The City and Guilds of London Institute

Trustees' Annual Report

& Consolidated Financial Statements For The Year Ended 31 August 2023

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Statements & Strategy

Chair's Statement

Dame Ann Limb DBE CBE DL FCGI

Labour markets and economic demands are changing constantly. We have seen this both here in the UK and internationally. Whether through advances in technology, disruptive social and political dynamics, or environmental shifts, skills and training provide solutions to many challenges and opportunities.

The skills and productivity gap could be contributing to 1.17 million people not being able to find work across the UK[1]

[1]Office for National Statistics, Employment in the UK, July 2023

At City & Guilds we have always contributed solutions through skills to social and economic changes, helping more people and organisations boost performance, productivity, and purpose.

The past 12 months have been particularly demanding, with rising inflation and living costs that have hit individuals and businesses hard. In a world that is still adapting to life after Covid 19 and a digital existence through multiple lockdowns, many businesses are faced with new and unprecedented complexity.

With a 145-year history of adapting to social challenges, City & Guilds continues to enhance delivery of skills to meet the needs of learners, organisations, and economies in this complex world. This is core to the future of work and to our charitable objectives.

Skills for sustainable employment

We are now at a critical point in the development and implementation of skills policy, particularly in the UK with a forthcoming general election. There is a clear disconnect with the number of people looking for work and the number of employers seeking skilled individuals to fill new or vacant roles.

At City & Guilds we are embracing new ways to improve inclusivity and embed diversity of opportunity. We are a thought leader, as well as a training provider and want to amplify the outcomes that are possible for communities through investment in skills. In 2022, City & Guilds co-founded the Future Skills Coalition, joining forces with others to speak for skills at a critical time. Alongside partners, we are calling for a national strategy for inclusive local growth, a commitment to life-long learning and fair and accessible funding to remove barriers to progression.

As a key national and international champion of skills, I was delighted to welcome Jay Blades MBE as our new Vice President in September 2022. Jay will support City & Guilds in our mission to promote and celebrate both the new and the heritage skills needed in today's world.

In 2023, we saw more employers who believe in the value of skills coming to City & Guilds. This is evidenced in the record-breaking number of applications to The Princess Royal Training Awards demonstrating strong interest in high training standards across industry. These prestigious Awards are just one way we offer our skills, knowledge, and insight to make an impact in the workplace and to benefit society.

This year, for the first time, we will join up our skills impact framework across our all our products and services to produce an Annual Review of Impact. We know already that City & Guilds qualifications show a marked difference in learner outcomes with a differential of 12% between progression rates for City & Guilds skills when compared to the national average.

Over half (54%) of employers agree their organisation cannot recruit the skilled individuals it needs[3]

Shaping the future

As the needs of society change, it is our responsibility to respond now and prepare for the future. This will require us to take a longer term view on the opportunities that we can take advantage of in the years ahead, with the right approach to investment and partnership. As we move forward, for the year ahead we’re continuing to re-shape our business as one organisation, better equipped to deliver a trusted end-to-end service, with a consistent quality approach to learning enabled by technology that reaches more learners. The rapid growth in AI raises many questions. We are assessing potential applications and the ethical implications of AI to ensure we can embrace the future without losing sight of our purpose and values.

As we think about how we respond to the possibilities of digital learning, we will review new technologies coming down the pipeline, to ensure that City & Guilds continues to be at the forefront of skills training. We know there is increasing demand for digital credentials. We have issued more than half a million already and we know we can do more.

Change will be a constant factor over the coming years. The need for a highly skilled workforce and sustainable growth necessitates a commitment to change; organisations, ours included, will need to invest in, evolve and embrace opportunities to deliver for those we serve.

As Chair, I am optimistic about our ability to do that with a strategy that is committed to purpose, a passionate board of Trustees and a staff team who all share the vision for a more equal world, enabled by the opportunities that access to skills make possible.

Ann Limb

Dame Ann Limb DBE CBE DL FCGI
Chair

There were over 1 million job vacancies nationally in 2023[2]

[2] *Office for National Statistics, Vacancies and jobs in the UK, July 2023*
[3] *City & Guilds (2023) Levying Up: Delivering Sustainable Skills*

CEO Statement

Kirstie Donnelly MBE

As we ended our FY23 in August I reflected on just how challenging the year had been. The impact of a cost-of-living crisis on the one hand, a crippling skills shortage for many industries on the other and all with the backdrop of a shifting political and economic context both in the UK and globally. Inevitably, we saw customer and market behaviour reacting to all this turmoil, making for a very challenging and yet still rewarding year.

We have delivered well. We won significant new employer contracts and maintained our role as the go to brand and route for skills in key markets such as End Point Assessments (“EPA”), Skills Bootcamps and T levels. Of the millions of people who accessed our support in 2023, we helped 73% of learners on skills bootcamps into jobs, trained over 2,000 young apprentices and issued over 55,000 EPA certifications with a resulting 90%+ pass rate. These are just some of the statistics that lie behind how skills are changing lives. And the fact that we now know having a City & Guilds qualification adds an additional value of 12% to an individual’s progression above the national average, bears testimony to the impact we have and proves the case that quality skills development can change lives.

As Chief Executive, I am proud of our continued achievements with year-on-year growth despite a challenging operating environment. Our work with employers is growing, spreading our impact through a wide portfolio of organisations. This includes household names like Deliveroo with whom we are working to offer support for up to 15,000 riders, enabling them to take up training and ultimately the chance to progress to the next job. It includes large service providers such as Network Rail, with whom we are set to deliver for thousands of rail employees over the next 8 years, to get the skills they need to stay in work. Internationally, we’ve won a new contract with the Ministry of Education in the UAE to support their development of vocational qualifications and in Australia we have been developing e-learning for families and professionals working with children experiencing developmental delay or disability.

Our social purpose sits at the heart of everything we do. Our surplus is invested into expanding solutions to meet changing needs. The City & Guilds Foundation invests in high-impact initiatives to remove barriers to employment, celebrates best practice and advocates for the jobs of the future. In the last year alone, programmes saw significant impact for people that are often furthest from the labour market. Our Big Idea Fund; a programme to support ex-offenders to gain training, qualifications and a job, saw 57% of learners achieve a new qualification, 66% go on to secure employment and all with a reoffending rate of nil. Independent Social Return on Investment analysis concludes that the social value of the Big Idea Fund (to date, with £584,500 invested) is at least £10million over three years. This means £18.62 in social return for every £1 invested in the programme. Our Annual Review of Impact charts the valued impact of skills across City & Guilds and you can find out more on our website **www.cityandguilds.com.**

Fundamental to our support to learners is the ability to understand the lived experience of those we serve. This is not only important to our future offer but helps us to ensure that as a Board and Executive we remain open to diversity of thought, giving permission to challenge and space to listen. In the last year, we have recruited a group of young learners who will be part of our governance structure.

They will help to support and challenge us with the benefit of their shared lived experience and in doing so, deepen our understanding of the potential for skills to change lives.

Big Idea Fund: the figures

57% learners achieve a new qualification

66% go on to secure employment

Nil reoffending rate

£584.5k invested to date

£18.62 In social return for every £1 invested in the programme

£1

Adapting to changing markets

As we look out to next year and beyond we see exciting growth opportunities both here in the UK and internationally. In the last financial year, we extended our offering to help more people into jobs with the acquisition of Trade Skills 4U, an electrical engineering training provider. This was the perfect opportunity to expand in a growing sector in need of skills, in a sustainable way and true to our principles as a responsible business.

x 2.5 growth in the take up of City & Guilds Green Skills since 2019

Our report Bright Future – decarbonising the energy workforce

The growing focus on the environment, as people work towards their net zero targets and ethical ambitions, is creating new questions about energy use and the jobs needed for the future. Our report Bright Future – decarbonising the energy workforce, recognised the challenge that the energy industry faces. Research from the Industrial Strategy Council found that 80% of the overall 2030 workforce are already working. The biggest challenge then, is to reskill employees today and equip them to be the workforce needed if we are to transition to greener energy. We have seen the take up of City & Guilds green skills increase more than two-fold since 2019. We will continue to play our part in connecting the right people to the right jobs that will underpin a more sustainable world.

A clear vision for the future

This year we made a significant announcement internally, we will be moving to a new operating model to deliver a more integrated and joined up experience to all our customers. The changes, coming into effect in our next operating year, will enable a single front door for all our customers, bring opportunity to more learners and is a crucial milestone in achieving our strategic goals as we approach our 150th birthday. As we evolve we are committed to achieving growth in the right way: responsibly and sustainably, as well as seeking out the right investment to support our growth ambitions over the next 5 years.

We also know we have more to learn about the fast-paced advancement of AI and how that will play a (positive) disrupter role in how learning is accessed, how future jobs are created and even how we operate as an organisation. The new operating model is futureproofing these developments, by bringing awarding and assessment in much closer alignment to technology, so ensuring it is better enabled. No one has all the answers yet, but AI can help us to reimagine the future and consider the art of the possible with digital learning playing a role like never before.

Our future developments will rely on the hard-working, committed and dedicated people who work for City & Guilds and it is they that will help us to achieve our ambitions. I remain privileged to work with such incredible colleagues with diverse experience, skills and backgrounds, who bring our purpose and values to life. I am confident that the next year will see us take even bigger strides as we see the benefit of one organisation, collectively serving one shared purpose. ●

Kirstie Donnelly MBE, CEO

Our Strategy

One City & Guilds

At the heart of our strategy is an ambition to grow our impact so we can benefit more people, organisations and economies through skills development.

Our operating model over the last year has seen the successful execution of phase one of our strategy forming two business units working to different markets: Channel Partners focusing on offering qualifications, assessments and credentials and Employers supporting organisations with direct training delivery.

The next phase will see us operate as an integrated City & Guilds unifying our business under one brand with a focus on quality for more learners.

This move means we can implement a more joined-up approach to customer experience and product development, listening more closely to our customers and becoming more decisive and focused in our responses. By bringing all our employees together with a joined-up offer we will work to the same set of values, delivering consistency across the organisation. One strategy to deliver on one purpose.

Together, we aim to help more people get into a job, progress on the job, and move onto the next job.

At City & Guilds we work with people to...

Inspire

Improve

Achieve

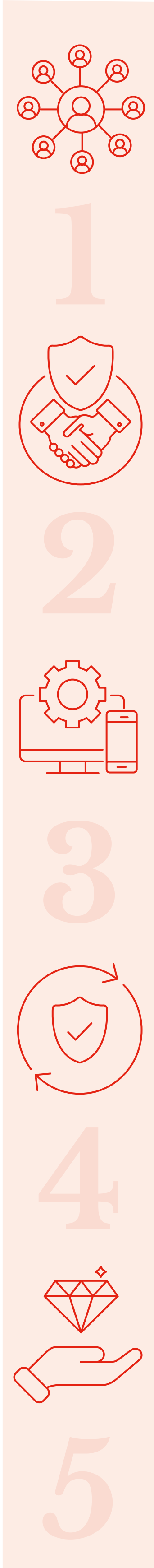
Trust

Five strategic initiatives

To realise the wider ambitions of our strategy, there are things we will fix and improve at the same time as well as grow and develop. In the last year, we have identified and started to implement five new strategic initiatives for the short and medium term. These provide a framework for our activities, allowing us to strengthen our position and ensure that we are achieving our goals.

Our five strategic initiatives:

1. Scaling our training delivery
2. License to practise
3. Technology optimisation
4. Awarding organisation transformation
5. Value proposition and products

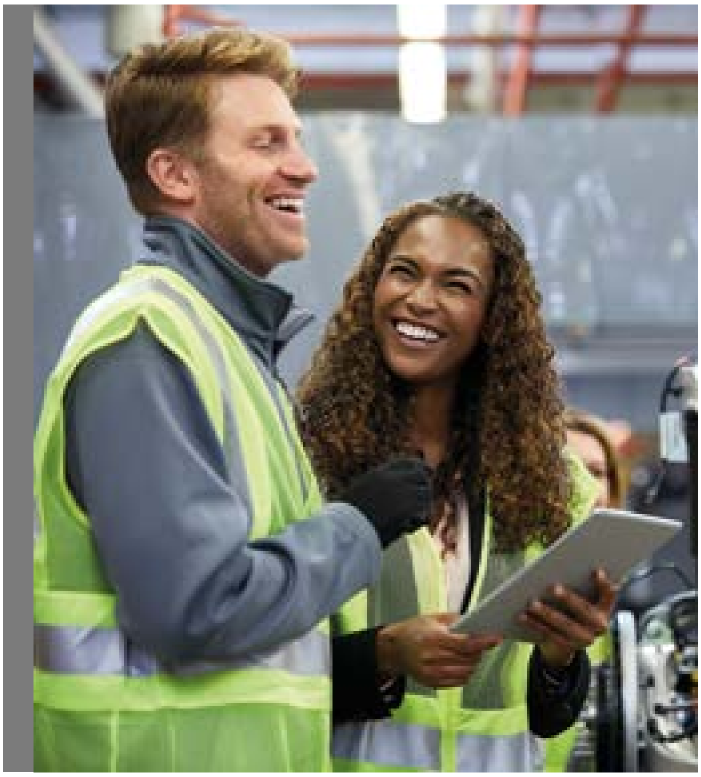


To be the preferred route for skills, jobs and credentials, we need to ensure that we design and deliver high-quality, industry-relevant training that inspires and helps people and businesses to improve their skills, performance and productivity. We already reach more than 3.5m learners each year, across the UK and internationally and we can do more by scaling our delivery sustainably. Work is already underway to understand how and where we can expand organically, and who we should be partnering with to maximise our impact.

This year, we have created a cross-functional, collaborative team with a focus on our value propositions and products, drawing on knowledge from all areas of City & Guilds to innovate, and where necessary disrupt the markets for skills in our priority sectors. From defining our Leadership & Management offering to building out our customer experience capabilities, good progress is being made.

Our license-to-practice offer ensures that our all our products deliver the skills needed for real jobs across our priority sectors. Working with employers we will get learners into jobs more quickly and build a connection between City & Guilds and quality employment outcomes. Our three priority sectors of Engineering, Transport and Infrastructure are currently being highly disrupted by the drive to achieve net zero, with some markets having clearly defined targets set out by the UK Government. The green skills agenda presents significant opportunities for City & Guilds to achieve greater reach and more impact. We are listening to employers and are currently piloting a new license to practice scheme in the electrical skills space to meet their needs.

Technology underpins everything we do, whether it's managing our supply chains or helping our customers to develop the skills they need. Optimising our technology is a strong focus for us. We will integrate, simplify, and upgrade our technology applications, systems and infrastructure to mitigate risk, increase agility and optimise our capabilities.



In FY23, we implemented a new apprenticeship management system that will bring all our learners onto a single platform, enabling us to standardise and quality assure our processes. In the next year, we will look to expand our technology enabling, an end to end approach to all our awarding and assessment.

Our awarding organisation is the engine room of City & Guilds awarding, but it must evolve to both continue powering our traditional qualifications, new emerging offers, and deliver high quality assessments, error-free and on time. In the past 12 months, we have reviewed and updated our policies and procedures, conducted a governance review and delivered compliance training to make sure that our awards are consistent and quality assured. We have also piloted a new system that meets those requirements, and are planning to expand its use in FY24.

Sustainable jobs with sustainable growth

The green skills agenda presents significant opportunities for City & Guilds to achieve greater reach and more impact, particularly in skills related to the infrastructure and transport sectors. We continue to invest in acquisitions and new training and qualifications in this area, supporting the net zero transition, helping people to transition into sustainable careers and ensuring businesses are equipped with the skills they need to grow.

Our 'Green Skills' training initiatives are starting to gain momentum because of our focus on delivering skills for growth. Alongside our commitment to deliver training to expand the UK's electric vehicle charging network, we are also developing our offer to support individuals to develop the highly sought after skills in the renewable energy sector.

In the next year, we will look to expand our technology enabling, an end to end approach to all our awarding and assessment.

By working with industry specialists to develop cross-sector units and qualifications that meet industry standards, we can develop the green skills needed for us to live and work more sustainably.

In the last year, we have launched a new suite of products that will develop the retrofit skills essential to the construction workforce in delivering the government's net-zero agenda. Our commitment to the wider green agenda is demonstrated through two new qualifications that will help to build core sustainability skills for people across the whole economy, as well as content in our redeveloped products for senior managers designed to further develop sustainable approaches across business.

Acquiring Trade Skills 4U

As the nation grapples with severe skills shortages, we have strengthened our training delivery offer in a field primed to experience growth. Trade Skills 4U, an electrical engineering training provider delivers blended learning via skills bootcamps, apprenticeships and other accredited qualifications, along with a suite of green skills training. Aligning perfectly with our strategy and values Trade Skills 4U was already committed to removing barriers into engineering, improving social mobility and working with the industry to develop inclusive

improving social mobility

workplace cultures. Research City & Guilds undertook in July 2022 found that nearly all working electricians believe there are significant risks associated with Electrical Vehicle (EV) charging work, yet only 28% have received specific training to address. As the UK transitions to an electrified road transport network and large-scale infrastructure projects get underway, we will draw on our expanded expertise to work with government on the future of the UK energy mix and the skills needed to support its supply.

Trade Skills 4U delivered to 6,233 students over 1,649 classroom sessions from May 2021 to April 2022. They are committed to improving on as these numbers and strengthening their B2B offering as part of our wider training arm.

Expanding our T Level offering

Our *Youth Misspent* research revealed that young learners do not believe that education is preparing them to get the job they want. To create a pipeline of talent for the future, we need to deliver high quality education that opens a new route to learning. City & Guilds is now offering eight different full time T-Level courses built on employer-led standards to address skills shortages in technical professions like construction and engineering. This coming year, we added two more routes to our qualification portfolio: Agriculture, Land Management and Production, and Animal Care and Management. We recognise however that T Levels are in their infancy and only in their second year, there is much to be considered as we look to the longer term investment into them.

More in our Annual Review of Impact

Developing our skills bootcamps

City & Guilds has continued to expand its offer in skills bootcamps. These are focused interventions designed to help people progress quickly and the development of key skills. With support from the government's Skills for Life campaign, we have now completed the third wave of these programmes, and we are a market leader. Our approach has matured into a streamlined, risk-free model, delivering excellent results for employers and our learners. These courses will continue to be a key part of our portfolio, delivering great outcomes in return for public funding and helping employers understand the benefits of co-investment in the skills of their workforce.

By FY24:

1,000 bootcamp learners

73% full-time employment progression

Building a better future

Measuring our success

Our Trustees have confirmed their commitment to an organisation-wide framework to measuring our impact. Linked to our core purpose, the framework defines the outcomes that will deliver secure and sustainable employment for people, strengthen organisations and chart how City & Guilds plays our part in building a skilled and productive society. From learner reach to wellbeing, to how far we are addressing the skills shortages experienced by organisations and more broadly impact on economic and environmental factors, we can take a holistic view of our impact as one City & Guilds.

People

- Learner reach and completion
- Improved wellbeing
- Progression and sustained employment

Organisation

- Reach
- Embedded skills
- Organisational performance

Wider society

- Changing nature of learning
- Addressing skills in need
- Championing vocational learning

A responsible business

City & Guilds is committed to being a responsible business. We are focusing on three main areas where we want to make a significant impact: People, Product and Planet.

People

Our people make City & Guilds.

The latest employee engagement survey showed that we have outperformed our targets for respect, belonging and care. We have more work still to do on wellbeing and development of our EDI agenda, which will be a focus for the year ahead.

We're seeing the benefits of our ESG commitments in action. Despite the wider challenges in the market in attracting talent, we continue to be an employer people want to come and work for. We now have more women in leadership programmes, mandatory diversity and inclusion training for all staff and have introduced diverse shortlists in our hiring processes. 83% of employees have also completed our ESG Awareness training, which will contribute towards our broader culture, helping to ensure as a community of staff we are conscious of our contribution to wider society.

We have set up our procurement process to help identify suppliers who share our values in terms of diversity and inclusion and have an ambition to work with suppliers that include people from underrepresented groups in their senior leadership teams, and operate inclusive recruitment strategies.

Respect
+3% points
on 2022

Care
+2% points
on 2022

Wellbeing
+1% point
on 2022

Belonging
+2% points
on 2022

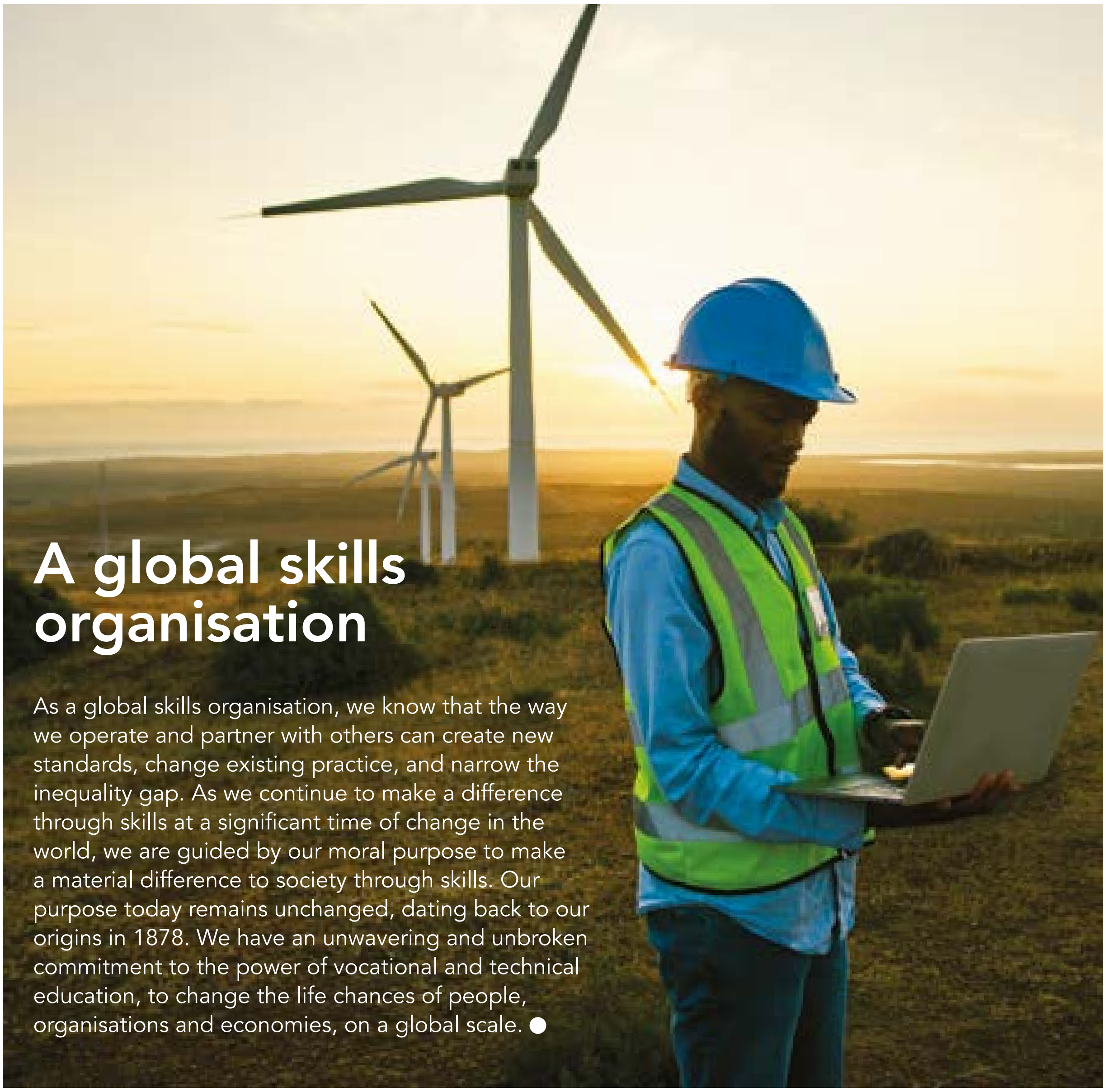
Product

We are committed to delivering inclusive courses that remove barriers to training for under-represented groups. To help us make the right decisions, we are using the principles of responsible business as a core part of strategic decision making for portfolio development. This means we regularly look for opportunities to mitigate the environmental impact of our product offer and how to best support accessible learning for more communities. This work is helping us to build upon our Inclusive Curriculum framework.

Planet

Our work to deliver skills for society, requires us to support skills that can enable productivity and growth using sustainable solutions. We are committed to adopting sustainable practices in our organisation and encouraging the same with those we work with.

We have also invested in carbon literacy training for all our staff, developed a Net Zero roadmap for our organisation and achieved a 7 per cent reduction in our carbon footprint, in line with our targets. Our supply chain emissions remain our biggest challenge to achieving reductions, so we are working with teams across the organisation to look at how best we can achieve change.



A global skills organisation

As a global skills organisation, we know that the way we operate and partner with others can create new standards, change existing practice, and narrow the inequality gap. As we continue to make a difference through skills at a significant time of change in the world, we are guided by our moral purpose to make a material difference to society through skills. Our purpose today remains unchanged, dating back to our origins in 1878. We have an unwavering and unbroken commitment to the power of vocational and technical education, to change the life chances of people, organisations and economies, on a global scale. ●

CFO Statement

After a tough trading year due to challenging macroeconomic conditions, we end FY23 with income of £159.0m, reflecting a year-on-year growth of 11.6%.

The group's income from trading activities increased by £9.6m to £59.1m, driven in part by the acquisition of Trade Skills 4U on 1 November 2022, which contributed £7.2m of income in FY23. This acquisition reflects our strategy to target investment in markets where we can grow our impact and build pathways to benefit more learners with skills development. It delivers also an important contribution also to our commitments to sustainability and support for green skills – an area of increasing interest.

Having joined City & Guilds as the new CFO in FY23, it's been an important year to take stock of our current position and ensure we are set up to harness future opportunities. Working with our teams we have looked at our operations and thought hard about our cost to deliver quality services whilst being fiscally responsible – all the time guided by our charitable objectives. This is important, because like many organisations, we have seen markets operating cautiously as the macro -economic and funding landscape develops. Yet, because we know that skills are the engine for opportunity, productivity and growth, we have been working closely with our

Working with our teams we have looked at our operations and thought hard about our cost to deliver quality services whilst being fiscally responsible – all the time guided by our charitable objectives.

stakeholders and providers of qualifications to help navigate a difficult operating environment, enabling access to skills to change the economic outlook for both individuals, organisations and wider society.

Looking forward into FY24, we will continue to build on the successes we have had this year. This will include streamlining and optimising skills development offers in alignment with market and learner demand, broadening our Skills Bootcamp offer and maintaining a lead role in End Point Assessments. It also means stress testing our offer so we continue to innovate for learners and for businesses in emergent markets and adapting how we deliver our services as the environment in which we operate continues to change.

As we do all this, I look forward to continuing to work with our teams to maximise performance and impact in the year ahead.

Key highlights from Financial Year 2022/23 (FY23)

Income and expenditure

Income of £159.0m increased 11.6% compared to last year, as a result of significant new employer contracts, increasing demand for skills across the world and the acquisition of Trade Skills 4U Limited. We controlled our resource deployment carefully and ended the year with expenditure on charitable activities, being expenditure in respect of education services and related support costs of £100.7m, up 7.9% compared to last year.

We achieved a net expenditure of £9.6m, a £9.8m deterioration compared to net income of £0.2m last year, driven by a one-off gain of £7.5m on disposal of two of our seed investments in FY22.

The pension deficit under FRS102 has increased from £10.3m to £15.1m resulting in a £7.7m actuarial loss during the year, as opposed to a £15.0m gain last year, primarily as a result of movement in gilt yields year on year.

The net impact means that our net movement in funds for the year is a reduction of £16.9m compared to an increase of £15.4m last year, the year being one of investment in our future operating model.

Cash flow

Cash outflow from operating activities over the course of the year was £8.8m compared to £6.2m last year. This is driven by a deterioration in the net income position from £0.2m net income to £9.6m net expenditure, due in part to the one-off gains on disposal of investments in FY22

Income of £159.0m increased 11.6% compared to last year, as a result of significant new employer contracts, increasing demand for skills across the world and the acquisition of Trade Skills 4U Limited.

Cash outflow from operating activities over the course of the year was £8.8m compared to £6.2m last year.

of £7.5m, offset by lower defined benefit pension contributions from £12.4m to £4.3m. Cash from investing activities reflected a similar level of capital expenditure to last year, and the £5.2m for the acquisition of Trade Skills 4U Limited (net of cash acquired). The net movement in cash after settlement of loan financing in conjunction with the acquisition was a £20.3m outflow, leaving £24.3m of cash and cash equivalents at 31 August 2023.

I look forward to continuing to work with our teams to maximise performance and impact in the year ahead.

Abid Ismail, CFO

Financial investments in funds

Our investment portfolio was reduced from £39.7m to £33.0m driven by net disposals of £6.5m, due to rebalancing of the portfolio and funding the acquisition of Trade Skills 4U Limited.

Going concern

Our financial planning process uses forecasts on a 5-year horizon and includes stress test scenarios, financial projections and cashflow projections to cover the period up to at least 12 months from the date of this report. Risks are actively monitored by the executive team and the scenarios have aligned with the risk register.

This takes into consideration a range of macroeconomic scenarios, including the possibility of a recession, changes in government impacting sector funding and their potential impact on the various sources of income and planned expenditure.

These plans and projections have been developed on the basis of a range of scenarios, ensuring City & Guilds is prepared for different levels of potential impact and identifying mitigating actions that could be actioned. The scenarios used range from optimistic through to pessimistic case scenarios linked to our risk register in which there is disruption to activities caused by events such as a cyber security attack. We have carefully considered the point at which cash reserves would fall below the minimum level necessary to maintain operations and this is considered to be an extremely remote possibility. In all projected scenarios, City & Guilds has sufficient cash, cash investments and reserves to maintain operations and consequently the Trustees have not identified any material uncertainties relating to going concern. As such, the Trustees are of the opinion that it is appropriate for the financial statements to be prepared on a going concern basis.

Abid Ismail, CFO

Our investment portfolio was reduced from £39.7m to £33.0m driven by net disposals of £6.5m, due to rebalancing of the portfolio and funding the acquisition of Trade Skills 4U Limited.

Remuneration & Governance

Remuneration Report

The Remuneration and Nominations Committee: On 4 October 2022, the previous separate Remuneration and Nominations committees were merged to form the combined Remuneration and Nominations Committee ("the Committee") which 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 (Committee member and Chair until 4 October 2022), Jane Gibbon (Committee Chair from 4 October 2022), Andy Marchant, Ian Ailles, and Frank Douglas (Committee member from 4 October 2022). The Chair of the Institute Trustees (Ann Limb) and the Vice Chair (Kevin Baughan) are ex-officio members of the Committee. The Chair attends the meetings but where that is not possible the Vice Chair attends in her place.

The role of the Committee from a remuneration perspective is to decide remuneration policy, terms of employment and remuneration plan design for the Executive Leadership Team (ELT) including the Chief Executive Officer (CEO) and to confirm their salaries, individual incentive opportunity and pay-outs under the annual bonus plan. During FY23, the Terms of Reference for the Committee were reviewed and updated, partly to reflect the merging of two committees.

The Committee meets at least 4 times during the year, discussing a range of topics. For FY23 the remuneration specific elements were:

- Market practice developments and regulatory changes
- Business performance and employee updates
- Organisation wide reward framework overview
- Group Management Team benchmarking and salary review
- Group Management Team Bonus measures, targets and Awards
- Receive and approve the work of the Pensions sub-committee
- Review of incentive arrangements –considering future design options
- Approval of the Remuneration Report

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 received support from the Chief People Officer and the Reward Director. The CEO 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.

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 business and to provide appropriate variable reward to allow overall employment costs to be managed effectively and continue to enhance the focus on performance.

Performance outcomes for FY23

For FY23 the salary increase for the ELT roles was 3% (with salaries frozen in FY22). This compares to the average pay increase across the wider organisation of 3.75%-4.75%.

The annual bonus for FY23 was focused on Operating Surplus (40% weighting), Revenue (20% weighting), Impact (10% weighting) and individual strategic measures (30% weighting). The individual measures were tailored to each role but were based around 4 core areas being Customer, Financial, Systems and processes, and People. To ensure affordability, the Committee set a minimum Operating Surplus to be achieved for any bonus to be paid.

The Operating Surplus and Revenue target ranges were set taking into account the volatility in the market and the broader economic uncertainty as the result of a high inflation environment. FY23 remained a tough year with deep pockets of turbulence offset by great strides made in addressing major strategic risks: setting the strategic runway, winning significant business, aligning the workforce around a ONE City & Guilds operating model. The operating surplus target was achieved without impacting growth or efficiency though revenue performance was below target but above the bonus threshold level.

The ELT has undergone some significant, and quite radical reform with all but one original ELT member remaining (excluding the CEO), achieved with minimum disruption to the organisation and at minimal cost.

The bonus outcomes are aligned with the wider Corporate Bonus which will pay out at target level to circa 850 employees in December 2023. The ELT bonus will be paid in December 2023 as normal assuming targets are achieved.

Decisions for FY24

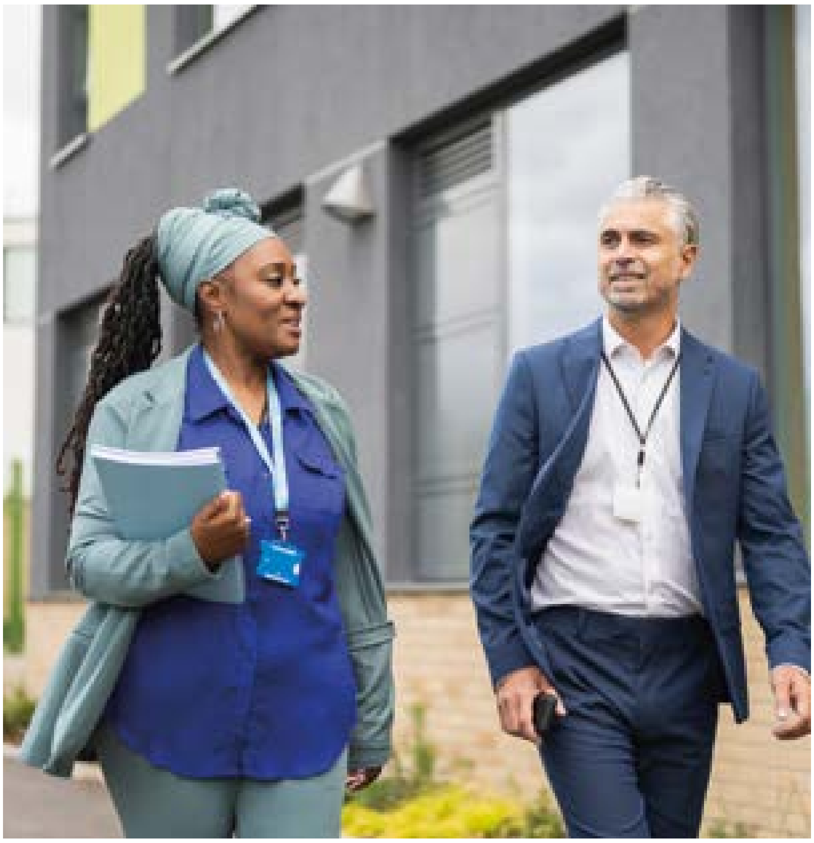
The ELT will be eligible for a pay review and increases may be given based on market benchmarking data. There will be no other changes to fixed pay arrangements.

During FY23, the Committee reviewed the effectiveness of the annual bonus plan and decided to make some changes for FY24 to better align with pace of change in our overall transformation journey and to recognise and reward strong performance. The annual bonus plan will continue to be based on a combination of financial and non-financial performance measures and Operating Surplus will remain as an affordability underpin to the whole plan. For FY24 the measures will be:

- Financial: Operating Surplus – which will include the cost of the Foundation (60% weighting)
- Financial: Revenue growth targets (30% weighting)
- Non-Financial Objective: Impact – which for FY24 will be based on the Impact Report (10% weighting)

Individual performance will now be measured via a multiplier mechanism which can increase or decrease the outcome from the measures above. The application of the individual multipliers must be managed within the overall total bonus cost. The Committee also took the opportunity to align pay-out curves across all participants to remove historical differences to ensure consistency and fairness. This new approach will provide more scope to differentiate for individual performance and align more closely with our performance management processes, without increasing the overall cost to the business.

The structure set out above will eventually apply to all members of the senior leader bonus plan with it being rolled out in FY24 for the ELT and Heads of Function.



Report on Remuneration for Year Ending 31 August 2023

The following table shows the salary, benefits and bonus of the CEO.

CEO	Financial year 2023	Financial year 2022
Kirstie Donnelly		
Salary [1]	£301,920	£296,000
Taxable benefits [2]	£58,834	£57,900
Cash bonus earned in the year [3]	£117,749	£133,200
Total	£478,503	£487,100

Notes

1. Reported amounts relate to their period of employment.
2. Includes pension cash in lieu, car allowance, private medical insurance.
3. The FY23 bonus performance criteria for the CEO, is set out below:

   a. Group Operating Surplus – 100% of max (on target 18% of salary, maximum 26% of salary)

   b. Revenue – 100% of max (on target 9% of salary, maximum 13% of salary)

   c. Impact – employee engagement – 100% of max (on target 4.5% of salary, maximum 6.5% of salary)

   d. Individual performance – 100% of max (on target 13.5% of salary, maximum 19.5% of salary)

   e. Individual performance was focused on areas including financial, customer, people, systems and processes 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.

Executive Leadership Team Emoluments

The total value of emoluments (salaries, pensions, bonuses, and taxable benefits-in-kind and severance) paid to the Executive Leadership Team (including the CEO) in year ending August 2023 was £2,486,347 (FY22: £2,457,849). Reasons for the increase relate to salary increases in line with the company annual pay review and changes to the Executive Leadership Team during FY23. In addition to these emoluments, members of the Executive Leadership 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 Executive Leadership Team members at the year-end was 6 (including the CEO).

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 and Ethnicity Pay

The Institute published its 2022/23 Gender Pay Gap Report in April 2023 and is available on our website at www.cityandguilds.com. It has also published its Ethnicity Pay Gap Report.

Structure, Governance & 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.

As stated in the Royal Charter, the Institute was "instituted exclusively for the purposes of all such branches of Science and the Fine Arts and for the advancement, dissemination, propagation, promotion, culture and application of all such branches of Science and the Fine Arts as benefit or are of use to or may benefit or be of use to productive and technical industries especially and to commerce and industry generally or any branch thereof and for the utilisation of such means as will promote the several exclusive purposes aforesaid."

The main activities of the Institute are or relate to vocational education and training.

The main activities of the Institute are or relate to vocational education and training.

In the year ending 31 August 2021, a project was started to review and update the Constitution of the Institute to enable it to maximise the use of digital technology in its governance arrangements and to reflect its commitment to equity, diversity and inclusion. By the end of the year ending 31 August 2023, the project had been completed, with the exception of Standing Order 7 (Awards) which was adopted by Council at its meeting on 5 October 2023. The Institute is registered as a charity in England and Wales (312832) and 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 about the Institute's activities in Scotland. They are the same as in the rest of the United Kingdom. In Scotland, City & Guilds continues to support its customers (including approximately 20 colleges, 100 training providers and 15 employers) through the delivery of a wide portfolio of products and services in 23 sectors such as leadership and management, hair, and building services and engineering. The Institute is also supported by an Industry Skills Board made up of representatives from each of the four nations.

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 at the Yearly Meeting) and the Honorary Secretary (who is appointed by Council).

Members

The Institute has over 1,500 Members, to whom the board of Trustees ('Trustee Board') is accountable. There are five categories of Member: Ex-officio (the Lord Mayor of London for example), Honorary (including Fellows), Founder (the City of London Corporation and 109 livery companies), Ordinary, and Non-Corporate (holders of the MCGI award).

Council

Council's primary role is to appoint and advise the board of Trustees and, jointly with the Trustees, to act as guardian of the 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 Chair and Vice-Chair of Council, the Treasurer, the Honorary Secretary, and other Trustees appointed from and by Council on advice from the Remuneration and Nominations Committee. One quarter of the appointed Trustees retire every year and are eligible for re-appointment.

The Trustee Board meets at least six times a year, its meetings presided over by the Chair or Vice-Chair of Council. Trustees undergo an induction process and receive updates and briefings on specific topics during their terms of office.

The Institute has over 1,500 Members, to whom the board of Trustees ('Trustee Board') is accountable

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

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 is accountable to the Trustee Board and Council.

Committees

There are four Committees of the Trustee Board: the Audit and Risk Committee, the Foundation Committee, the Investment Committee, and the Remuneration and Nominations Committee.

Each Committee meets between two and four times a year, and the Chair of each Committee is a Trustee who reports to the Trustee Board on its activities.

Quality and Standards Committee

As part of the review of the Constitution as set out above, Council adopted a revised Standing Order 9 (Quality and Standards Committee) at its meeting on 28 March 2023. The principal roles of the Quality and Standards Committee ("QSC") are to monitor and advise on the policies, systems and processes that seek to maintain and enhance confidence in the currency and credibility of the Institute's assessment products and to monitor and advise on the effectiveness of the internal controls, risk identification and mitigation that affect the quality and standards of the Institute's assessment portfolio. It also provides assurance to the Trustee Board of

the quality and standards of the Institute's assessment and qualifications and monitors and advises on the Institute's on-going compliance with the requirements of the United Kingdom awarding regulators and other relevant statutory organisations. It is the final arbiter in appeals against decisions relating to qualification and assessments awarded and, in this activity, is independent of Council, the Trustee Board and the executive. The QSC 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 Chief Executive Officer, who reports to the Trustees and Council. The Chief Executive Officer has all the powers not expressly reserved to the Trustees or Council or delegated by them to Committees: these powers may be exercised on her behalf by such members of staff as she determines. She works with and through an Executive Leadership Team, which deals with major strategic and operational issues and receives reports from representatives of the Institute's divisions and subsidiaries. The affairs of the other subsidiaries are overseen by a 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 subsidiaries 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 (RC000117) and registered as a charity in England & Wales (Reg No: 312832) and Scotland (Reg No: SC039576). On page 42 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 2023, the Secretary, the Chief Executive and other key management personnel as well as the principal bankers, investment managers, solicitors and auditors.

Income & assets

The Group

The Group's income for the year was £159.0m (2021-22: £142.5m). Of this 62% (2021-22: 65%) is classed as educational in the Financial Statements. The Group's expenditure was £167.9m (2021-22: £146.9m). Of this 60% (2021-22: 64%) 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 before other recognised gains and losses was £9.6m (2021-22: net income £0.2m).

Funds decreased by £16.9m (2021-22: increase of £15.4m). This movement included an actuarial loss in relation to the defined benefit pension scheme of £7.7m (2021-22: gain of £15.0m) and gains on revaluation of foreign currency net investments of £0.4m (2021-22: £0.2m). There is more information about pensions on page 79 in this Report. The increase in funds is stated after a loss on investment assets of £0.7m (2021-22: gain of £4.6m, mostly in respect of the sale of two seed investments).

The balance sheet value of the Group's net assets at 31 August 2023 was £86.5m (31 August 2022: £103.4m). Cash at the end of the year was £24.3m in comparison with £44.6m last year. Cash outflows from operations was £9.0m, purchases of fixed assets was £5.9m and net cash outflow related to the acquisition of TradeSkills 4U was £11.5m. This was offset by a release of cash from investments in funds of £6.5m.

The Institute

The Institute's income was £94.6m (2021-22: £91.7m). Of this 100% (2021-22: 100%) is classed as educational in the Financial Statements. The Institute's expenditure was £98.3m (2021-22: £86.1m). Of this 100% (2021-22: 100%) is classed as educational in the Financial Statements. The Institute's net loss on investment assets and disposal of investments was £0.7m (2021-22: gain of £4.6m). The Institute's net expenditure was £4.4m (2021-22: net income of £10.2m).

Additions to net expenditure comprised mostly an actuarial loss in relation to the defined benefit pension scheme of £7.7m (2021-22: gain of £15.0m) to arrive at the net movement in funds, which decreased by £11.8m (2021-22: increased by £25.3m). There is more information about pensions on page 79 in this Report. The balance sheet value of the Institute's net assets at 31 August 2023 was £111.5m (31 August 2022: £123.3m).

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 qualifying charitable donation) to the Institute.

Capital expenditure

The Group's capital expenditure of £5.9m (2021-22: £5.3m) was largely spent on IT and development assets. The Institute's capital expenditure of £4.0m (2021-22: £2.9m) was largely spent on IT and development assets.

Fundraising statement

Fundraising 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 2023 amounted to £Nil (2021-22: £Nil). We do not undertake fundraising from the public. We are not subject to any undertaking to be bound by any voluntary scheme for regulating fundraising or any voluntary fundraising standard. All solicitations are managed internally, without the involvement of commercial participators, professional fundraisers 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 fundraising activities. We have received no complaints in relation to fundraising activities.

Risk management

Understanding the risks we face and managing them appropriately is important to City & Guilds, enabling better decisions and delivery of its purpose, with more impact, to more people.

The risk environment

City & Guilds partners with its customers to deliver work-based learning programmes that build competency, to support better prospects for people, organisations and wider society.

As a leader in global skills development, City & Guilds works with governments, organisations and training providers and colleges to provide work-based learning programmes in industries and sectors which offer the strongest prospects for jobs. City & Guilds operates in multiple markets in the UK, and internationally in educational content, qualifications and training.

City & Guilds' risk profile considers risks associated to our Awarding

Organisation, direct technical training businesses, digital learning platforms and leader and manager training activities. Risk factors impacting City & Guilds operating in these markets include technological adoption and Artificial Intelligence, increased digitisation, changing regulatory requirements, socioeconomic factors, qualification change and transformation required to meet these factors.

How we manage risk

City & Guilds has a robust Risk Management framework that supports the delivery of its objectives and commitments by identifying, assessing, reporting and monitoring risk. Our framework is aligned to the HM Treasure 'Orange book' and augmented by industry best practice tailored to our unique combination of considerations (HE, Charitable and Private sector entities).

The Trustees, supported by the Audit and Risk Committee (ARC), regularly review the risks to which City & Guilds is exposed, the risk appetite, and the risk management processes. The Trustees formally approve the strategic risk register and the risk appetite matrix annually and the ARC monitors this on a quarterly basis. The strategic risk register and operational risk registers are managed by the Executive Leadership Team. The outsourced Internal Auditor provides independent assurance that the risk management, governance, and internal control processes are operating effectively. New Governance, Risk and Compliance and Finance Assurance functions have been established this year to enhance risk management and assurance activities.

Risk identification

Risk identification at an operational level is near term and managed as part of the ongoing day to day activity through operational risk registers which are closely monitored by the Executive Leadership Team. Risks linked to our long and medium strategy and organisational operational risks are managed by dedicated functions.

The principal risks and uncertainties facing City & Guilds identified by the Trustees are categorised as five strategic and six key operational risks.

Strategic risks including actions taken during the year are summarised below:

- **Customer - We do not make the right business decisions to deliver our strategy to meet our customer needs, in order to achieve our impact, growth and surplus ambition.** Actions taken to mitigate this risk include a review of product portfolio and identification of priority sectors, implementing a new Propositions and Product directorate structure together with a roll-out of a new product lifecycle governance model to improve decision making.
- **Financial - We do not generate sufficient business cashflow or identify and secure other funding options to protect our existing business, to grow our strategic reserves in order to invest in our future growth and to fund the 1966 Defined Benefit pension scheme deficit**.
  Actions taken to mitigate this risk include five-year forecasting process to support our reserves review, linked to wider strategic planning activities, enhanced oversight by the Investment Committee of fund performance and use of external advisors to track investments and tightened management of cost base.
- **People - We have gaps in talent, capabilities and need more performance focus which may prevent us from executing our strategy.**

Actions taken to mitigate this risk include the redesign of the organisation structure to support strategy, significant changes to our leadership and senior management structure supporting execution of our strategy, key appointments to drive our ESG, policy, purpose and impact commitments and Diversity, Equity and Inclusion (DEI), enhanced onboarding process for staff and managers and a pilot launch of 'Flightpath'- a talent and career development tool.

- **Operating model - We do not evolve our operating model to execute our strategy.** Actions taken to mitigate this risk include external expertise/ benchmarking review of our Target Operating Model (TOM), implementation of organisational structure changes with new hires and clear ownership, agreed Strategic Initiatives and enablers, and new Governance, Risk and Compliance and Finance Assurance functions to enhance risk and assurance activities.
- **Technology - We do not have the operational model to evolve our legacy architecture to provide secure, resilient, agile scalable technology to support our future strategy, compliance obligations and reduce the cost to serve.** Actions taken to mitigate this risk include a new technology strategy and roadmap, new governance groups to assess and agree prioritisation of competing technology developments and new senior Group Technology appointments to deliver changes to customer facing systems and back end systems and processes.

Key operational risks identified are shown below:

- **Regulatory** - We fail to comply with contractual and regulatory obligations e.g. Ofqual, IfATE, Ofsted, ESFA and other stakeholders ego professional bodies and membership institute
- **Compliance** - We do not effectively identify, manage and comply with general legal, Charity Commission, HSE and financial compliance (excluding regulatory requirements applicable to Awarding Organisations, End-Point Assessment Organisations or Training Providers)
- **Policy** - We do not effectively influence, respond to and implement changes in skills policy
- **Cyber, information security** - 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
- **Internal controls and governance** - There are significant governance failures (internal control failings) for key business, people and financial processes
- **Business continuity/crisis management** - We do not effectively plan for, respond and manage a major business continuity incident or crisis event through capabilities which are aligned with business.

Designated Funds

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 2023 was £2.5m (2022: £2.8m).

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 2023 was £3.1m (2022: £3.4m), invested in bank deposit accounts to limit risk exposure. During the year, £0.3m (2022: £0.3m) was spent.

Brookes Metzger Bursary

The Fund represents a bursary to provide opportunities to pursue a career in engineering through high-level technical qualifications to be provided in partnership with the University of Cumbria. The Fund is new during the year and has a value of £0.4m with no expenditure to date.

Other Funds

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 2023 was £33.3m (2022: £56.0m). The value of the actual free reserves at 31 August 2023 was £37.7m (2022: £58.3m), calculated by adding the net current assets (£11.9m) to the financial investments (£34.0m) and then deducting the value of the Restricted Funds (£3.5m), Designated Fund (£2.5m), long term creditors (£1.5m) and provisions for liabilities and charges (£0.7m). The aggregate free reserves of the Institute's subsidiaries at 31 August 2023 was £4.0m deficit (2022: £7.2m surplus).

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 Limited 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 'mixed-motive 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 Investment Committee reviewed and agreed on a revised strategy the investment strategy in December 2022. This followed professional advice taken with external advisors. The implementation of the revised strategy was ongoing at year end for investable assets. In setting the strategy the key considerations for the Investment Committee were:

- **Return target:** Implementing an "inflation plus" target – the new strategy is expected to increase target total portfolio returns by ~0.5%. This equates to a net return target of 6.7% at the time of review.
- **Risk:** The new portfolio has been assessed as a 90% 1-year VAR of £4.9m which is considered by trustees to be an acceptable risk vs return balance for the Charity.
- **Liquidity:** The purpose of the invested assets held is to predominantly act as risk reserves and back long-term stable working capital. The profile of expected liquidity realisation should a major risk event occur was reviewed and considered acceptable.
- **ESG:** There is a desire for the invested assets to mirror the ESG policies in place for the Charity as a whole as far as possible, within the hierarchy of decision making to meet obligations as per current Charities Commission guidance.

In aggregate £33.0m was invested in the following three funds as at 31 August 2023:

- Vanguard LifeStrategy 60% Equity Fund (VLEF)
- Trojan Fund
- The Partners Fund

At 31 August 2023, the Group's cash amounted to £24.3m (2022: £44.6m) and the Group's investments in funds were valued at £33.0m (2022: £39.7m).

£13.0m (2022: £12.9m) was invested in the VLEF, £13.2m (2022: £13.3m) in the Trojan Fund, £6.8m (2022: £Nil) in the Partners Fund and £Nil (2022: £13.5m) in the IBOF. Our investment portfolio has returned -0.4% (2022: -4.1%) in the year. Since the inception of the Group's investment funds in December 2019, the portfolio has returned 7.6%. This compares the Group's target of 9.3% (being cash return + 4%) over the same period.

Pension Fund

At 31 August 2023, the funding of the defined benefit section of the City and Guilds (1966) Pension Scheme was in deficit by £15.1m (2022: £10.3m). The increase in the pension deficit was the result of the £43.5m decrease in the value of the liabilities (from £200.3m to £156.8m) and the £48.3m decrease in the value of the scheme assets (from £190.0m to £141.7m). The net of these variances gives the movement in position of £4.8m.

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. A summary of these transactions is shown in Note 20 to the financial statements.

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 Institute 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 Institute 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 Institute 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:

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

b. 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 9 May 2023, 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 6 December 2023 and signed on their behalf by

Ann Limb

Dame Ann Limb DBE CBE DL FCGI
Chair

Administrative information

Trustees

Dame Ann Limb DBE CBE DL FCGI
Chair of Council

Kevin Baughan OBE
Vice-Chair and Honorary Secretary

Ian Ailles
Treasurer

James Alexander
(from 10 May 2023)

Ann Brown
(until 4 October 2022)

Frank Douglas

Chris Fenton

Jane Gibbon

Andrew Marchant

Dr Richard Palmer

Ben Wiseman
(from 8 September 2022)

Secretary to the Institute

Chris Astles

Chief Executive Officer

Kirstie Donnelly MBE

Principal Office

City & Guilds
Giltspur House
5-6 Giltspur Street
London EC1A 9DE

External Auditors

BDO LLP
55 Baker Street
London W1U 7EU

Investment Managers

Partners Group (UK) Limited
110 Bishopsgate,14th Floor
London EC2N 4AY

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

HSBC UK Bank plc
Level 6
71 Queen Victoria Street
London EC4V 4AY

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

Nic Barnes
Executive Director, People
(from 1 July 2023)

Jim Conybeare-Cross
Chief Financial Officer
(until 6 September 2023)

Phil Ellaway
Strategy Director
(until 31 May 2023)

Cecilia Harvey
Chief Operations Officer

Abid Ismail
Chief Financial Officer
(from 13 February 2023)

Faiza Khan MBE
Executive Director, Corporate Affairs and Foundation

Andy Moss
Chief Customer Officer

Nicky Pattimore
Chief People and Customer Officer (until 30 June 2023)

David Phillips
Managing Director,
Channel Partners

Other Names

The City and Guilds of London Institute has working names of City & Guilds and City & Guilds International. The City & Guilds Foundation is the part of the Institute that has a specific focus on high impact social investment, recognition and advocacy programmes.

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 2023 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, Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006, as amended.

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 2023 which comprise the consolidated statement of financial activities, the consolidated and charity balance sheets, the consolidated cash flow statement 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 Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 (Accounts and Reports) Regulations 2008 and the Charities Accounts (Scotland) Regulations 2006 require us to report to you if, in our opinion;

- the information given in the Trustees' Report for the financial year for which the financial statements are prepared is inconsistent in any material respect with the financial statements; or
- adequate and 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 Trustees' responsibilities statement, 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 determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the 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 under 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:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group's and the sector in which it operates;
- Discussion with management, those charged with governance, and legal counsel; and
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations;

we considered the significant laws and regulations to be United Kingdom Accounting Standards (Financial Reporting Standard 102), the Statement of Recommended Practice (SORP) Accounting and

Reporting by Charities (FRS102), the Charities Act 2011 and Ofqual regulations.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the health and safety legislation, Corporate and VAT legislation, Employment Taxes, and the Bribery Act 2010.

Our procedures in respect of the above included:
- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:
- Enquiry with management, those charged with governance, the Audit and Risk Committee, and internal audit regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:

  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be registration income recognition, management override of controls, and fictitious supplier creation.

Our procedures in respect of the above included:
- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Involvement of specialists in the audit to review the work performed by the third-party you engaged with during the year;
- Assessing significant estimates made by management for bias, including estimated drop-out rates and average course lengths;

- Reviewed key information for suppliers and cross-checked employee details; and
- Reviewed correspondence with the Charity Commission and serious incident reports submitted during the year.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including component engagement teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. For component engagement teams, we also reviewed the result of their work performed in this regard.

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 Reporting 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 Part 4 of the Charities (Accounts and Reports) Regulations 2008 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.

Fiona Condron
BDO LLP, statutory auditor,
London, UK
14th December 2023

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).

Financial Statements

Consolidated Statement of Financial Activities

For the year ended 31 August 2023

(Incorporating an Income and Expenditure Account)

	Note			Year ended 31 August 2023			Year ended 31 August 2022 (Restated)
		£m	£m	£m	£m	£m	£m
		Unrestricted funds	**Restricted funds**	**Total**	Unrestricted funds	Restricted funds	Total
Income and endowments from:							
Donations and legacies		0.4	-	**0.4**	0.3	-	0.3
Charitable activities Educational services	2	98.5	0.4	**98.9**	92.5	-	92.5
Other trading activities	2	59.1	-	**59.1**	49.5	-	49.5
Investments	3	0.6	-	**0.6**	0.2	-	0.2
Total income		**158.6**	**0.4**	**159.0**	142.5	-	142.5
Expenditure on:							
Charitable activities Educational services		100.4	0.3	**100.7**	93.0	0.3	93.3
Raising funds Trading costs		67.0	-	**67.0**	53.5	-	53.5
Other Tax on overseas activities		0.2	-	**0.2**	0.1	-	0.1
Total expenditure	4	**167.6**	**0.3**	**167.9**	146.6	0.3	146.9
Net expenditure before investments gain and losses, disposal of fixed assets and associates		**(9.0)**	**0.1**	**(8.9)**	(4.1)	(0.3)	(4.4)
Net loss on investment assets	7	(0.8)	-	**(0.8)**	(2.9)	-	(2.9)
Gain on disposal of unlisted investment	7	0.1	-	**0.1**	7.5	-	7.5
Net (expenditure) / income		**(9.7)**	**0.1**	**(9.6)**	0.5	(0.3)	0.2
Attributable to:							
The interest of the parent charity		(9.9)	0.1	**(9.8)**	0.3	(0.3)	-
Non-controlling interest		0.2	-	**0.2**	0.2	-	0.2
		(9.7)	**0.1**	**(9.6)**	0.5	(0.3)	0.2
Other recognised gains and losses							
Gain on revaluation of foreign currency net investments		0.4	-	**0.4**	0.2	-	0.2
Actuarial (loss) / gain on defined benefit pension scheme	18	(7.7)	-	**(7.7)**	15.0	-	15.0
Net movement in funds		**(17.0)**	**0.1**	**(16.9)**	15.7	(0.3)	15.4
Accumulated funds brought forward		100.0	3.4	**103.4**	84.3	3.7	88.0
Accumulated funds carried forward	12	83.0	3.5	**86.5**	100.0	3.4	103.4

The above results are derived entirely from continuing activities.
The notes on pages 54 to 85 form part of these Financial Statements.

Balance Sheets

For the year ended 31 August 2023

	Note	Group Year ended 31 August 2023	Group Year ended 31 August 2022 (Restated)	Institute Year ended 31 August 2023	Institute Year ended 31 August 2022 (Restated)
		£m	£m	£m	£m
Intangible fixed assets	5	**30.4**	22.5	**5.7**	5.9
Tangible fixed assets	6	**29.2**	28.1	**22.2**	22.1
Investments Financial investments	7	**34.0**	40.3	**34.0**	40.3
Investment in subsidiaries	7	**-**	-	**55.7**	49.7
Total investments		**34.0**	40.3	**89.7**	90.0
Total fixed assets		**93.6**	90.9	**117.6**	118.0
Current assets Debtors due within one year	8	**24.3**	20.0	**24.8**	18.7
Cash at bank and in hand		**24.3**	44.6	**17.6**	29.2
Total current assets		**48.6**	64.6	**42.4**	47.9
Current liabilities Creditors: amounts falling due within one year	9	**(38.4)**	(39.1)	**(32.1)**	(30.7)
Net current assets		**10.2**	25.5	**10.3**	17.2
Total assets less current liabilities		**103.8**	116.4	**127.9**	135.2
Creditors: amounts falling due after one year	10	**(1.5)**	(1.7)	**(0.6)**	(0.9)
Provisions for liabilities and charges	11	**(0.7)**	(1.0)	**(0.7)**	(0.7)
Net assets excluding pension liability		**101.6**	113.7	**126.6**	133.6
Defined benefit pension scheme liability	18	**(15.1)**	(10.3)	**(15.1)**	(10.3)
Net assets		**86.5**	103.4	**111.5**	123.3
The funds of the charity **Unrestricted funds** Unrestricted funds excluding pension reserve	12	**97.3**	109.7	**122.7**	129.8
Revaluation reserve	12	**0.4**	0.4	**0.4**	0.4
Defined benefit pension scheme reserve	18	**(15.1)**	(10.3)	**(15.1)**	(10.3)
Total unrestricted funds		**82.6**	99.8	**108.0**	119.9
Restricted funds	12	**3.5**	3.4	**3.5**	3.4
Total funds of the Group and Institute		**86.1**	103.2	**111.5**	123.3
Non-controlling interest		**0.4**	0.2	**-**	-
Total funds		**86.5**	103.4	**111.5**	123.3

The notes on pages 54 to 85 form part of these Financial Statements.

The Financial Statements on pages 50 to 85 were approved by the board of Trustees and authorised for issue on 6 December 2023 and signed on its behalf by:

Dame Ann Limb DBE DL, Chair

Ian Ailles, Treasurer

Kirstie Donnelly MBE, CEO

Consolidated Statement of Cash Flows

For the year ended 31 August 2023

			Year ended 31 August 2023		Year ended 31 August 2022 (Restated)
	Note	£m	£m	£m	£m
Cash flows used in operating activities	13		**(8.8)**		(6.2)
Taxation paid		**(0.2)**		(0.1)	
Net cash used in operating activities			**(9.0)**		(6.3)
Cash flows (used in) / from investing activities					
Investment income	3	**0.6**		0.2	
Purchases of intangible fixed assets	5	**(3.7)**		(2.6)	
Purchases of tangible fixed assets	6	**(2.2)**		(2.7)	
Purchases of listed investments	7	**(6.8)**		-	
Proceeds from sale of listed investments	7	**13.3**		-	
Purchases of other investments	7	**(1.0)**		9.7	
Investment in subsidiary undertakings	7	**(5.7)**		(0.4)	
Cash acquired with subsidiaries	7	**0.5**		0.1	
Net cash (used in) / from investing activities			**(5.0)**		4.3
Cash flows used in financing activities					
Settlement of loan financing	7	**(6.3)**		-	
Net cash used in financing activities			**(6.3)**		-
Net decrease in cash and cash equivalents			**(20.3)**		(2.0)
Cash and cash equivalents at beginning of year			**44.6**		46.6
Cash and cash equivalents at end of the year			**24.3**		44.6
Cash and cash equivalents comprise:					
Cash at bank and in hand			**24.3**		44.6
			24.3		**44.6**

The notes on pages 54 to 85 form part of these Financial Statements.

Notes to the Financial Statements

For the year ended 31 August 2023

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 Group's or Institute'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.

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.

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 Institute 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. Man-agement 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. Stress testing of the Group and Institute's cash position is undertaken to cover the period up to at least 12 months from the date of this report.
- 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 Institute 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.

1. Accounting policies - continued

In making their assessment of going concern, management stress tested the budget and various scenario models, incorporating a number of assumptions including reductions to revenue and 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.

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

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 per-sonnel 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.

Despite there being a uniting direction in place between the Institute and City and Guilds International Limited, the Institute figures presented in these accounts solely reflect the assets, liabilities and activities of the Institute. City and Guilds International Limited has been treated as a subsidiary and included within the Group figures.

1.3 Reserves and fund structure

Unrestricted funds comprise accumulated surpluses on general funds and the 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 deemed cost established on the transition to FRS 102 and derived from an open market valuation, carried out by Daniel Watney, Chartered Surveyor, as at 1 September 2014. Subsequent additions are capitalised at cost.

Freehold property is depreciated on a straight-line basis over 50 years. Freehold land is not depreciated. 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 available for 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	50 years
Computer equipment	3-5 years
Furniture and fixtures	4 years
Motor vehicles	3-4 years
Plant	4-20 years

1. Accounting policies - continued

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 on a straight-line basis over its estimated useful economic life, which is up to a maximum of 10 years where such a period cannot be measured reliably. For the current subsidiaries of the Group, associated goodwill has been deemed to have an estimated useful life of 10 years. This is based upon an assessment of a given investment at the time of acquisition, taking in to account relevant strategic plans and forecasts.

Other intangible fixed assets consist of intellectual property rights, customer relationships, programme content, trade names, computer software and qualification development, which are capitalised at cost or transaction value and amortised on a straight-line basis over their estimated useful economic lives. Assets which are subject to a period of construction are amortised from the date they are available for operational use.

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
Computer software	3-5 years	
Qualification development	5 years	

When circumstances are identified which give rise to an impairment in the value of any intangible 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 Income

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 up to 12 months.

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 if there are no performance obligations.

1. Accounting policies - continued

1.8 Expenditure

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

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

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 capitalised within intangible fixed assets and amortised over five 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 18. 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 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 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 Operating leases and leased assets

Rentals applicable to operating leases are charged to the Consolidated Statement of Financial Activities on a straight line basis over the term of the lease.

1. Accounting policies - continued

1.13 Investments

Investments in subsidiary companies are shown at cost in the parent charity, 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.

Investments in funds 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. Contributions to funds are recognised in full when drawn and undrawn commitments are disclosed in Note 23.

Other financial investments are held at cost less impairment.

1.14 Financial instruments

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are classified according to the substance of the contractual arrangements entered into. Financial assets, other than financial investments, are initially measured at transaction price and subsequently held at amortised cost, less any impairment.

Financial liabilities, excluding the defined benefit pension liability, are initially measured at transaction price and subsequently held at amortised cost.

1.15 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.

1. Accounting policies - continued

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 18. 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 £3.0m in scheme liabilities.
- 0.1% pa decrease in inflation rate leads to a decrease of £3.0m in scheme liabilities.
- 0.25% pa decrease in rate of salary increases leads to a decrease of £0.1m in scheme li-abilities.
- 0.1% pa increase in rate of increase in pensions in payment leads to an increase of £2.0m in scheme liabilities.
- 0.25% pa increase to 1.75% pa long-term rates of mortality improvement leads to an in-crease of £3.0m 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, management considers the risk of courses with deferred expenditure not being viable in the future to be remote. The Group also has a policy of immediately expensing deferred third party content development costs when the future viability of the underlying courses is in question.

1.16 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 (2022: £0.9m) 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 (2022: £0.3m) 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 methods such as multi-period excess earnings. Key inputs into the valuations are:

- Customer retention rate.
- Growth rates.
- Weighted Average Cost of Capital specific to the acquisition on the transaction date.

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

Refer to 1.15 for indicators of impairment and impairment of assets for factors taken into account when determining the recoverable amount of an investment.

1. Accounting policies - continued

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 as explained in Note 1.13.

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. (a) Income from charitable activities – educational services

	Year ended 31 August 2023	Year ended 31 August 2022
	£m	£m
Fee income	**98.9**	92.5
	98.9	92.5

(b) Income from other trading activities

Other trading activities comprise the activities of the trading subsidiaries of the Group within the Employers business unit, whose activities support employers with direct training delivery. These operate under the brands of Gen2, Intertrain, Kineo, The Oxford Group and Trade Skills 4U as set out in Note 7.

3. Income from investments

	Year ended 31 August 2023	Year ended 31 August 2022
	£m	£m
Interest on deposits	**0.6**	0.2
	0.6	0.2

4. Expenditure

(a) Analysis of total expenditure

	Staff costs (Note 14)	Other direct costs	Support costs	**Year ended 31 August 2023 Total**
	£m	£m	£m	**£m**
Trading costs	33.0	21.2	12.8	**67.0**
Educational services	52.8	30.9	17.0	**100.7**
Tax on overseas activities	-	0.2	-	**0.2**
	85.8	52.3	29.8	**167.9**

	Staff costs (Note 14)	Other direct costs	Support costs	Year ended 31 August 2022 Total
		(Restated)	(Restated)	(Restated)
	£m	£m	£m	£m
Trading costs	28.1	16.0	9.4	53.5
Educational services	47.4	29.4	16.5	93.3
Tax on overseas activities	-	0.1	-	0.1
	75.5	45.5	25.9	**146.9**

(b) Analysis of support costs

	Trading costs	Educational services	Governance	**Year ended 31 August 2023**
	£m	£m	£m	**£m**
Premises and utilities	3.7	2.7	-	**6.4**
Communication and IT	2.1	8.9	-	**11.0**
Postage and printing	0.2	0.6	-	**0.8**
Other	0.2	0.4	-	**0.6**
Depreciation and impairment	1.2	1.0	-	**2.2**
Amortisation costs	5.5	3.0	-	**8.5**
Financial costs	(0.1)	0.4	-	**0.3**
	12.8	17.0	-	**29.8**

4. Expenditure - continued

(b) Analysis of support costs - continued

	Trading costs (Restated)	Educational services (Restated)	Governance	**Year ended 31 August 2022 (Restated)**
	£m	£m	£m	**£m**
Premises and utilities	1.7	3.1	-	**4.8**
Communication and IT	1.3	8.4	-	**9.7**
Postage and printing	0.1	0.7	-	**0.8**
Other	0.2	0.1	-	**0.3**
Depreciation and impairment	0.4	1.0	-	**1.4**
Amortisation costs	5.6	2.9	-	**8.5**
Financial costs	0.1	0.3	-	**0.4**
	9.4	16.5	-	**25.9**

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.

Total support costs after allocation of staff costs of £0.2m (2022: £0.2m) is £30.0m (2022: £26.1m).

(c) Analysis of governance costs

	Year ended 31 August 2023	Year ended 31 August 2022
	£m	£m
Audit fees	**0.8**	0.5
Allocation of staff costs	**0.2**	0.2
Apportionment of support costs	**-**	-
	1.0	0.7

4. Expenditure - continued

(d) Cost analysis

Included within total expenditure are the following individual items:

	Year ended 31 August 2023	Year ended 31 August 2022 (Restated)
	£m	£m
Group auditor's remuneration:		
Audit fees	0.4	0.3
Other auditors' remuneration:		
Audit fees relating to subsidiaries	0.4	0.2
Taxation and other services	0.1	0.1
Operating lease rentals:		
Land and buildings	2.8	2.0
Plant and equipment	0.7	0.6
Depreciation and impairment (Note 6)	2.2	1.4
Amortisation (Note 5)	8.5	8.5
Net loss on foreign currency transactions	0.7	0.5

5. Intangible fixed assets

	Goodwill	Intellectual property rights	Customer relationships	Programme content	Trade name	Computer software	Qualifcation development	Assets under construction	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Group: Cost or valuation									
At 1 September 2022 (Restated)	42.0	1.7	8.3	3.5	0.6	19.5	9.2	1.9	86.7
Transfers	-	-	-	-	-	0.9	0.7	(1.6)	-
Additions	13.0	-	-	0.4	-	0.5	0.4	2.4	16.7
Disposals	-	-	-	-	-	(0.2)	-	-	(0.2)
Foreign exchange revaluation	-	-	-	(0.6)	-	(0.8)	-	-	(1.4)
At 31 August 2023	55.0	1.7	8.3	3.3	0.6	19.9	10.3	2.7	101.8
Amortisation									
At 1 September 2022 (Restated)	32.0	1.7	4.3	2.7	0.1	16.2	7.2	-	64.2
Amortisation for the year	3.8	-	0.7	0.4	0.1	2.1	1.4	-	8.5
Disposals	-	-	-	-	-	(0.2)	-	-	(0.2)
Foreign exchange revaluation	-	-	-	(0.5)	-	(0.6)	-	-	(1.1)
At 31 August 2023	35.8	1.7	5.0	2.6	0.2	17.5	8.6	-	71.4
Net book values									
At 31 August 2022 (Restated)	10.0	-	4.0	0.8	0.5	3.3	2.0	1.9	22.5
At 31 August 2023	**19.2**	**-**	**3.3**	**0.7**	**0.4**	**2.4**	**1.7**	**2.7**	**30.4**
Institute: Cost or valuation									
At 1 September 2022 (Restated)	-	-	-	-	-	16.1	9.2	1.9	27.2
Transfers	-	-	-	-	-	0.9	0.7	(1.6)	-
Additions	-	-	-	-	-	-	0.4	2.4	2.8
At 31 August 2023	-	-	-	-	-	17.0	10.3	2.7	30.0
Amortisation									
At 1 September 2022 (Restated)	-	-	-	-	-	14.1	7.2	-	21.3
Amortisation for the year	-	-	-	-	-	1.6	1.4	-	3.0
At 31 August 2023	-	-	-	-	-	15.7	8.6	-	24.3
Net book values									
At 31 August 2022 (Restated)	-	-	-	-	-	2.0	2.0	1.9	5.9
At 31 August 2023	**-**	**-**	**-**	**-**	**-**	**1.3**	**1.7**	**2.7**	**5.7**

5. Intangible fixed assets - continued

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 the group. The discount rate used in measuring value in use was 12.0% (2022: 10.0%).

Perpetuity growth rates
A perpetuity growth rate of 2.0% (2022: Nil) was used.

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 (2022: £Nil).

6. Tangible fixed assets

	Freehold property	Leasehold property	Computer equipment	Plant, fixtures and motor vehicles	Assets under construction	Total
	£m	£m	£m	£m	£m	£m
Group: Cost or valuation						
At 1 September 2022 (Restated)	4.3	23.5	8.5	6.5	0.6	43.4
Transfers	-	-	0.3	0.1	(0.4)	-
Additions	-	0.2	0.4	0.3	1.3	2.2
Disposals	-	(0.5)	(0.1)	(0.4)	(0.1)	(1.1)
Foreign exchange revaluation	-	(0.1)	-	-	-	(0.1)
On acquisition of subsidiary	-	0.5	0.1	0.8	-	1.4
At 31 August 2023	4.3	23.6	9.2	7.3	1.4	45.8
Accumulated depreciation						
At 1 September 2022 (Restated)	-	3.1	7.7	4.5	-	15.3
Charge for the period	0.1	0.6	0.6	0.9	-	2.2
Disposals	-	(0.5)	-	(0.3)	-	(0.8)
Foreign exchange revaluation	-	(0.1)	-	-	-	(0.1)
At 31 August 2023	0.1	3.1	8.3	5.1	-	16.6
Net book values						
At 31 August 2022 (Restated)	4.3	20.4	0.8	2.0	0.6	28.1
At 31 August 2023	**4.2**	**20.5**	**0.9**	**2.2**	**1.4**	**29.2**
Institute: Cost or valuation						
At 1 September 2022 (Restated)	-	23.1	6.1	4.0	0.3	33.5
Transfers	-	-	0.3	0.1	(0.4)	-
Additions	-	-	-	-	1.2	1.2
Disposals	-	-	-	-	(0.1)	(0.1)
At 31 August 2023	-	23.1	6.4	4.1	1.0	34.6
Accumulated depreciation						
At 1 September 2022 (Restated)	-	2.9	5.5	3.0	-	11.4
Charge for the year	-	0.4	0.2	0.4	-	1.0
At 31 August 2023	-	3.3	5.7	3.4	-	12.4
Net book values						
At 31 August 2022 (Restated)	-	20.2	0.6	1.0	0.3	22.1
At 31 August 2023	-	**19.8**	**0.7**	**0.7**	**1.0**	**22.2**

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

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 £16.9m (2022: surplus of £15.4m), includes the results of the following seven 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 Insti-tute's registration. Together with its overseas subsidiaries it delivers examination and award ser-vices overseas.
- City and Guilds Kineo Limited, a limited company that, together with its American subsidiaries, helps businesses improve their performance through learning and technology.
- Interact Learning Pty Limited, a limited company incorporated in Australia that provides design, development, implementation of training management and compliance solutions, operating under the Kineo brand.
- 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.
- 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.
- From 1 November 2022, Trade Skills 4U Group Limited, a limited company that, together with its UK trading subsidiary, delivers apprenticeship training, skills bootcamps and accredited courses within the electrical sector.

The Group also includes the following dormant subsidiaries: NPTC, City and Guilds Enterprises Limited, City and Guilds of North America Inc, Oxford Group Pension Trustees Limited, Intertrain UK (Holdings) Ltd, Digitalme Limited, Radiowaves Schools Limited, E3 Learning Limited and Flexible Learning Network Limited (New Zealand).

The movement in the carrying value of investments in subsidiaries is shown below:

	Institute Year ended 31 August 2023	Institute Year ended 31 August 2022
	£m	£m
At 1 September	**49.7**	50.2
Additions	**6.0**	-
Impairments	**-**	(0.5)
At 31 August	**55.7**	49.7

7. Investments - continued

(a) Subsidiaries (continued):

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

	Company number (Charity number)		Investment	Total income	Total expenditure	Profit / (loss)	Assets	Liabilities	Funds
			£m	£m	£m	£m	£m	£m	£m
City and Guilds International Limited	1894671	2023	1.0	7.0	(4.2)	2.8	11.2	(0.8)	10.4
	(312832)	2022	1.0	7.2	(8.1)	(0.9)	14.2	(6.7)	7.5
City and Guilds Kineo Limited	07150983	2023	9.5	7.5	(9.0)	(1.5)	2.7	(2.9)	(0.2)
	(N/A)	2022	9.5	9.5	(10.2)	(0.7)	4.5	(3.3)	1.2
Kineo Group Inc	26-4747460	2023	-	5.7	(5.4)	0.3	2.0	(1.7)	0.3
	(N/A)	2022	-	5.4	(5.2)	0.2	1.5	(1.4)	0.1
The Oxford Group Consulting and Training Limited	06074029	2023	6.1	6.8	(6.8)	-	1.1	(1.5)	(0.4)
	(N/A)	2022	6.1	6.9	(7.3)	(0.4)	2.8	(2.6)	0.2
Interact Learning Pty Limited	095674285	2023	18.7	7.6	(7.2)	0.4	3.0	(4.0)	(1.0)
	(N/A)	2022	18.7	7.5	(7.2)	0.3	3.7	(5.3)	(1.6)
Gen II Engineering & Technology Training Ltd	03804696	2023	8.8	11.0	(13.4)	(2.4)	6.9	(2.7)	4.2
	(N/A)	2022	8.8	12.3	(11.0)	1.3	9.5	(2.9)	6.6
Intertrain UK Limited	04696164	2023	5.6	10.9	(10.8)	0.1	1.5	(1.0)	0.5
	(N/A)	2022	5.6	7.4	(7.4)	-	1.3	(1.3)	-
TradeSkills 4U Limited *	10910988	2023	6.0	7.2	(7.6)	(0.4)	2.1	(3.5)	(1.4)
	(N/A)	2022	N/A	N/A	N/A	N/A	N/A	N/A	N/A

** From 1 November 2022*

7. Investments - continued

(b) Acquisition

On 1 November 2022 the Group acquired 100% of the share capital of Trade Skills 4U Group Limited, which has a wholly owned subsidiary Trade Skills 4U Limited that provides training in the electrical sector. The consideration was £6.0m, including £0.3m deferred over two years. Immediately after acquisition, the Institute provided a loan of £6.3m to Trade Skills 4U Group Limited, which was used to settle external loans of the same value. Results of the entities are consolidated in to the Group's results from 1 November 2022, and since then have generated revenue of £7.2m and a loss of £0.8m. Goodwill on acquisition of £13.0m is being amortised over 10 years.

Subsidiaries acquired	**TradeSkills 4U Group Limited**
	£m
Assets / (liabilities) at fair value	
Fixed assets	**1.4**
Debtors	**0.1**
Cash	**0.5**
Creditors	**(9.0)**
Net liabilities	**(7.0)**
Total consideration including transaction costs	**6.0**
Total goodwill on acquisition - note 5	**13.0**

(c) Financial investments:

	Group 31 August 2023	Group 31 August 2022	**Institute 31 August 2023**	Institute 31 August 2022
	£m	£m	**£m**	£m
At 1 September	**40.3**	45.3	**40.3**	45.3
Additions	**7.8**	-	**7.8**	-
Disposals	**(13.3)**	(2.1)	**(13.3)**	(2.1)
Movements in fair value	**(0.2)**	(1.7)	**(0.2)**	(1.7)
Impairments	**(0.6)**	(1.2)	**(0.6)**	(1.2)
31 August	**34.0**	40.3	**34.0**	40.3

Financial investments include £33.0m (2022: £39.7m) investments in funds at year end.

Holdings of investments in funds in excess of 5% (2022: 5%) of the market value of the portfolio at 31 August 2023 are as follows: 39.4% (2022: 32.5%) is invested in the Vanguard LifeStrategy 60% Equity Fund, 40.0% (2022: 33.5%) is invested in the Trojan Fund, 20.6% (2022: Nil) is invested in The Partners Fund, and Nil (2022: 34.0%) is invested in the Insight Broad Opportunities Fund.

At 31 August 2023, the historical cost of these investments in funds of the Group amounted to £30.8m (2022: £41.3m) and of the Institute amounted to £30.8m (2022: £41.3m).

Holdings in other investments comprise £1.0m (2022: £Nil) in New Markets Education Partners Fund. The investment of £0.6m (2022: £0.6m) in MyKindaFuture Limited was fully impaired during the year. The investment of £1.2m (2022: £1.2m) in Filtered Technologies Limited and £0.5m (2022: £0.5m) in GetMyFirstJob Ltd were fully impaired in prior years.

Investments in Credly Inc of £1.5m and EmpowerTheUser Limited of £0.7m were sold during 2022, with gains on disposal totalling £7.5m recognised within the statement of financial activities in that year. A further final £0.1m was recognised in respect of Credly Inc in 2023.

8. Debtors: Amounts falling due within one year

	Group 31 August 2023	Group 31 August 2022 (Restated)	Institute 31 August 2023	Institute 31 August 2022 (Restated)
	£m	£m	£m	£m
Trade debtors	16.0	13.3	8.7	6.9
Amounts owed by subsidiary undertakings	-	-	5.9	9.7
Loans owed by subsidiary undertakings	-	-	6.9	-
Other debtors	4.6	3.6	1.3	0.7
Prepayments	3.7	3.1	2.0	1.4
	24.3	20.0	24.8	18.7

The provision recognised in expenditure for the year in respect of bad and doubtful trade debts was £0.2m (2022: £0.2m). The provision recognised in the Institute net income for the period in respect of bad and doubtful trade debts was £0.1m (2022: £0.2m).

9. Creditors: amounts falling due within one year

	Group 31 August 2023	Group 31 August 2022	Institute 31 August 2023	Institute 31 August 2022
	£m	£m	£m	£m
Trade creditors	5.0	3.0	2.9	1.2
Amounts owed to subsidiary undertakings	-	-	10.9	9.1
Taxation and social security	3.3	2.8	1.1	0.9
Other creditors	0.8	1.1	1.5	1.3
Accruals	14.5	15.9	8.5	10.2
Deferred income	14.8	16.3	7.2	8.0
	38.4	39.1	32.1	30.7

Deferred income:	Group 31 August 2023	Group 31 August 2022	Institute 31 August 2023	Institute 31 August 2022
	£m	£m	£m	£m
At 1 September	16.3	15.2	8.0	8.1
Deferred in the year	14.3	15.6	7.2	8.0
Released in the year	(15.8)	(14.5)	(8.0)	(8.1)
At 31 August	14.8	16.3	7.2	8.0

10. Creditors: amounts falling due after one year

	Group 31 August 2023	Group 31 August 2022	Institute 31 August 2023	Institute 31 August 2022
	£m	£m	£m	£m
Other creditors	1.5	1.7	0.6	0.9
	1.5	1.7	0.6	0.9

11. Provisions for liabilities and charges

	Group 31 August 2023	Group 31 August 2022	Institute 31 August 2023	Institute 31 August 2022
	£m	£m	£m	£m
At 1 September	1.0	1.0	0.7	0.7
Provided in the year	-	-	-	-
Utilised in the year	(0.1)	-	-	-
Released in the year	(0.2)	-	-	-
At 31 August	0.7	1.0	0.7	0.7

The above totals contain amounts related to provisions for the dilapidation costs that will crystallise on termination of building leases (Group 2023: £0.7m, 2022: £1.0m; Institute 2023: £0.7m, 2022: £0.7m). The exact cost of these dilapidations will only be known once the leases are terminated.

12. Funds

Analysis of Group net assets between funds:

	Restricted	Unrestricted	At 31 August 2023	Restricted	Unrestricted	At 31 August 2022 (Restated)
	£m	£m	£m	£m	£m	£m
Fixed assets	-	59.6	59.6	-	50.6	50.6
Investments	3.5	30.5	34.0	3.4	36.9	40.3
Net current assets	-	10.2	10.2	-	25.5	25.5
Provisions	-	(0.7)	(0.7)	-	(1.0)	(1.0)
Creditors: amounts falling due after one year	-	(1.5)	(1.5)	-	(1.7)	(1.7)
Defined benefit pension scheme liability	-	(15.1)	(15.1)	-	(10.3)	(10.3)
Net assets at 31 August	3.5	83.0	86.5	3.4	100.0	103.4

12. Funds - continued

Analysis of Institute net assets between funds:

	Restricted	**Unrestricted**	**At 31 August 2023**	Restricted	Unrestricted	At 31 August 2022 (Restated)
	£m	**£m**	**£m**	£m	£m	£m
Fixed assets	**-**	**27.9**	**27.9**	-	28.0	28.0
Investments	**3.5**	**86.2**	**89.7**	3.4	86.6	90.0
Net current assets	**-**	**10.3**	**10.3**	-	17.2	17.2
Provisions	**-**	**(0.7)**	**(0.7)**	-	(0.7)	(0.7)
Creditors: amounts falling due after one year	**-**	**(0.6)**	**(0.6)**	-	(0.9)	(0.9)
Defined benefit pension scheme liability	**-**	**(15.1)**	**(15.1)**	-	(10.3)	(10.3)
Net assets at 31 August	**3.5**	**108.0**	**111.5**	3.4	119.9	123.3

12. Funds - continued

Analysis of movement in the funds of the Group and Institute:

	At 1 September 2022	Income	Expenditure	Other movements	At 31 August 2023
	£m	£m	£m	£m	£m
Group: Unrestricted					
General	106.9	157.6	(165.1)	(4.6)	**94.8**
Revaluation reserve	0.4	-	-	-	**0.4**
Skills Development Fund (Designated Fund)	2.8	-	(0.3)	-	**2.5**
Defined benefit pension scheme reserve	(10.3)	-	(1.4)	(3.4)	**(15.1)**
Total unrestricted funds	99.8	157.6	(166.8)	(8.0)	**82.6**
Restricted					
City & Guilds Land Based Services (NPTC)	3.4	-	(0.3)	-	**3.1**
Brookes Metzger Bursary	-	0.4	-	-	**0.4**
Total restricted funds	3.4	0.4	(0.3)	-	**3.5**
Non-controlling interest	0.2	1.0	(0.8)	-	**0.4**
Total	**103.4**	**159.0**	**(167.9)**	**(8.0)**	**86.5**
Institute: Unrestricted					
General	127.0	94.2	(96.3)	(4.7)	**120.2**
Revaluation reserve	0.4	-	-	-	**0.4**
Skills Development Fund (Designated Fund)	2.8	-	(0.3)	-	**2.5**
Defined benefit pension scheme reserve	(10.3)	-	(1.4)	(3.4)	**(15.1)**
Total unrestricted funds	119.9	94.2	(98.0)	(8.1)	**108.0**
Restricted					
City & Guilds Land Based Services (NPTC)	3.4	-	(0.3)	-	**3.1**
Brookes Metzger Bursary	-	0.4	-	-	**0.4**
Total restricted funds	3.4	0.4	(0.3)	-	**3.5**
Total	**123.3**	**94.6**	**(98.3)**	**(8.1)**	**111.5**

12. Funds - continued

Analysis of movement in the funds of the Group and Institute – prior year:

	At 1 September 2021	Income	Expenditure	Other movements	At 31 August 2022
	£m	£m	£m	£m	£m
Group: **Unrestricted**					
General	116.6	142.5	(144.9)	(7.3)	**106.9**
Revaluation reserve	0.4	-	-	-	**0.4**
Skills Development Fund (Designated Fund)	3.0	-	(0.2)	-	**2.8**
Defined benefit pension scheme reserve	(35.7)	-	(1.5)	26.9	**(10.3)**
Total unrestricted funds	84.3	142.5	(146.6)	19.6	**99.8**
Restricted					
City & Guilds Land Based Services (NPTC)	3.7	-	(0.3)	-	**3.4**
Total restricted funds	3.7	-	(0.3)	-	**3.4**
Non-controlling interest	-	-	-	0.2	**0.2**
Total	**88.0**	**142.5**	**(146.9)**	**19.8**	**103.4**
Institute: **Unrestricted**					
General	126.3	91.7	(84.1)	(6.9)	**127.0**
Revaluation reserve	0.4	-	-	-	**0.4**
Skills Development Fund (Designated Fund)	3.3	-	(0.2)	(0.3)	**2.8**
Defined benefit pension scheme reserve	(35.7)	-	(1.5)	26.9	**(10.3)**
Total unrestricted funds	94.3	91.7	(85.8)	19.7	**119.9**
Restricted					
City & Guilds Land Based Services (NPTC)	3.7	-	(0.3)	-	**3.4**
Total restricted funds	3.7	-	(0.3)	-	**3.4**
Total	**98.0**	**91.7**	**(86.1)**	**19.7**	**123.3**

Unrestricted
Institute
Within the Institute's unrestricted funds are prize and trust funds of £0.02m (2022: £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.

12. Funds - continued

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 Institute 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.

Brookes Metzger Bursary
The Fund represents a bursary to provide opportunities to pursue a career in engineering through high-level technical qualifications to be provided in partnership with the University of Cumbria.

13. Reconciliation of net (expenditure)/income to cash flows used in operating activities

	Year ended 31 August 2023	Year ended 31 August 2022 (Restated)
	£m	£m
Net (expenditure) / income	**(9.6)**	0.2
Adjustments for:		
Investment income	**(0.6)**	(0.2)
Depreciation and impairment	**2.2**	1.4
Amortisation	**8.5**	8.5
Taxation	**0.2**	0.1
Loss on investment assets	**0.8**	2.9
Gain on disposal of investment	**(0.1)**	(7.5)
Loss on disposal of fixed assets	**0.3**	0.7
Foreign translation	**0.4**	0.3
Defined benefit net expense	**1.4**	1.9
Increase in debtors	**(4.1)**	(1.4)
Decrease in creditors	**(3.6)**	(0.7)
Decrease in provisions	**(0.3)**	-
Defined benefit pension contributions	**(4.3)**	(12.4)
Cash flows used in operating activities	**(8.8)**	(6.2)

14. Group staff costs

	Year ended 31 August 2023	Year ended 31 August 2022
	£m	£m
Wages and salaries	**69.9**	61.2
Social security	**7.6**	6.3
Redundancy payments	**1.2**	1.1
Pension	**7.1**	6.9
	85.8	75.5

The above staff costs include bonus and long service award costs. Severance payments totalling £1.2m (2022: £0.8m) were made during the year. Pension costs for the defined benefit scheme was £1.4m (2022: £1.5m) and for the defined contribution scheme was £5.7m (2022: £5.4m).

	Year ended 31 August 2023	Year ended 31 August 2022
Average number of staff:		
Educational services	**1,548**	1,375
Governance	**2**	2
	1,550	1,377

14. Group staff costs - continued

	Year ended 31 August 2023	Year ended 31 August 2022
Number of staff whose emoluments fell within the following bands:		
£60,001 - £70,000	**106**	90
£70,001 - £80,000	**70**	51
£80,001 - £90,000	**40**	32
£90,001 - £100,000	**31**	21
£100,001 - £110,000	**17**	14
£110,001 - £120,000	**10**	7
£120,001 - £130,000	**4**	9
£130,001 - £140,000	**6**	5
£140,001 - £150,000	**5**	4
£150,001 - £160,000	**3**	4
£160,001 - £170,000	**3**	1
£170,001 - £180,000	**1**	1
£180,001 - £190,000	**2**	2
£190,001 - £200,000	**4**	1
£220,001 - £230,000	**1**	-
£230,001 - £240,000	**2**	2
£270,001 - £280,000	**1**	2
£280,001 - £290,000	**1**	1
£290,001 - £300,000	**-**	1
£340,001 - £350,000	**1**	-
£370,001 - £380,000	**-**	1
£470,001 - £480,000	**1**	-
£490,001 - £500,000	**-**	1

Emoluments in the above bands comprise salaries, bonus and benefits in kind, and severance payments of £0.8m (2022: £0.4m).

None of these staff (2022: 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. 218 of these staff (2022: 232) are accruing retirement benefits under defined contribution arrangements during the year. Contributions to the defined contribution scheme in respect of these staff were £2.0m (2022: £2.1m).

15. Expenses reimbursed to Trustees

	Year ended 31 August 2023	Year ended 31 August 2022
Travel and subsistence expenses reimbursed	**0.01**	0.01

	Year ended 31 August 2023	Year ended 31 August 2022
Number of Trustees in receipt of expense reimbursements	**7**	7

16. Emoluments to Trustees

Indemnity insurance is paid on the Trustees' behalf. No remuneration was paid to any Trustee during the year (2022: £Nil) nor did they receive any other benefits from employment with the charity or its subsidiaries during the year (2022: £Nil).

17. Operating leases

Total minimum lease payments under non-cancellable operating leases were as follows

	Group 31 August 2023	Group 31 August 2022	**Institute 31 August 2023**	Institute 31 August 2022
	£m	£m	**£m**	£m
Land and buildings:				
Within one year	**2.1**	1.0	**0.8**	0.6
In two to five years	**4.2**	1.6	**1.0**	1.4
Over five years	**18.3**	17.7	**17.6**	17.7
Other:				
Within one year	**0.3**	0.2	**0.3**	0.2
In two to five years	**0.3**	0.3	**0.3**	0.3
Total	**25.2**	20.8	**20.0**	20.2

18. 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 £5.7m (2022: £5.4m). For the Institute and member contributions to the defined benefit sections for the year, please refer to Note 18(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 the defined contribution scheme as at 31 August 2023 (2022: £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 1 October 2020 to 31 March 2034 increasing annually by CPI inflation. In addition, the Institute paid a one-off lump sum payment of £10.0m in September 2021 as agreed with the scheme trustees. 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 2019.

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

(a) Amounts recognised in the Balance Sheets

	31 August 2023	31 August 2022
	£m	£m
Fair value of Scheme assets	**141.7**	190.0
Present value of funded obligations	**(156.8)**	(200.3)
Net liability	**(15.1)**	(10.3)

(b) Amounts recognised in the Statement of Financial Activities

	Year ended 31 August 2023	Year ended 31 August 2022
	£m	£m
Current service cost	**(1.0)**	(1.0)
Net interest charge	**(0.4)**	(0.6)
Total included in net expenditure/income	**(1.4)**	(1.6)
Actuarial gain on scheme obligations	**45.1**	85.8
Return on assets less than discount rate	**(52.8)**	(71.2)
Total (debit) / credit in Statement of Financial Activities	**(9.1)**	13.0

18. Pensions - continued

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

	Year ended 31 August 2023	Year ended 31 August 2022
	£m	£m
At 1 September	**200.3**	288.7
Current service cost	**1.0**	1.0
Interest charge on Scheme liabilities	**8.3**	5.1
Gain on change in assumptions	**(45.1)**	(85.8)
Benefit payments	**(6.7)**	(7.7)
Administration expenses	**(1.0)**	(1.0)
At 31 August	**156.8**	200.3

(d) Changes in fair value of Scheme assets

	Year ended 31 August 2023	Year ended 31 August 2022
	£m	£m
At 1 September	**190.0**	253.0
Interest on assets	**7.9**	4.5
Return on assets	**(52.8)**	(71.2)
Institute contributions	**4.3**	12.4
Benefit payments	**(6.7)**	(7.7)
Expenses payments	**(1.0)**	(1.0)
At 31 August	**141.7**	190.0

The Group expects to make normal contributions of £Nil (2022: £Nil), deficit payments of £3.6m (2022 actual: £3.4m) and have admin expenses of £1.0m (2022 actual: £1.0m) during the next financial year. Some of the Group's tangible fixed assets are provided as further asset security to the Pension Scheme (refer to note 6 for details). The increase in expected deficit contributions in the next financial year is due to payments linked to CPI inflation.

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

	Year ended 31 August 2023	Year ended 31 August 2022
	%	%
Equities	**0.0**	3.5
Bonds	**41.6**	40.2
Property	**8.7**	8.0
Diversified Growth Funds	**38.0**	48.1
Cash and other	**11.7**	0.2

18. Pensions - continued

(f) Principal actuarial assumptions at the Balance Sheet date

	Year ended 31 August 2023	Year ended 31 August 2022
	%	%
Rate of increase in salaries above inflation rate	**0.50**	0.50
Rate of increase in pensions in payment	**3.05**	3.40
Discount rate	**5.40**	4.20
Inflation rate assumption (RPI)	**3.25**	3.60
Inflation rate assumption (CPI)	**2.85**	3.15

The post-retirement mortality assumptions adopted at 31 August 2023 are in line with the standard SAPS S2. All Pensioners tables with a multiplier of 92% and future improvements based on the CMI 2022 core projections with a long-term trend of 1.50% pa and initial addition of 0.25% (2022: CMI 2021 with same assumptions).

19. 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 £94.6m (2022: £91.7m) and the deficit for the year to 31 August 2023 is £3.7m (2022: surplus of £10.2m).

20. Related party transactions

Transactions with related parties are set out below.

	As at 31 August 2023		Year ended 31 August 2023		
	Amounts due from	Amounts due to	Sales to	Purchases from	Interest recieved
	£m	£m	£m	£m	£m
Institute: Subsidiary undertakings					
City and Guilds International Limited and its subsidiaries	2.0	10.6	2.1	-	-
City and Guilds Kineo Ltd	1.1	-	1.6	0.1	-
City and Guilds Enterprises Ltd	-	0.3	-	-	-
The Oxford Group	0.3	-	0.3	-	-
Kineo Group Inc	-	-	-	-	-
Gen II Engineering & Technology Training Ltd	0.7	-	1.2	-	-
Intertrain UK Limited	1.8	-	1.8	-	-
TradeSkills 4U Group	6.9	-	0.5	-	0.4
Total	**12.8**	**10.9**	**7.5**	**0.1**	**0.4**

20. Related party transactions - continued

	As at 31 August 2022		Year ended 31 August 2022		
	Amounts due from	Amounts due to	Sales to	Purchases from	Donations / dividends recieved
	£m	£m	£m	£m	£m
Institute: Subsidiary undertakings					
City and Guilds International Limited and its subsidiaries	6.4	8.5	3.5	-	-
City and Guilds Kineo Ltd	2.2	-	0.3	-	1.6
City and Guilds Enterprises Ltd	-	0.3	-	-	-
The Oxford Group	-	-	-	-	1.1
Kineo Group Inc	-	0.1	-	-	-
Gen II Engineering & Technology Training Ltd	-	0.3	-	0.1	2.8
Intertrain UK Limited	1.0	-	0.1	-	-
TradeSkills 4U Group	-	-	-	-	-
Total	**9.6**	**9.2**	**3.9**	**0.1**	**5.5**

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 £8.6m as at 31 August 2023 (2022: £2.1m).

The total compensation paid to key management personnel for services provided to the Group was £2.8m (2022: £2.8m) including £0.1m (2022: £0.2m) of employer's pension contributions.

21. Financial instruments

The Group's and Institute's financial instruments measured at fair value may be analysed as follows:

	Group 31 August 2023	Group 31 August 2022	Institute 31 August 2023	Institute 31 August 2022
	£m	£m	£m	£m
Financial assets measured at fair value				
Investments in funds	33.0	39.7	33.0	39.7
	33.0	39.7	33.0	39.7

Financial assets measured at fair value through the statement of financial activities comprise 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.

22. Commitments and contingencies

During the year, the Institute entered into a subscription agreement to invest in a partnership, New Markets Education Partners Fund, providing opportunities to invest in securities of education and workforce related companies. Funds that have been contracted but not yet drawn down are shown as commitments as follows:

	Year ended 31 August 2023	Year ended 31 August 2022
	£m	£m
Institute and Group:		
At 1 September	**-**	-
Additions	**3.3**	-
Draw downs	**(1.0)**	-
At 31 August	**2.3**	-
Of which:		
Within one year	**1.2**	-
In two to five years	**1.1**	-
Total	**2.3**	-

On 21 April 2022, the Institute signed a Deed of Guarantee to become primary obliger in guaranteeing the obligations and liabilities of its subsidiary Intertrain UK Limited in connection with the 2020 ESFA apprenticeship agreement between Intertrain and the Department for Education. The Trustees consider the likelihood of its subsidiary failing to perform its obligations to be not probable and are of the view that no material losses or liabilities will arise in respect of the guarantee.

23. Prior year adjustment

During the year, it was identified that the Group and Institute were not classifying certain balances related to qualification development assets as intangible fixed assets in line with FRS 102. It was also identified that goodwill amortisation within support costs that was presented as expenditure on charitable activities (educational services) should be presented as trading costs. In addition, it was noted that presenting computer software, not directly linked to hardware, as intangible fixed assets would provide more relevant information to the users of the financial statements.

These errors and change in accounting policy are corrected retrospectively through restatement for the year ended 31 August 2022 with the effect on the Group being to reclassify £2.0m of prepayments and £6.0m net book value of tangible fixed assets as £8.0m net book value of intangible fixed assets, and to reclassify £3.9m of expenditure as amortisation on intangible assets. Further, £4.6m of amortisation has been reclassified from expenditure on charitable activities (educational services) to trading costs. There is no impact on total expenditure or net income.

23. Prior year adjustment - continued

The main effects of the corrections for the year ended 31 August 2022 are as follows:

	Group	Group	Group	Institute	Institute	Institute
	Previously reported balance	Adjustment	Balance as restated	Previously reported balance	Adjustment	Balance as restated
	2022	2022	2022	2022	2022	2022
	£m	£m	£m	£m	£m	£m
Statement of financial position						
Intangible fixed assets	14.5	8.0	**22.5**	0.0	5.9	**5.9**
Tangible fixed assets	34.1	(6.0)	**28.1**	26.0	(3.9)	**22.1**
Debtors due within one year	22.0	(2.0)	**20.0**	20.7	(2.0)	**18.7**
Intangible fixed assets (Note 5)						
Programme content - cost at 1 September 2022	1.4	2.1	**3.5**	0.0	0.0	**0.0**
Programme content - accumulated depreciation at 1 September 2022	1.4	1.3	**2.7**	0.0	0.0	**0.0**
Programme content - net book value at 1 September 2022	0.0	0.8	**0.8**	0.0	0.0	**0.0**
Computer software - cost at 1 September 2022	0.0	19.5	**19.5**	0.0	16.1	**16.1**
Computer software - accumulated depreciation at 1 September 2022	0.0	16.2	**16.2**	0.0	14.1	**14.1**
Computer software - net book value at 1 September 2022	0.0	3.3	**3.3**	0.0	2.0	**2.0**
Qualification development - cost at 1 September 2022	0.0	9.2	**9.2**	0.0	9.2	**9.2**
Qualification development - accumulated depreciation at 1 September 2022	0.0	7.2	**7.2**	0.0	7.2	**7.2**
Qualification development - net book value at 1 September 2022	0.0	2.0	**2.0**	0.0	2.0	**2.0**
Assets under construction - cost and net book value at 1 September 2022	0.0	1.9	**1.9**	0.0	1.9	**1.9**
Tangible fixed assets (Note 6)						
Computer software and equipment - cost at 1 September 2022	30.1	(21.6)	**8.5**	22.2	(16.1)	**6.1**
Computer software and equipment - accumulated depreciation at 1 September 2022	25.2	(17.5)	**7.7**	19.6	(14.1)	**5.5**
Computer software and equipment - net book value at 1 September 2022	4.9	(4.1)	**0.8**	2.6	(2.0)	**0.6**
Assets under construction - cost and net book value at 1 September 2022	2.5	(1.9)	**0.6**	2.2	(1.9)	**0.3**
Debtors due within one year (Note 8)						
Prepayments	5.1	(2.0)	**3.1**	3.4	(2.0)	**1.4**

23. Prior year adjustment - continued

	Group	Group	Group
	Previously reported balance	Adjustment	Balance as restated
	2022	2022	2022
	£m	£m	£m
Statement of financial activities			
Expenditure on charitable activities (educational services)	97.9	(4.6)	93.3
Trading costs	48.9	4.6	53.5
Analysis of expenditure (Note 4(a), Note 4(b) and Note 4(d))			
Other direct costs	46.5	(1.0)	**45.5**
Support costs	24.9	1.0	**25.9**
Depreciation and impairment	4.3	(2.9)	**1.4**
Amortisation	4.6	3.9	**8.5**
Analysis of support costs (Note 4(a) and Note 4(b))			
Trading costs	4.8	4.6	**9.4**
Educational services	20.1	(3.6)	**16.5**
Consolidated statement of cash flows			
Purchases of tangible fixed assets	(5.3)	2.7	**(2.6)**
Purchases of intangible fixed assets	0.0	(2.7)	**(2.7)**
Reconciliation of net income to cash flows used in operating activities (Note 13)			
Depreciation and impairment	4.3	(2.9)	**1.4**
Amortisation	4.6	3.9	**8.5**
Increase in debtors	(0.4)	(1.0)	**(1.4)**


About City & Guilds

For over 140 years 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 partner with our customers to deliver work-based learning programmes that build competency to support better prospects for people, organisations and wider society. We create flexible learning pathways that support lifelong employability, because we believe that people deserve the opportunity to (re)train and (re)learn again and again – gaining new skills at every stage of life, regardless of where they start.

As a Royal Chartered Institute and a registered charity, everything we do is charitable. We invest our surplus into targeted acquisitions and expanding and enhancing our solutions across all of our brands, to meet the changing needs of organisations and industries. We collaborate with industries and governments to campaign for systemic improvements across the global skills training system.

Through our City & Guilds Foundation we amplify our purpose by focusing on high impact social investment, recognition and advocacy programmes which remove barriers to getting a job, celebrate best practice on the job and advocate for jobs of the future.

The City & Guilds community of brands includes Gen2, ILM, Intertrain, Kineo and The Oxford Group. TS4U recently migrated to City & Guilds Training.

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