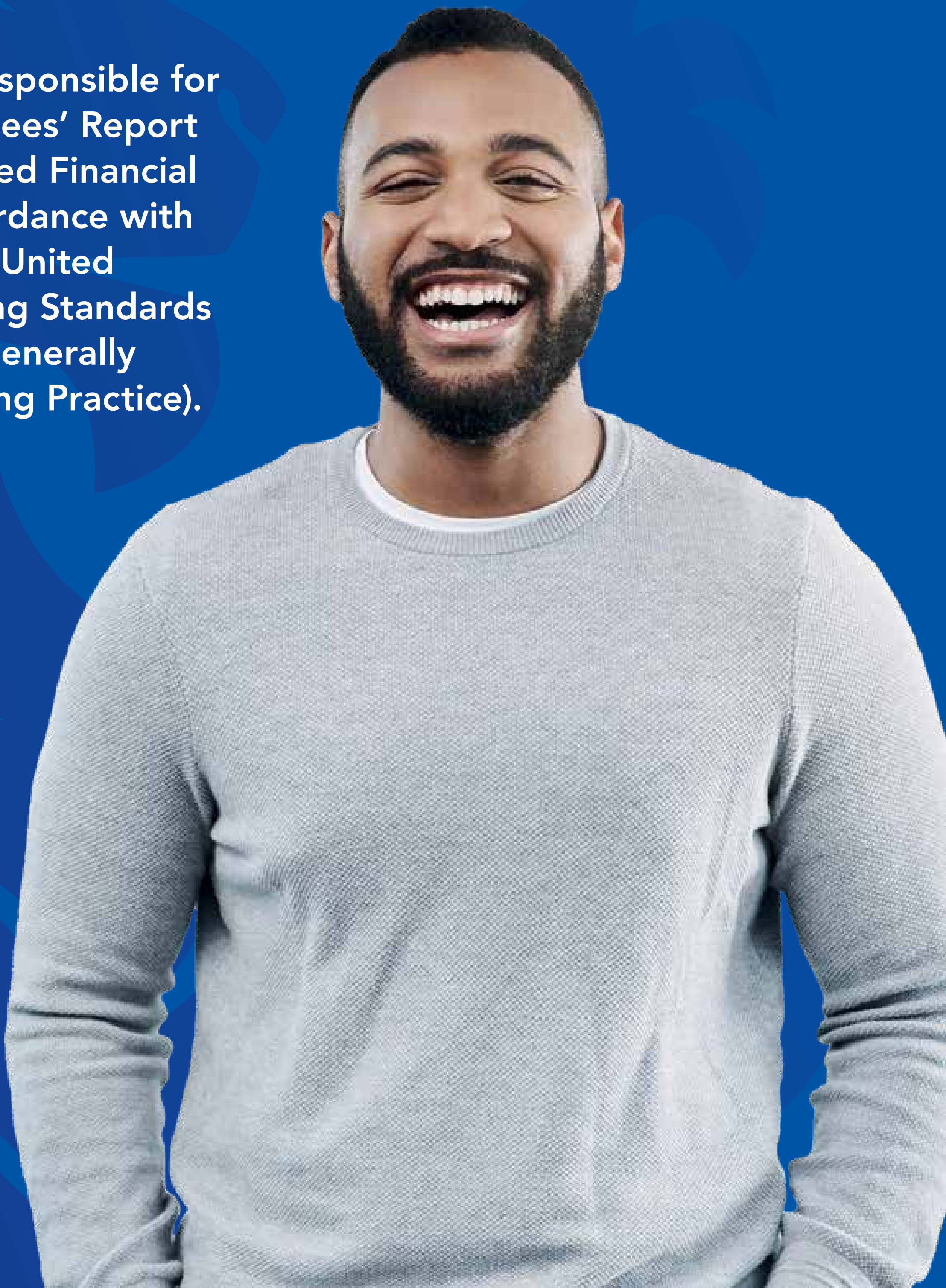
The change in the value of the scheme liabilities was due to a change in the financial assumptions (mainly the discount rate and inflation expectations) used to calculate the liability. The Trustees are aware of the volatile nature of pension surpluses/deficits calculated according to FRS102, which may vary in response to market factors and the actuarial assumptions made. The Trustees have considered the impact of this liability on future cash flow and reserves and believe that it will be funded from normal activities.

Relationships between the Institute and related parties

The Institute provides a range of services to its subsidiaries, for which payment is made. The nature of those services varies according to the subsidiary concerned but may include management and support services such as IT, human resources and development, finance, facilities and legal.

Statement of Trustees' responsibilities

The Trustees are responsible for preparing the Trustees' Report and the Consolidated Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).



The law applicable to charities in England & Wales and Scotland requires the Trustees to prepare the financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under charity law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Charity and of the incoming resources and application of resources, including the income and expenditure, of the Group for that period.

In preparing these Financial Statements, the Trustees are required to:

a. select suitable accounting policies and apply them consistently;

b. make judgments and accounting estimates that are reasonable and prudent;

c. state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and

d. prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Institute will continue in business.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Charity and enable them to ensure that the financial statements comply with the Charities Act 2011, Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006. They are also responsible for safeguarding the assets of the Charity and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Trustees are aware:

e. there is no relevant audit information of which the Institute's auditor is unaware; and

f. the Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The maintenance and integrity of the Institute's website is the responsibility of the Trustees. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the 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.

Auditors

At the Yearly Meeting on 27th April 2021, BDO LLP was re-appointed as the Institute's auditors. It has indicated its willingness to continue in office and it is the current intention that it should do so.

Approval and signature

This report was approved by the Trustees on 11th January 2022 and signed on their behalf by

Ann Limb

Dr Ann G Limb CBE FCGI
Chair

Administrative information

Secretary to the Institute

C D Miller (resigned 30 September 2020)

C R Astles (appointed as Interim Secretary with effect from 7 October 2020)

Group Chief Executive and Director General of the Institute

K Donnelly MBE

Principal Office

Giltspur House, 5-6 Giltspur Street
London EC1A 9DE

External Auditors

BDO LLP
2 City Place
Beehive Ring Road, Gatwick
West Sussex RH6 0PA

Internal Auditors

Deloitte LLP
1 New Street Square
London EC4A 3HQ

Investment Managers

Insight Investment Management Limited
160 Queen Victoria Street
London EC4V 4LA

Troy Asset Management Limited
33 Davies Street
London W1K 4BP

Vanguard Asset Management Ltd
4th Floor, The Walbrook Building,
25 Walbrook,
London EC4N 8AF

Principal Bankers

The Royal Bank of Scotland
London Corporate Centre, PO Box 412
62-63 Threadneedle Street
London EC2R 8LA

Actuaries

Willis Towers Watson
51 Lime Street
London EC3M 7DQ

Principal Legal Advisers

Charles Russell LLP
5 Fleet Place
London EC4M 7RD

Bird & Bird LLP
12 New Fetter Lane
London EC4A 1JP

Other Key Management Personnel

J T Conybeare-Cross ACA
Chief Financial Officer

N Pattimore
Chief People and Customer Officer

P T Ellaway
Group Strategy Director

T Blake
Chief Technology Officer

D Phillips
Managing Director, Skills Credentialing

A Moss
Managing Director, Corporate Learning

M Hottass
Managing Director, Technical Training

Independent Auditor's Report to the Trustees of The City and Guilds of London Institute

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Charity's affairs as at 31 August 2021 and of the Group's incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006, as amended in 2010.

We have audited the financial statements of The City and Guilds of London Institute ("the Parent Charity") and its subsidiaries ("the Group") for the year ended 31 August 2021 which comprise the consolidated statement of financial activities, the balance sheets, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Charity in accordance with the ethical requirements 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.

Conclusions related to going concern

In auditing the financial statements, we have concluded that the Trustees' 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 Group and the Parent Charity'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 Trustees with respect to going concern are described in the relevant sections of this report.

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the Trustees Annual Report and Consolidated Financial Statements, other than the financial statements and our auditor's report thereon. The other information comprises the Trustees 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities Act 2011 and the Charities and Trustee Investment (Scotland) Act 2005 requires us to report to you if, in our opinion;

- the information contained in the financial statements is inconsistent in any material respect with the Trustees' Annual Report; or
- proper accounting records have not been kept by the Parent Charity; or
- the Parent Charity financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Trustees

As explained more fully in the Statement of Trustees' responsibilities, the Trustees 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 Trustees determines 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 Trustees are responsible for assessing the Group's and the Parent Charity'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 Trustees either intend to liquidate the Group or the parent Charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor section 144 of the Charities Act 2011 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

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

Extent to which the audit was 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:

- We obtained an understanding of the legal and regulatory framework applicable to City & Guilds of London institute. We focused on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of City & Guilds of London institute. The laws and regulations we considered in this context were United Kingdom Accounting Standards (Financial Reporting Standard 102), the Statement of Recommended Practice (SORP) Accounting and Reporting by Charities (FRS 102), and the Charities Act 2011.
- We understood how City & Guilds of London institute is complying with those legal and regulatory frameworks, by making enquiries to management, and the Board, of known or suspected instances of non-compliance with laws and regulations. We corroborated our enquiries through our review of key committee board minutes.
- We reviewed the financial statement disclosures to assess compliance with the relevant laws and regulations discussed above. We remained alert to any indications of non-compliance throughout the audit.
- We assessed the susceptibility of the City and Guilds of London Institute's financial statements to material misstatement, including how fraud might occur, by discussing with management and the Board to understand where it is considered there was a susceptibility of fraud.

- We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements, and determined that the principal risks were related to the override of controls by management including posting of inappropriate journal entries, management bias in key material accounting estimates, and the timing of income recognition.
- Audit procedures performed in response to the assessment above included: Enquiries of management and the Board; reviewing accounting estimates for bias and challenging assumptions made by management in their significant accounting estimates including, but not limited to, valuation of investments in subsidiaries, measurement of the defined benefit pension scheme liability, assessing the future viability of courses where third party content development costs have been deferred; Sample testing the recognition of income (including reviewing the assumptions that underpin income recognition), Sample testing the appropriateness of journal entries.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Report-ing Council's ("FRC's") website at: https://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 Charity's trustees, as a body, in accordance with the Charities Act 2011 and the Charities and Trustee Investment (Scotland) Act 2005. Our audit work has been undertaken so that we might state to the Charity's trustees 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 Charity and the Charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

James Aston

BDO LLP, statutory auditor
Gatwick
Date: 12th January 2022

BDO LLP is eligible for appointment as auditor of the charity by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated statement of financial activities

For the year ended 31 August 2021

(Incorporating an Income and Expenditure Account)

				Year ended 31 August 2021			Year ended 31 August 2020
	Note	£m	£m	**£m**	£m	£m	£m
		Unrestricted funds	Restricted funds	**Total**	Unrestricted funds	Restricted funds	Total
Income and endowments from: Donations and legacies		–	–	**–**	–	–	–
Other trading activities		45.0	–	**45.0**	47.9	–	47.9
Investments	2	0.1	–	**0.1**	0.7	–	0.7
Charitable activities	3	84.8	–	**84.8**	87.1	–	87.1
Total income		129.9	–	**129.9**	135.7	–	135.7
Expenditure on: Raising funds		43.4	–	**43.4**	46.5	–	46.5
Charitable activities Exceptional items		–	–	**–**	4.2	–	4.2
Other costs		93.8	–	**93.8**	92.9	–	92.9
Total expenditure on charitable activities		93.8	–	**93.8**	97.1	–	97.1
Other Tax on overseas activities		0.2	–	**0.2**	0.2	–	0.2
Total expenditure	4	137.4	–	**137.4**	143.8	–	143.8
Net expenditure before investments, disposal of fixed assets and associates		(7.5)	–	**(7.5)**	(8.1)	–	**(8.1)**
(Losses) / Gains on investment assets	7	4.4	–	**4.4**	(1.8)	(0.1)	(1.9)
Gain on disposal of investment	7	–	–	**–**	7.8	–	7.8
Net (expenditure) income		(3.1)	–	**(3.1)**	(2.1)	(0.1)	(2.2)
Other recognised gains and losses (Loss) / Gain on revaluation of foreign net investments		(0.9)	–	**(0.9)**	(0.4)	–	(0.4)
Actuarial gain / (loss) defined benefit pension scheme	19	(3.9)	–	**(3.9)**	3.3	–	3.3
Net movement in funds		(7.9)	–	**(7.9)**	0.8	(0.1)	0.7
Accumulated funds brought forward		92.2	3.7	**95.9**	91.4	3.8	95.2
Accumulated funds carried forward	13	84.3	3.7	**88.0**	92.2	3.7	95.9

The above results are derived entirely from continuing activities.
The notes on pages 58 to 86 form part of these Financial Statements.

Balance sheets

For the year ended 31 August 2021

	Note	Group 31 August 2021	31 August 2020	Institute 31 August 2021	31 August 2020
		£m	£m	£m	£m
Intangible fixed assets	5	**19.1**	23.4	**0.2**	0.2
Tangible fixed assets	6	**34.6**	35.7	**27.5**	27.5
Investments					
Investment in subsidiaries	7	**–**	–	**50.2**	49.8
Investment in associate	7	**0.1**	0.1	**–**	–
Other investments (include £41.4m of listed investments)	7	**45.3**	27.6	**45.3**	27.6
Total investments		**45.4**	27.7	**95.5**	77.4
Total fixed assets		**99.1**	86.8	**123.2**	105.1
Current assets					
Debtors due within one year	8	**20.5**	19.8	**19.4**	37.5
Debtors due after one year	9	**–**	–	**–**	3.8
Cash at bank and in hand		**46.6**	66.0	**26.1**	17.7
Total current assets		**67.1**	85.8	**45.5**	59.0
Current liabilities					
Creditors: amounts falling due within one year	10	**(40.3)**	(36.7)	**(33.1)**	(26.2)
Net current assets		**26.8**	49.1	**12.4**	32.8
Total assets less current liabilities		**125.9**	135.9	**135.6**	137.9
Creditors: amounts falling due after one year	11	**(1.2)**	(1.6)	**(1.2)**	(1.6)
Provisions for liabilities and charges	12	**(1.0)**	(0.9)	**(0.7)**	(0.6)
Net assets excluding pension liability		**123.7**	133.4	**133.7**	135.7
Defined benefit pension scheme liability	19	**(35.7)**	(37.5)	**(35.7)**	(37.5)
Net assets		**88.0**	95.9	**98.0**	98.2
The funds of the Charity					
Unrestricted funds					
Unrestricted funds excluding pension reserve	13	**119.6**	129.0	**129.6**	131.3
Revaluation reserve	13	**0.4**	0.7	**0.4**	0.7
Defined benefit pension scheme reserve	19	**(35.7**	(37.5)	**(35.7)**	(37.5)
Total unrestricted funds		**84.3**	92.2	**94.3**	94.5
Restricted funds	13	**3.7**	3.7	**3.7**	3.7
Total Charity Funds		**88.0**	95.9	**98.0**	98.2

The notes on pages 58 to 86 form part of these Financial Statements.

The Financial Statements on page 55 to 86 were approved by the board of Trustees and authorised for issue on 11th January 2022 and signed on its behalf by:

Ann Limb
Chair

Ian Ailles
Treasurer

K Donnelly MBE
GCE

Consolidated statement of cash flows

For the year ended 31 August 2021

			Year ended 31 August 2021		Year ended 31 August 2020
	Note	£m	£m	£m	£m
Cash flows from operating activities	14		**(2.5)**		5.7
Taxation paid		**(0.2)**		(0.2)	
Net cash generated from operating activities			**(2.7)**		5.5
Cash flows from investing activities Investment income (excluding re-investments)		**0.1**		0.7	17.0
Proceeds from sale of fixed assets	6	**0.9**		–	
Purchases of tangible fixed assets	6	**(4.6)**		(3.4)	
Purchases of listed investments	7	**(14.0)**		(15.3)	
Proceeds from sale of listed investments	7	**0.9**		31.9	
Proceeds from sale of other investment	7	**–**		8.1	
Investment in subsidiary undertakings	7	**–**		(5.0)	
Net cash from investing activities			**(16.7)**		17.0
Net increase in cash and cash equivalents			**(19.4)**		22.5
Cash and cash equivalents at the beginning of the year			**66.0**		43.5
Cash and cash equivalents at the end of the year			**46.6**		66.0
Cash and cash equivalents comprise:					
Cash at bank and in hand			**46.6**		66.0
			46.6		66.0

Analysis of changes in net debt

	At start of year	Cashflow	**At end of year**
	£m	£m	**£m**
Cash and cash equivalents			
Cash at bank and in hand	66.0	(19.4)	**46.6**
Total	66.0	(19.4)	**46.6**

The notes on pages 58 to 86 form part of these Financial Statements.

Notes to the financial statements

For the year ended 31 August 2021

1. Accounting policies

The City and Guilds of London Institute is a Royal Charter company and charity domiciled in England and Wales, registration number RC000117. The registered office is 5-6 Giltspur Street, London, EC1A 9DE.

The following accounting policies have been applied consistently in dealing with items that are considered material to the charity's accounts.

1.1 Basis of preparation

The Financial Statements are prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (as revised in 2019) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Charities Act 2011.

The Institute meets the definition of a public benefit entity under FRS102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy notes.

Going concern is a fundamental accounting concept that underlies the preparation of these accounts. Under the going concern concept it is assumed that the Group and Charity will continue in operation for the foreseeable future, and that there is neither the intention nor the need to either liquidate or cease operations.

Assessment of going concern

- Review of financial performance: Management reviews the financial performance of the organisation on a monthly basis, including a review of monthly management accounts and evaluation of actual results compared to budgets and forecasts. The management accounts are shared with the Board of Trustees and the Audit & Risk Committee for their reviews. Management also reviews both financial and non-financial key performance indicators on a monthly basis, including non-financial indicators to ensure early identification of issues.
- Budgeting and forecasting: Management undertakes a formal schedule of financial budgeting and forecasting of revenues, expenses, cash flows and liquidity regularly in each financial year which are taken to the Board of Trustees for their approval. Budgets and forecasts, along with any revisions to them, are reviewed by the Board and the Audit & Risk Committee and are then approved by the Board. To enable strategic planning and alignment with longer term resource allocation, management extended the planning period to 5 years. Regular stress testing of the Group and Charity's cash position is undertaken.
- Timing of cash flows: Management evaluates cash resources and availability of facilities in the funding of operating activities, and develops adequate plans to enable the organisation to take effective action to alter the amounts and timings of its cash flows so that it can respond to unexpected needs or opportunities. Management also includes an assessment of whether the Charity can meet the agreed schedule of contributions into the City and Guilds (1966) Pension Scheme, and whether there is any risk that, within the period under review for going concern, a section 75 debt requiring immediate payment would be triggered.
- Products, services and markets: Management considers emerging economic, socioeconomic and political trends within the markets in which it operates, and considers how the organisation might adapt its product offerings accordingly, and it assesses whether there are any other factors which may impact the organisation's ability to deliver its charitable mission.

In making their assessment of going concern, management stress tested the budget and various scenario models, incorporating a number of assumptions including reducing the number of learners registering on courses, reducing the number of End Point Assessments taking place, phasing the economic recovery, the risk and impact should a major event occur and the mitigating actions that could be reasonably taken. The Audit & Risk Committee further reviewed the financial assessment, stress testing and associated analysis and recommends to trustees that the basis for accounting is appropriate.

Management has determined that there are no material uncertainties that may cast significant doubt about the Group and Charity's ability to continue as going concerns and hence these financial statements have been drawn up on a going concern basis.

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

Parent entity disclosure exemptions

In preparing the separate financial statements of the parent, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No statement of cash flows has been presented; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent as their remuneration is included in the totals for the Group as a whole.

1.2 Basis of consolidation

The consolidated financial statements include the assets, liabilities and results of The City and Guilds of London Institute ("the Institute") and of its subsidiaries.

All subsidiaries are consolidated on a line by line basis from the date of acquisition. Associates are accounted for using the equity method.

Despite there being a uniting direction in place between the Institute and City and Guilds International Ltd, the Institute figures presented in these accounts solely reflect the assets, liabilities and activities of the Institute.

In accordance with the transitional exemption available under Section 35 of FRS 102, the Group has chosen not to retrospectively apply Section 19 to business combinations that occurred before the date of transition to FRS 102, being 1 September 2014.

1.3 Reserves and fund structure

Unrestricted funds comprise accumulated surpluses on general funds and revaluation reserve which the Trustees are free to use for any purpose in furtherance of the charitable objects.

Designated funds comprise unrestricted funds that have been set aside by the Trustees for particular purposes.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charity for particular purposes.

1.4 Tangible fixed assets and depreciation

The Institute's long leasehold office at 5-6 Giltspur Street is included at open market valuation, carried out by Daniel Watney, Chartered Surveyor, as at 1 September 2014. This valuation was held at deemed cost on transition to FRS102. Subsequent additions are capitalised at cost.

Freehold property is depreciated on a straight-line basis over 50 years.

Short leasehold properties held by the Group are accounted for as operating leases, but any initial or other major expenditure on improvements is capitalised and written off on a straight-line basis over the life of the leases, subject to a maximum period of 50 years.

Group policy is to capitalise equipment greater than £1,000.

Assets which are subject to a period of construction are depreciated from the date they are brought into operational use.

Other tangible fixed assets as stated below are depreciated on a straight-line basis over their estimated useful life as follows:

Long leasehold land	Lease term
Long leasehold buildings	2%
Computer software and equipment	20% - 33.3%
Furniture and fixtures	25%
Motor vehicles	25% - 33.3%
Plant	5% - 25%

1.5 Intangible fixed assets

Goodwill, being the excess of the purchase price of acquisitions over the fair value of the net assets acquired, is capitalised in accordance with FRS 102 and amortised over its estimated useful economic life, which is up to a maximum of 10 years.

Other intangible fixed assets consist of intellectual property rights, customer relationships, programme content and trade names, which are capitalised at cost or transaction value and amortised on a straight-line basis over their estimated useful economic lives. The intangible assets are amortised over the following useful economic lives:

Intellectual property rights	IPR term	Based on IPR protection period
Customer relationships	various	Based on the estimated life of the cash flows
Programme content	various	Based on the estimated remaining life of the cash flows
Trade name	various	Based on the estimated remaining life of the cash flows

When circumstances are identified which give rise to an impairment in the value of any intangible or fixed asset, that impairment loss is recognised immediately.

1.6 Taxation

The Institute is a charity within the meaning of Para 1 Schedule 6 Finance Act 2010. Accordingly the Institute is exempt from taxation in respect of income or capital gains within categories covered by Chapter 3 of Part 11 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.

Trading subsidiaries provide for tax at amounts expected to be paid or recovered using tax rates and laws that have been enacted or substantially enacted at the balance sheet date.

1.7 Incoming resources

Fee income relating to registrations is deferred and recognised over the estimated time taken to complete the relevant qualification as performance obligations are met during the course delivery period. A proportion of registration fee income is recognised immediately to reflect an estimate for learners who do not complete the course, in reference to the performance obligations of the Institute to the colleges, and the nature of the contract. Where assessment and certification income exceeds registration fee income for any qualification, the registration income is not deferred and is recognised when the service is provided. Assessment income is recognised when the assessment is marked, certification income is recognised when the certificate is issued.

Sales of named user licences with indefinite expiry dates are deferred until licence activation and then recognised evenly over the estimated period of use of the licence.

Income receivable from contracts entered into to provide other services or solutions, including e-learning is recognised on the basis of percentage of contract completed by reference to costs, with credit taken for profit earned to date when the outcome of the contract can be assessed with reasonable certainty.

In accordance with Section 24 of FRS 102, government grant is recognised in income in the period in which it becomes receivable.

1.8 Resources expended

Expenditure is recognised on an accrual basis as a liability is incurred. Irrecoverable VAT is included within resources expended or capitalised with the appropriate asset.

The costs of preparing examinations are written off as they are incurred irrespective of examination dates.

Third party content development costs are written off in the year they are incurred unless:

- The product has an estimated useful life of more than one year; and
- There is a reasonable expectation that the revenue to be generated over the useful life of the product will exceed the expected total development costs and that those costs are separately identifiable and quantifiable.

If the above criteria are met, the expenditure is carried forward in prepayments and written off over three years, which is the typical useful life of a product.

Costs of raising funds include costs incurred in trading activities that raise funds.

Charitable activities include expenditure in respect of education services, and include both direct costs and support costs relating to these activities.

Governance costs include expenditure in respect of the Institute's constitutional requirements. Support costs include central functions and have been allocated to activities on a basis consistent with the use of resources. The allocation is shown in Note 4.

1.9 Foreign currency translation

Transactions denominated in foreign currencies are translated into Sterling at the monthly average rate of exchange. Assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling on the Balance Sheet date.

The Financial Statements of overseas branches and undertakings are translated into Sterling on the following basis:

- Assets and liabilities at the rate of exchange ruling at the Balance Sheet date.
- Statement of Financial Activities items at the average rate of exchange for the year.

Exchange differences arising on the re-translation of the results of overseas entities into Sterling are included in other recognised gains and losses within the Consolidated Statement of Financial Activities.

1.10 Pensions

The City and Guilds (1966) Pension Scheme has defined benefit and defined contribution sections.

The defined benefit section is accounted for in accordance with the requirements of FRS 102 and details are shown in note 19. The difference between the fair value of the assets held in the Group's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the Group's balance sheet as a pension asset or liability as appropriate. Changes in the defined benefit pension scheme asset or liability arising from factors other than cash contributions by the Group are charged to expenditure or other gains and losses within the Statement of Financial Activities in accordance with FRS 102.

The Institute operates a policy of recharging the costs of the defined benefit pension scheme to group entities based on employer contributions made of behalf of the relevant staff members.

Contributions to the defined contribution section are charged to the Consolidated Statement of Financial Activities in the year in which they are made.

Following a period of employee consultation, the existing defined benefit and defined contribution sections of the City and Guilds (1966) Pension Scheme were closed to future benefit accrual on 30 June 2018 and a new defined contribution section was opened for future benefit accrual on 1 July 2018.

1.11 Holiday pay accruals

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

1.12 Concessionary loans

Concessionary loans are those loans made or received by the Group to further its purposes and any interest charged is below the prevailing market rates. These loans are measured at cost less provisions for impairment.

1.13 Operating leases and leased assets

Rentals applicable to operating leases are charged to the Consolidated Statement of Financial Activities on an accruals basis.

1.14 Investments

Investments in subsidiary companies are shown at cost in the parent company, less provisions and impairments where appropriate.

Investments in group companies are a combination of programme related investments and mixed motive investments. Programme related investments are held primarily for their contribution to the charitable objectives of the parent. Mixed motive investments are held partly for a financial return and partly for their contribution to the charitable objectives of the parent.

The programme related investments are held at the lower of cost and recoverable amount. Each year end consideration is given to whether there are any indicators or impairment, based on the charitable benefit expected to be provided by these entities going forwards.

The mixed motive investments are also held at the lower of cost and recoverable amount. Each year end consideration is given to whether there are any indicators of impairment, based on a combination of the charitable benefit expected to be provided by these entities going forwards as well as the expected financial contribution to the group going forwards.

Quoted investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing quoted market price. The Consolidated Statement of Financial Activities includes the net gains and losses arising on revaluation and disposals throughout the year.

1.15 Financial instruments

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all its liabilities.

1.16 Judgements in applying accounting policies

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

Indicators of impairment and impairment of assets

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

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount which is the higher of its fair value less costs to sell and its value in use, both of which require the use of estimation in their calculation. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm’s length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a combination of expected future social returns and a discounted cash flow model. The social returns are derived from the business plans for the next 5 years and the number of learners that are expected to be reached. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows for extrapolation purposes.

Actuarial assumptions in respect of defined benefit pension schemes

The application of actuarial assumptions relating to defined benefit pension schemes is incorporated in the financial statements in accordance with FRS 102. In applying FRS 102, advice is taken from independent qualified actuaries. In this context, significant judgement is exercised in a number of areas, including future changes in salaries and inflation, mortality rates and the selection of appropriate discount rates.

The assumptions underlying the pension scheme valuation: The principal actuarial assumptions are shown in Note 19. The effect of reasonably possible movements in these assumptions on scheme liabilities are as follows:

- 0.1% pa increase in discount rate leads to a decrease of £6.0m in scheme liabilities
- 0.1% pa decrease in inflation rate leads to a decrease of £6.0m in scheme liabilities
- 0.25% pa decrease in rate of salary increases leads to a decrease of £0.1m in scheme liabilities
- 0.1% pa increase in rate of increase in pensions in payment leads to an increase of £4.0m in scheme liabilities
- 0.25% to 1.5% pa increase long-term rates of improvement leads to an increase of £2.0m in scheme liabilities

The future viability of courses where third party content development costs have been deferred: Development in new products has many inherent uncertainties, with the future viability being the key risk. The Group mitigates this risk through the use of analytical and tracking tools like regular market research. As at the balance sheet date, the management considers the risk of courses with deferred expenditure not being viable in the future to be remote. The Group also has a prudent policy of immediately expending deferred third party content development costs when the future viability of the underlying courses is in question.

1.17 Other key sources of estimation uncertainty

Tangible and intangible fixed assets, are depreciated or amortised 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, product life cycles 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.

The impact on income of the estimated course length: Fee income relating to registrations is deferred and recognised over the estimated time taken to complete the relevant qualification. An increase in course length by 10% during the year would result in a reduction in recognised income by £0.7m (2020: £0.5m) at the existing level of income.

The impact on income of the estimated drop-out rates for students signing up to courses: As a proportion of registration fee income is recognised immediately to reflect an estimate for learners who do not complete (i.e. drop out of the course), an increase in drop-out rates by 10% would result in an increase in recognised income by £0.3m (2020: £0.2m) at the existing level of income.

The assumptions underlying the valuation of intangible assets: The acquired intangible assets that meet the recognition criteria under the revised FRS 102 guidelines are professionally valued using multi-period excess earnings and relief from royalty methods. The valuation approach relies on both internal and external business intelligence which can only ultimately be reliably tested in the market itself. Key inputs into the valuations are:

- Customer retention rate
- Long-term operating EBIT margin
- Percentage of all revenues generated from bespoke and blended learning solutions
- Royalty rate
- Weighted Average Cost of Capital specific to the acquisition on the transaction date

Determining whether **an investment in subsidiary is impaired** requires an estimation of the recoverable amount of the investment at the end of the financial year.

Refer to 1.16 for indicators of impairment and impairment of assets for factors taken into account when determining the recoverable amount of an investment.

Risk of material adjustment to the carrying value of investment portfolio:

All investments are carried at their fair value. The basis of fair value for quoted investments is equivalent to the market value, using the bid price. Asset sales and purchases are recognised at the date of trade at cost (that is their transaction value).

The main risk to the Group from financial instruments lies in the combination of uncertain investment markets and volatility in yield.

Liquidity risk is anticipated to be low as the Group's investments are mainly traded in markets with good liquidity and high trading volumes. The Group has no material investment holdings in markets subject to exchange controls or trading restrictions.

The Group manages these investment risks by retaining expert advisors and operating an investment policy that provides for a high degree of diversification of holdings within investment asset classes that are quoted on recognised stock exchanges. The Group does not make use of derivatives and similar complex financial instruments.

2. Income from investments

	Year ended 31 August 2021	Year ended 31 August 2020
	£m	£m
Interest on deposits	**0.1**	0.1
Interest on investments	**–**	0.6
	0.1	0.7

3. Income from charitable activities: Educational services

	Year ended 31 August 2021	Year ended 31 August 2020
	£m	£m
Fee income	**84.7**	84.9
Government grant received	**0.1**	2.2
	84.8	87.1

4. Resources expended

(a) Analysis of total expenditure

	Staff costs (Note 15)	Other direct costs	Support costs	**Year ended 31 August 2021**	Year ended 31 August 2020
	£m	£m	£m	**£m**	£m
Trading costs	24.9	11.8	11.8	**43.4**	46.5
Investment management costs	–	–	–	**–**	-
Educational services	52.3	22.1	19.4	**93.8**	92.9
Tax on overseas activities	–	0.2	–	**0.2**	0.2
	77.2	**34.1**	**26.1**	**137.4**	139.6

The above excludes exceptional items totalled at £nil during the year (2020: £4.2m).

(b) Analysis of support costs

	Trading costs)	Educational services	Governance	**Year ended 31 August 2021**	Year ended 31 August 2020
	£m	£m	£m	**£m**	£m
Premises and utilities	1.9	2.8	0.01	**4.7**	5.3
Communication and IT	2.0	8.2	0.02	**10.2**	11.6
Postage and printing	0.1	0.4	–	**0.5**	0.6
Other	0.5	0.7	–	**1.2**	1.5
Depreciation and impairment	2.2	2.7	0.01	**4.9**	6.8
Amortisation costs	–	4.4	0.01	**4.4**	5.9
Financial costs	–	0.1	–	**0.1**	0.6
	6.7	**19.3**	**0.05**	**26.0**	32.3

Support costs are allocated on a basis consistent with the use of resources and apportioned to the respective activity by utilising the average number of staff employed on relevant activities as a proportion of the total average staff number. For the purpose of allocation, governance costs within the support costs are considered to be educational services related and non-trading.

(c) Analysis of governance costs

	Year ended 31 August 2021	Year ended 31 August 2020
	£m	£m
Audit fees	**0.3**	0.3
Professional fees	**0.0**	0.2
Staff costs	**0.2**	0.1
Apportionment of support costs	**0.1**	0.1
	0.6	0.7

(d) Cost analysis

Included within total expenditure are the following individual items:

	Year ended 31 August 2021	Year ended 31 August 2020
	£m	£m
Group auditors' remuneration:		
Audit fees	**0.2**	0.2
Other auditors' remuneration:		
Audit fees	**0.1**	0.1
Taxation and other services	**0.1**	0.1
Operating lease rentals:		
Land and buildings	**2.3**	2.6
Plant and equipment	**0.4**	0.6
(Gain) / loss on disposal of investment	**–**	(7.8)
Depreciation and impairment (Note 6)	**4.9**	6.8
Amortisation (Note 5)	**4.4**	5.9
Impairment in goodwill (Note 5)	**–**	1.0
Net loss / (gain) on foreign currency transactions	**(0.1)**	0.5

5. Intangible fixed assets

	Goodwill	Intellectual property rights	Customer relationships	Programme content	Trade name	Total
	£m	£m	£m	£m	£m	£m
Group:						
Cost or valuation						
At 1 September 2020	41.9	1.7	8.3	1.4	0.6	53.9
Additions	0.1	–	–	–	–	0.1
At 31 August 2021	42.0	1.7	8.3	1.4	0.6	54.0
Amortisation						
At 1 September 2020	24.7	1.7	2.9	1.1	0.1	30.5
Amoritisation for the year	3.6	–	0.6	0.2	–	4.4
At 31 August 2021	28.3	1.7	3.5	1.3	0.1	34.9
Net book values						
At 31 August 2020	17.2	–	5.4	0.3	0.5	23.4
At 31 August 2021	**13.7**	**–**	**4.8**	**0.1**	**0.5**	**19.1**
Institute:						
Cost or valuation						
At 1 September 2020	1.9	1.7	–	–	–	3.6
At 31 August 2021	1.9	1.7	–	–	–	3.6
Amortisation						
At 1 September 2020	1.7	1.7	–	–	–	3.4
At 31 August 2021	1.7	1.7	–	–	–	3.4
Net book values						
At 31 August 2020	0.2	–	–	–	–	0.2
At 31 August 2021	**0.2**	**–**	**–**	**–**	**–**	**0.2**

Goodwill is reviewed annually for indications of impairment. If such indications exist, goodwill is additionally tested for impairment using value in use calculations. The value in use calculations are based on a combination of expected future social returns and discounted cash flow modelling. The social returns are derived from the business plans for the next 5 years and the number of learners that are expected to be reached. The discounted cash flow models use cash flow projections based on budgets approved by management. The key assumptions used by management in the value in use calculations were:

Discount rates
The discount rate is based on the risk free rate for government bonds, adjusted for a risk premium to reflect the specific circumstances of each investment. The discount rate used in measuring value in use was 12.0% (2020: 12.0%).

Perpetuity growth rates
A perpetuity growth rate of 2.50% (2020: 2.50%) was used based on the long-term forecast growth rate in the UK.

Cash flow growth rates
Cash flow growth rates are based on management's forecasts of sales, gross operating margins and overheads for the next 5 years.

Customer relationships are core business assets retained through the strong relationship management capability at senior level. The amortisation period for the carrying intangible is 10-12 years.

Programme content comprises learning solutions, learning content, training products including the flagship 5 Conversations product that are intrinsic to the business operations. The amortisation period for the carrying intangible is 7.5 years.

Trade name is associated with businesses acquired by the Group. The amortisation period for the carrying intangible is 20 years.

No impairment was recognised in the year (2020: £1.0m). The amount reflected in the prior year was as a result of COVID-19 implications for the group.

6. Tangible fixed assets

	Freehold property	Leasehold property	Computer software and equipment	Plant, fixtures and motor vehicles	Assets under construction	Total
	£m	£m	£m	£m	£m	£m
Group: **Cost or valuation**						
At 1 September 2020	4.3	23.1	24.2	6.7	2.8	61.1
Transfers	–	–	2.0	–	(2.0)	–
Additions	–	–	2.2	0.1	2.3	4.6
Disposals	–	–	(1.5)	–	–	(1.5)
At 31 August 2021	4.3	23.1	26.9	6.8	3.1	64.2
Accumulated depreciation						
At 1 September 2020	–	2.0	18.8	4.6	–	25.4
Charge for the year	–	0.5	3.8	0.6	–	4.9
Disposals	–	–	(0.7)	–	–	(0.7)
At 31 August 2021	–	2.5	21.9	5.2	–	29.6
Net book values						
At 31 August 2020	4.3	21.1	5.4	2.1	2.8	35.7
At 31 August 2021	**4.3**	**20.6**	**5.0**	**1.6**	**3.1**	**34.6**
Institute: **Cost or valuation**						
At 1 September 2020	–	23.1	18.9	4.6	2.3	48.9
Transfers	–	–	2.0	–	(2.0)	–
Additions	–	–	0.9	–	1.7	2.6
Disposals	–	–	–	–	–	–
At 31 August 2021	–	23.1	21.8	4.6	2.0	51.5
Accumulated depreciation						
At 1 September 2020	–	2.1	15.7	3.6	–	21.4
Charge for the year	–	0.4	1.9	0.3	–	2.6
At 31 August 2021	–	2.5	17.6	3.9	–	24.0
Net book values						
At 31 August 2020	–	21.0	3.2	1.0	2.3	27.5
At 31 August 2021	**–**	**20.6**	**4.2**	**0.7**	**2.0**	**27.5**

Assets under construction are transferred to the relevant asset category on becoming operational.

At 31 August 2021, the historical cost of the leasehold property of the Group amounted to £14.7m (2020: £14.7m) and of the Institute amounted to £14.7m (2020: £14.7m).

The Institute's long leasehold office at 5-6 Giltspur Street has been provided as security to the pension scheme.

7. Investments

(a) Subsidiaries:

All investments in subsidiaries are deemed mixed motive investments with the exception of the investment in City and Guilds International Limited, which is programme related.

The Group's net movement in funds, a deficit of £7.9m (2020: surplus of £0.7m), includes the results of the following nine fully controlled charitable / wholly owned trading subsidiaries all of which are incorporated in the UK and limited by shares unless otherwise stated:

- City and Guilds International Limited, a limited company and a registered charity within the Institute's registration. Together with its overseas subsidiaries it delivers examination and award services overseas.
- City and Guilds Kineo Limited, a limited company that, together with its US subsidiary, helps businesses improve their performance through learning and technology.
- The Oxford Group Consulting and Training Holding Company Limited, a limited company that, together with its UK and US subsidiaries, delivers management development, leadership and executive coaching programmes.
- Interact Learning Pty Limited, a limited company incorporated in Australia that, together with its UK and Australia subsidiaries, provides design, development, implementation of training management and compliance solutions.
- Gen II Engineering & Technology Training Limited, a company limited by guarantee that, together with its UK subsidiary promotes apprenticeship training and offers training, educational products and services for the engineering, specialist manufacturing, energy and technology sectors.
- Intertrain UK Limited, a limited company that provides training in the construction, rail and health & safety sections.

The Group also includes the following dormant subsidiaries: NPTC, Guildco Limited, City and Guilds for Business Limited, Screenhold Limited, City and Guilds Enterprises Limited, Learning Assistant Limited, City and Guilds of North America Inc, City and Guilds International (Hungary) Education and Services LLC, City and Guilds (South Asia) Pte Ltd, Business Start-up Training Pty Ltd, Oxford Group Pension Trustees Limited, Nucleus Training Ltd, Nucleus Safety Training Ltd and Intertrain UK (Holdings) Ltd, Nine Lanterns Pty Limited (Australia), Digitalme Limited, Radiowaves Schools Limited, E3 Learning Limited, Flexible Learning Networks Limited (New Zealand).

The carrying value as well as the performance of these nine subsidiaries is summarised below:

	Company number (Charity number)	Financial Year	Investment	Total income	Total expenditure	Surplus / (deficit)	Assets	Liabilities	Funds
		£m	£m	£m	£m	£m	£m	£m	£m
City and Guilds International Limited	1894671 (312832)	2021 2020	1.2 1.2	7.2 6.8	(8.1) (5.5)	(0.9) 1.3	14.2 25.7	(6.7) (17.4)	7.5 8.3
City and Guilds Kineo Limited	07150983 (N/A)	2021 2020	9.5 9.5	13.3 18.8	(14.4) (18.2)	(1.1) 0.6	8.6 15.5	(4.9) (5.2)	3.7 10.3
Flexible Learning Network Limited	155963250 (N/A)	2021 2020	2.3 2.3	0.2 0.9	(0.1) –	0.1 0.9	0.1 0.2	(0.2) (0.4)	(0.1) (0.2)
The Oxford Group	06074029 (N/A)	2021 2020	6.1 6.1	7.4 6.5	(6.5) (7.1)	0.9 (0.6)	5.3 15.7	(2.2) (13.9)	3.1 1.8
Nine Lanterns Pty Limited	ACN 098 839 082 (N/A)	2021 2020	1.8 1.8	– –	– –	– –	– –	– –	– –
Digitalme Limited	05303626 (N/A)	2021 2020	– –	– –	– 0.8	– 0.8	– –	– –	– –
Radiowaves Schools Limited	05774430 (N/A)	2021 2020	0.5 0.5	– –	– 1.0	– 1.0	– –	– –	– –
Interact Learning Pty Limited	095674285 (N/A)	2021 2020	14.6 14.6	7.8 7.3	(7.6) (8.4)	0.2 (1.1)	5.9 6.1	(7.7) (8.1)	(1.8) (2.0)
Gen II Engineering & Technology Training Ltd	03804696 (N/A)	2021 2020	8.8 8.8	10.8 10.8	(9.1) (10.2)	1.7 0.6	10.2 9.7	(1.9) (1.4)	8.3 8.3
Intertrain UK limited	04696164 N/A	2021 2020	5.4 5.0	5.5 3.6	(5.7) (4.4)	(0.2) (0.8)	2.1 1.0	(1.2) (1.5)	0.9 (0.5)
Total		**2021** 2020	**50.2** 49.8	**52.2** 54.7	**(51.5)** (52.0)	**0.7** 2.7	**46.4** 73.9	**(24.8)** (47.9)	**21.6** 26.0

(b) Associate:

	Group 31 August 2021	Group 31 August 2020	Institute 31 August 2021	Institute 31 August 2020
	£m	£m	**£m**	£m
Investment in Associates				
Manipal City & Guilds Pte Limited				
At 1 September	**0.1**	0.1	**–**	–
At 31 August	**0.1**	0.1	**–**	–

(c) Other:

	Group 31 August 2021	Group 31 August 2020	Institute 31 August 2021	Institute 31 August 2020
	£m	£m	**£m**	£m
At 1 September	**27.6**	46.6	**27.6**	46.1
Additions	**14.0**	15.3	**14.0**	15.0
Disposals	**(0.9)**	(31.9)	**(0.9)**	(31.6)
Net gain / (loss) - realised	**4.4**	(1.9)	**4.4**	(1.9)
Other movements	**0.2**	–	**0.2**	–
Net (loss) - unrealised	**–**	(0.5)	**–**	–
At 31 August	**45.3**	27.6	**45.3**	27.6

Other investments are comprised of £41.4m (2020: £23.8m) listed investments at year end.

Holdings in the listed investments in excess of 5% (2020: 5%) of the market value of the portfolio at 31 August 2021 are as follows: 34.7% (2020: 47.5%) is invested in the Insight Broad Opportunities Fund, 33.3% (2020: 36.6%) is invested in the Vanguard LifeStrategy 60% Equity Fund and 31.1% (2020: Nil) is invested in Trojan Investment funds.

At 31 August 2021, the historical cost of these listed fixed asset investments of the Group amounted to £41.3m (2020: £23.4m) and of the Institute amounted to £41.3m (2020: £23.4m).

Holdings in the unlisted investments included £0.6m in MyKindaFuture Ltd, £1.2m (2020: £1.2m) in Filtered Technologies Limited (formerly Excel With Business Ltd), £1.5m (2020: £1.5m) in Credly Inc, £0.5m (2020: £0.5m) in GetMyFirstJob Ltd (fully impaired in 2017-18) and £0.7m (2020: £0.7m) in EmpowerTheUser Ltd.

8. Debtors: Amounts falling due within one year

	Group 31 August 2021	Group 31 August 2020	Institute 31 August 2021	Institute 31 August 2020
	£m	£m	**£m**	£m
Trade debtors	**13.0**	11.5	**7.4**	7.9
Amounts owed by subsidiary undertakings	**–**	–	**8.2**	25.1
Other debtors	**2.8**	2.9	**0.3**	0.3
Prepayments	**4.7**	5.4	**3.5**	4.2
Loans to subsidiary undertakings			**–**	–
	20.5	19.8	**19.4**	37.5

All debtors fall due for payment within one year.

The impairment loss recognised in expenditure for the year in respect of bad and doubtful trade debts was £0.5m (2020: £0.8m). The impairment loss recognised in the Institute net income for the period in respect of bad and doubtful trade debts was £0.1m (2020: £0.5m).

9. Debtors: Amounts falling due after one year

	Group 31 August 2021	Group 31 August 2020	**Institute 31 August 2021**	Institute 31 August 2020
	£m	£m	**£m**	£m
Concessionary loans owed by subsidiary undertakings	**–**	–	**–**	3.8

The above included amounts owed by City and Guilds International Limited, Digitalme Limited and Radiowaves Schools Limited, subsidiaries to the Institute. Interest is chargeable at concessionary rate for these loans.

10. Creditors: amounts falling due within one year

	Group 31 August 2021	Group 31 August 2020	**Institute 31 August 2021**	Institute 31 August 2020
	£m	£m	**£m**	£m
Trade debtors	**4.1**	7.3	**2.5**	2.6
Amounts owed by subsidiary undertakings	**–**	–	**7.4**	6.9
Taxation and social security	**1.6**	3.2	**0.3**	1.6
Other creditors	**3.6**	4.8	**3.2**	4.3
Accruals	**15.8**	8.9	**11.6**	5.3
Deferred income	**15.2**	12.5	**8.1**	5.5
	40.3	36.7	**33.1**	26.2

Deferred income:

	Group 31 August 2021	Group 31 August 2020	**Institute 31 August 2021**	Institute 31 August 2020
	£m	£m	**£m**	£m
At 1 September	**12.5**	14.5	**5.5**	7.6
Deferred in the year	**15.2**	12.5	**8.1**	5.5
Released in the year	**(12.5)**	(14.5)	**(5.5)**	(7.6)
At 31 August	**15.2**	12.5	**8.1**	5.5

11. Creditors: amounts falling due after one year

	Group 31 August 2021	Group 31 August 2020	Institute 31 August 2021	Institute 31 August 2020
	£m	£m	£m	£m
Other creditors	1.2	1.6	1.2	1.6
	1.2	1.6	1.2	1.6

12. Provisions for liabilities and charges

	Group 31 August 2021	Group 31 August 2020	Institute 31 August 2021	Institute 31 August 2020
	£m	£m	£m	£m
At 1 September	0.9	1.9	0.6	3.5
Provided in the year	0.2	–	–	–
Utilised in the year	(0.1)	(1.0)	0.1	(2.9)
At 31 August	1.0	0.9	0.7	0.6

The above totals contain amounts relate to provision for the dilapidation costs that will crystallise on termination of building leases (Group 2021: £0.9m, 2020: £0.9m; Institute 2021: £0.6m, 2020: £0.6m). The exact cost of these dilapidations will only be known once the leases are terminated.

13. Funds

Analysis of Group net assets between funds:

	Restricted	Unrestricted	At 31 August 2021	Restricted	Unrestricted	At 31 August 2020
	£m	£m	£m	£m	£m	£m
Fixed Assets	–	53.7	53.7	–	59.1	59.1
Investments	3.7	41.7	45.4	3.7	24.0	27.7
Net current assets	–	26.8	26.8	–	49.1	49.1
Provisions	–	(1.0)	(1.0)	–	(0.9)	(0.9)
Creditors: amounts falling due after one year	–	(1.2)	(1.2)	–	(1.6)	(1.6)
Defined benefit pension scheme reserve	–	(35.7)	(35.7)	–	(37.5)	(37.5)
Net assets at 31 August	**3.7**	**84.3**	**88.0**	3.7	92.2	95.9

Analysis of movement in the funds of the Charity:

	At 1 September 2020	Income	Expenditure	Other movements	Year ended 31 August 2021
	£m	£m	£m	£m	£m
Group: **Unrestricted**					
General	125.7	129.9	(137.4)	(1.6)	**116.6**
Revaluation reserve	0.7	–	–	(0.3)	**0.4**
Skills Development Fund (Designated Fund)	3.3	–	–	(0.3)	**3.0**
Defined benefit pension scheme reserve	(37.5)	–	–	1.8	**(35.7)**
Total unrestricted funds	92.2	129.9	(137.4)	(0.4)	**84.3**
Restricted					
City & Guilds Land Based Services (NPTC)	3.7	–	–	–	**3.7**
Total restricted funds	3.7	–	–	–	**3.7**
Total	**95.9**	**129.9**	**(137.4)**	**(0.4)**	**88.0**
Institute: **Unrestricted**					
General	128.0	83.8	(84.0)	(1.5)	**126.3**
Revaluation reserve	0.7	–	–	(0.3)	**0.4**
Skills Development Fund (Designated Fund)	3.3	–	–	–	**3.3**
Defined benefit pension scheme reserve	(37.5)	–	–	1.8	**(35.7)**
Total unrestricted funds	94.5	83.8	(84.0)	–	**94.3**
Restricted					
City & Guilds Land Based Services (NPTC)	3.7	–	–	–	**3.7**
Total restricted funds	3.7	–	–	–	**3.7**
Total	**98.2**	**83.8**	**(84.0)**	**–**	**98.0**

Analysis of movement in the funds of the Charity – prior year:

	At 1 September 2019	Income	Expenditure	Other movements	Year ended 31 August 2020
	£m	£m	£m	£m	£m
Group: **Unrestricted**					
General	131.0	135.7	(147.6)	6.6	**125.7**
Revaluation reserve	0.9	–	–	(0.2)	**0.7**
Skills Development Fund (Designated Fund)	3.6	–	(0.3)	–	**3.3**
Defined benefit pension scheme reserve	(44.1)	–	3.3	3.3	**(37.5**
Total unrestricted funds	91.4	135.7	(144.6)	9.7	**92.2**
Restricted					
City & Guilds Land Based Services (NPTC)	3.8	–	–	(0.1)	**3.7**
Total restricted funds	3.8	–	–	(0.1)	**3.7**
Total	**95.2**	**135.7**	**(143.8)**	**8.8**	**95.9**
Institute: **Unrestricted**					
General	138.6	81.6	(91.1)	(1.1)	**128.0**
Revaluation reserve	0.9	–	–	(0.2)	**0.7**
Skills Development Fund (Designated Fund)	3.6	–	(0.3)	–	**3.3**
Defined benefit pension scheme reserve	(44.1)	–	3.3	3.3	**37.5**
Total unrestricted funds	99.0	81.6	(88.1)	2.0	**94.5**
Restricted					
City & Guilds Land Based Services (NPTC)	3.8	–	–	(0.1)	**3.7**
Total restricted funds	3.8	–	–	(0.1)	**3.7**
Total	**102.8**	**81.6**	**(87.3)**	**1.1**	**98.2**

Unrestricted

Institute
Within the Institute's unrestricted funds are prize and trust funds of £0.02m (2020: £0.02m).

Subsidiary charities
The unrestricted funds of each subsidiary are given in Note 7(a).

Designated
The Skills Development Fund was created by the Institute. Its aim is to invest in new and innovative activities which have a demonstrable impact; create long-term and sustainable change; deliver real benefit to the education sector, employers and/or learners; and reflect the Group's global profile.

Restricted

City & Guilds Land Based Services (NPTC)

The City & Guilds Land Based Services (NPTC) Fund relates to assets transferred from City & Guilds Land Based Services (NPTC) whose use is restricted to the advancement of education and training by means of the establishment and/or administration of schemes of Proficiency Tests, Vocational Qualifications, Certificates of Competence, Certificates of Qualification and other such awards in agriculture, horticulture, forestry and other industries as the Charity shall from time to time decide. It is the intention of the Trustees of The City and Guilds of London Institute to continue to support specific land-based activities through such things as research, grants and bursaries, product development and other industry initiatives.

14. Reconciliation of net income to cash flows from operating activities

	Year ended 31 August 2021	Year ended 31 August 2020
	£m	£m
Net (expenditure) / income	**(3.1)**	(2.2)
Adjust for non-cash items:		
Investment income	**(0.1)**	(0.7)
Depreciation and impairment	**5.0**	6.8
Amortisation	**4.4**	5.9
Taxation	**0.2**	0.2
Loss/(Gain) on investment assets	**(4.4)**	1.9
Gain on disposal of investment	**–**	(7.8)
Impairment in goodwill	**–**	1.0
(Increase)/decrease in debtors	**(0.5)**	4.9
Increase in creditors	**2.2**	–
Decrease in provisions	**0.1**	(1.0)
Pension deficit movement	**(6.3)**	(3.3)
Cash flows from operating activities	**(2.5)**	5.7

15. Group staff costs

	Year ended 31 August 2021	Year ended 31 August 2020
	£m	£m
Wages and salaries	**66.2**	59.0
Social security	**6.0**	6.2
Redundancy payments	**0.5**	0.2
Pension	**4.5**	7.2
	77.2	72.6

The above staff costs include bonus and long service award costs. Severance payments totalling £1.4m (2020: £4.1m) were made during the year. £nil (2020: £3.9m) of these payments were included in exceptional costs.

	Year ended 31 August 2021	Year ended 31 August 2020
	£m	£m
Average number of staff:		
Educational services	**1,369**	1,360
Governance	**2**	2
	1,371	1,362

	Year ended 31 August 2021	Year ended 31 August 2020
	£m	£m
Number of staff whose emoluments fell within the following bands:		
£60,001 - £70,000	**88**	94
£70,001 - £80,000	**71**	60
£80,001 - £90,000	**32**	45
£90,001 - £100,000	**27**	25
£100,001 - £110,000	**16**	11
£110,001 - £120,000	**10**	6
£120,001 - £130,000	**12**	7
£130,001 - £140,000	**4**	1
£140,001 - £150,000	**4**	3
£150,001 - £160,000	**3**	4
£160,001 - £170,000	**2**	3
£170,001 - £180,000	**2**	2
£180,001 - £190,000	**2**	1
£190,001 - £200,000	**1**	1
£200,001 - £210,000	**1**	–
£210,001 - £220,000	**1**	–
£220,001 - £230,000	**2**	2
£250,001 - £260,000	**1**	–
£260,001 - £270,000	**1**	–
£280,001 - £290,000	**1**	1
£300,001 - £310,000	**1**	1
£310,001 - £320,000	**2**	–
£540,001 - £550,000	**1**	–
£690,001 - £700,000	**–**	1

Emoluments in the above bands comprise salaries, bonus and benefits in kind, and severance payments of £0.8m (2020: £0.7m).

None of these staff (2020: nil) accrued retirement benefits under the defined benefit section of the City and Guilds (1966) Pension Scheme until it was closed on 30 June 2018. 126 of these staff (2020: 133) are accruing retirement benefits under defined contribution arrangements during the year. Contributions to the defined contribution scheme in respect of these 126 were £2.0m (2020: £1.4m).

16. Expenses reimbursed to Trustees

	Year ended 31 August 2021	Year ended 31 August 2020
	£m	£m
Travel and subsistence expenses reimbursed	**0.001**	0.01

	Year ended 31 August 2021	Year ended 31 August 2020
	£m	£m
Number of Trustees in receipt of expense reimbursements	**8**	9

17. Emoluments to Trustees

Indemnity insurance is paid on the Trustees' behalf. No remuneration was paid to any trustee during the year (2020: £nil) nor did they receive any other benefits from employment with the charity or its subsidiaries during the year (2020: £nil).

18. Operating leases

Minimum lease payments under non-cancellable operating leases were as follows:

	Group 31 August 2021	Group 31 August 2020	**Institute 31 August 2021**	Institute 31 August 2020
Operating leases that expire	**£m**	£m	**£m**	£m
Land and buildings:				
Within one year	**0.7**	0.8	**0.7**	0.8
In two to five years	**0.4**	0.6	**0.4**	0.6
Over five years	**17.9**	18.1	**17.9**	18.1
Other:				
Within one year	**–**	0.1	**–**	0.1
In two to five years	**0.8**	0.2	**0.8**	0.2
Total	**19.8**	19.8	**19.8**	19.8

19. Pensions

The Institute provides a pension scheme, the City and Guilds (1966) Pension Scheme, which comprises both defined contribution and defined benefit sections. Total contributions to the defined contribution sections for the year were £6.9m (2020: £3.6m). For the Institute and member contributions to the defined benefit sections for the year, please refer to Note 19(c) and 19(d). Both sections are approved by HM Revenue and Customs with their assets each held separately from those of the Group.

There were no prepaid or outstanding contributions in relation to either of the two defined contribution schemes as at 31 August 2021 (2020: £nil).

A triennial valuation of the City & Guilds (1966) Pension scheme was carried out by independent qualified actuaries Willis Towers Watson at 30 September 2020. This valuation disclosed a funding deficit amounting to £78.7m with deficit recovery plan annual payments decreasing from £5.0m to £3.0m from 1st October 2020 to 31st March 2034 increasing annually by CPI inflation. The final salary section of the scheme was closed to new entrants on 30 June 2018. The final salary section of the scheme was closed to future accrual on 1 April 2009.

Disclosure in relation to the defined benefit scheme is in accordance with FRS102.

(a) Amounts recognised in the Balance Sheets

	Year ended 31 August 2021	Year ended 31 August 2020
	£m	£m
Fair value of Scheme assets	**253.0**	229.6
Present value of funded obligations	**(288.7)**	(267.1)
Net liability (reserve)	**(35.7)**	(37.5)

(b) Amounts recognised in the Statement of Financial Activities

	Year ended 31 August 2021	Year ended 31 August 2020
	£m	£m
Current service cost	**(1.2)**	(0.7)
Net interest charge	**(0.6)**	(0.8)
Total included in net income	**(1.8)**	(1.5)
Actuarial (loss) / gain	**(23.4)**	0.3
Return on assets greater than discount rate	**20.1**	3.0
Total (debit) / credit in Statement of Financial Activities	**(5.1)**	1.8

Actual return on Scheme assets was £23.4m (2020: £4.8m).

(c) Changes in the present value of the Scheme obligations

	Year ended 31 August 2021	Year ended 31 August 2020
	£m	£m
At 1 September	**267.1**	268.9
Service cost	**1.2**	0.7
Interest charge on Scheme liabilities	**4.6**	4.9
Loss / (gain) on change in assumptions	**23.4**	(0.3)
Benefit payments	**(6.4)**	(6.4)
Expenses payments	**(1.2)**	(0.7)
At 31 August	**288.7**	267.1

(d) Changes in fair value of Scheme assets

	Year ended 31 August 2021	Year ended 31 August 2020
	£m	£m
At 1 September	**229.6**	224.8
Interest on assets	**4.0**	4.1
Return on assets	**20.1**	3.0
Institute contributions	**6.9**	4.8
Benefit payments	**(6.4)**	(6.4)
Expenses payments	**(1.2)**	(0.7)
At 31 August	**253.0**	229.6

The Group expects to make normal contributions of £nil (2021: £nil), deficit payments of £3.1m (2021 actual: £5.9m) and have admin expenses of £1.0m (2021 actual: £1.2m) during the next financial year. The Group's tangible fixed assets are provided as further asset security to the Pension Scheme (refer to note 6 for details). The reduction in expected deficit contributions in the next financial year is due to a £10.0m lump sum payment made in September 2021 as agreed with the scheme trustees following the completion of the triennial valuation. Further details can be seen below in note 23.

(e) Major categories of assets as % of total assets

	Year ended 31 August 2021	Year ended 31 August 2020
	%	%
Equities	**2.8**	20.9
Bonds	**55.1**	28.1
Property	**5.3**	5.5
Diversified Growth Funds	**35.7**	45.3

(f) Principal actuarial assumptions at the Balance Sheet date

	Year ended 31 August 2021	Year ended 31 August 2020
	%	%
Rate of increase in salaries above inflation rate	**0.50**	0.75
Rate of increase in pensions in payment	**3.05**	2.70
Discount rate	**1.75**	1.75
Inflation rate assumption (RPI)	**3.25**	2.85
Inflation rate assumption (CPI)	**2.75**	2.20

The post-retirement mortality assumptions adopted at 31 August 2021 are in line with the standard SAPS S2 All Pensioners tables with a multiplier of 92% and future improvements based on the CMI 2020 core projections with a long-term trend of 1.25% pa.

(g) History of deficit and experience gains and losses

	31 August 2021		31 August 2020	31 August 2019	31 August 2018	31 August 2017	31 August 2016
	£m	**% of assets**	£m	£m	£m	£m	£m
Scheme assets	**253.0**		229.6	224.8	201.5	195.7	183.5
Scheme obligations	**(288.7)**		(267.1)	(268.9)	(233.6)	(249.5)	(246.2)
Deficit	**(35.7)**		(37.5)	(44.1)	(32.1)	(53.8)	(62.7)
Experience adjustments on assets	**–**	**0.0%**	–	0.5	–	–	–
Experience adjustments on liabilities	**–**	**0.0%**	–	–	6.2	–	(0.2)
(Loss) / Gain on change in assumptions	**(23.4)**		0.3	(33.6)	16.6	4.9	(54.6)
Actuarial (loss) / gain	**(23.4)**	**8.1%**	0.3	(33.1)	22.8	4.9	(54.6)

20. Parent charity Income and Expenditure account

The City and Guilds of London Institute has not presented its own Income and Expenditure account. The income of the parent charity is £83.8m (2020: £81.6m) and the deficit for the year to 31 August 2021 is £0.2m (2020: deficit of £4.6m).

21. Related party transactions

Transactions with related parties are set out below.

Notes	As at 31 August 2021		Year ended 31 August 2021		As at 31 August 2020		Year ended 31 August 2020	
	Amounts due from	Amounts due to	Sales to	Purchases from	Amounts due from	Amounts due to	Sales to	Purchases from
	£m	£m	£m	£m	£m	£m	£m	£m
Institute: Subsidiary undertakings								
City and Guilds International Limited and its subsidiaries	5.0	5.9	3.5	–	14.3	–	4.0	–
Guildco Limited	–	0.5	–	–	–	0.5	–	–
City and Guilds Kineo Limited	–	0.1	–	–	–	5.0	–	–
City and Guilds Enterprises	–	0.2	–	–	–	–	–	–
The Oxford Group	0.1	–	–	–	11.7	–	–	–
Nine Lanterns Pty Limited	–	–	–	–	–	–	–	0.9
Digitalme Limited	–	–	–	–	–	–	–	0.6
Radiowaves Schools Limited	–	–	–	–	–	–	–	1.3
Interact Learning Pty Limited	2.1	–	–	–	2.2	–	–	–
Gen II Engineering & Technology Training Ltd	–	0.7	0.1	–	–	1.4	–	–
Intertrain UK Limited	1.0	–	–	–	0.7	–	–	–
Total	**8.2**	**7.4**	**3.6**	**–**	28.9	6.9	4.0	2.8

Unless specified otherwise, amounts due from and to subsidiary undertakings are repayable on demand. Transactions with subsidiary undertakings are primarily for intra-group services and cross company recharges. Amounts due to City and Guilds International Limited and its subsidiaries totalled at £0.9m as at 31 August 2021; a balance of £6.3m is disclosed in the financial statements of City and Guilds International Limited (company number: 1894671) as set out in the related party transactions note.

In 2020 City and Guilds Kineo Limited paid £0.24m to Totara Learning Solutions Limited for services provided. £nil was due to Totara Learning Solutions Limited at the 2020 year end. During 2020 Totara ceased to be a related party.

The total compensation paid to key management personnel for services provided to the Group was £2.8m (2020: £2.7m) including £0.4m (2020: £0.2m) of employer's pension contribution.

Included in the above amounts for 2020 are non-contractual payments totalling £0.3m to two of the key management personnel who left the Group during the year, specifically the CEO (Chris Jones) and the MD Corporate Learning (John Yates). No such payments were made in 2021.

22. Financial instruments

The Group's and Institute's financial instruments may be analysed as follows:

	Group 31 August 2021	Group 31 August 2020	**Institute 31 August 2021**	Institute 31 August 2020
	£m	£m	**£m**	£m
Financial assets				
Financial assets measured at amortised cost				
Cash at bank and in hand	**46.6**	66.0	**26.1**	17.7
Trade debtors	**13.0**	11.5	**7.4**	7.9
Amounts owed by subsidiary undertakings	**–**	–	**8.2**	28.9
Other debtors	**2.8**	2.9	**0.3**	0.3
Prepayments	**4.7**	5.4	**3.5**	4.2
Financial assets measured at fair value through profit or loss				
Other investments	**28.2**	23.8	**28.2**	23.8
Total financial assets	**95.3**	109.6	**73.7**	82.8
Financial liabilities				
Financial liabilities measured at amortised cost				
Trade creditors	**4.1**	7.3	**2.5**	2.6
Amounts owed to subsidiary undertakings	**–**	–	**7.4**	6.9
Taxation and social security	**1.6**	3.2	**0.3**	1.6
Other creditors	**4.8**	6.4	**4.4**	5.9
Accruals	**15.8**	8.9	**11.6**	5.3
Deferred consideration	**–**	–	**–**	–
Deferred income	**15.2**	12.5	**8.1**	5.5
Total financial liabilities	**41.5**	38.3	**34.3**	27.8

Financial assets measured at amortised cost comprise cash at bank and in hand, trade debtors, other debtors, prepayments and amounts owed by subsidiary undertakings.

Financial assets measured at fair value through profit or loss comprise other investments in a trading portfolio of listed company shares. The basis of determining fair value for these investments is by reference to open market value. For investments in funds, open market value is determined by the fund manager based on the net asset value of the underlying investments.

Financial liabilities measured at amortised costs comprise trade creditors, other creditors, accruals, deferred consideration, deferred income and amounts owed to subsidiary undertakings.

23. Post balance sheet events

The Institute made a one-off lump sum payment of £10.0 million in September 2021 to the pension scheme.

About City & Guilds

Since 1878 we have worked with people, organisations and economies to help them identify and develop the skills they need to thrive. We understand the life changing link between skills development, social mobility, prosperity and success. Everything we do is focused on developing and delivering high-quality training, qualifications, assessments and credentials that lead to jobs and meet the changing needs of industry.

We work with governments, organisations and industry stakeholders to help shape future skills needs across industries. We are known for setting industry-wide standards for technical, behavioural and commercial skills to improve performance and productivity. We train teams, assure learning, assess cohorts and certify with digital credentials. Our solutions help to build skilled and compliant workforces.

City & Guilds
Believe you can

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