



Chartered
Insurance
Institute

Standards. Professionalism. Trust.

Overview of Financial Statements 2020

The coronavirus pandemic significantly reduced the Chartered Insurance Institute's ability to generate revenue last year.

In 2019 we reported revenue of £45.2m and a surplus before tax of £2.8m. In 2020, our revenue decreased by 18 per cent to £36.9m and we are reporting a deficit of £3.8m before tax.

The main cause of lower revenue was physical exam sittings were unable to take place during the first half of the year and all physical events were cancelled due to measures to slow the spread of coronavirus.

Our inability to hold examination sittings during the first half of 2020 resulted in a 25 per cent reduction in revenue from qualifications & educational activities for the year.

In the third quarter there was a gradual re-opening of test centres albeit with Covid-19 capacity restrictions of 50% occupancy and the CII accelerated the launch of remote invigilation to enable 39,555 (2019: 67,669) candidates to safely complete their examination and achieve qualifications during the pandemic.

The CII was able to accelerate the launch of online assessments and continue with our transformation programme, which is focussed on ensuring the CII is a modern, relevant and inclusive professional body, because we have sufficient reserves to absorb the impact of the revenue deficit in 2020.

At the start of 2020 the CII Group had reserves of £39.2m. By the start of 2021 the Group's reserves were £34.3m.

Action is being taken to manage net reserves to within an acceptable tolerance so that the CII, a not-for-profit professional body, can maintain a financial position which allows us to continue delivering to members and students in the years to come.

For example, given the CII's commitment to move to digital first for members and 'anytime, anywhere' working for staff, we decided in 2020 that maintaining two UK offices no longer made sense financially or in terms of delivery of service.

Moving from two offices to a single UK Hub in 20 Fenchurch Street will save the Chartered Insurance Institute more than £5m over the five-years of the lease of this work and events space.

Any savings will be invested in continuing to improve the services and support we offer to our insurance and personal finance members and students.

The CII remains dedicated to building public trust in the insurance and personal finance profession. We continue to be well equipped and sufficiently resourced to raise professional standards through delivering relevant learning, insightful leadership and an engaged membership.



Patron Her Majesty The Queen

Chartered Insurance Institute

Separate and Consolidated Financial Statements 2020 Incorporating a strategic and financial review for the year ended 31 December 2020



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Governance

For the year ended 31 December 2020

Independent Chair's Statement

I was delighted to join the Chartered Insurance Institute as its first Independent Chair in July 2020. Of course, I joined the CII in the middle of what has been a most testing year, with the Covid-19 pandemic causing unprecedented challenge and uncertainty for everyone, and I am hugely grateful for the support I have received from my Board colleagues, the CII's staff and other key stakeholders during what has been a particularly busy time.

The pandemic has understandably been a key focus for everyone at the CII in 2020, demanding shifts in the way that we work and how we deliver services and support to our members and customers. The CII responded to emerging events with speed and, with our various partners, innovated and accelerated modernisation plans, identifying and realising opportunities for improvement that will continue beyond the current period. I thank all my CII colleagues for their considerable efforts, and the hard work and dedication of everyone we work with, including the considerable number of members who through their voluntary work with us give so much back to support the profession.

Despite the pandemic, the CII was able to deliver on the key initiatives it had planned for 2020. These include the launch of our first sector-wide knowledge range for Personal Lines, and a new Chartered title, "Chartered Insurance Underwriting Agent," for the Managing General Agents community in partnership with the Managing General Agents Association. Both are examples of how the CII continues to work to remain modern and relevant for individuals and firms working in the insurance and personal finance profession in order to "...secure and justify the confidence of the public" as required by our Royal Charter, granted by King George V in 1912. We also held our first ever virtual AGM which enabled a record number of members to join and participate.

However, 2020 was not without its challenges. We have had to make changes to the way that we work to ensure the safety of our customers and members during the pandemic. In some cases, this has meant accelerating plans, such as the roll out of remote invigilation of exams, in others it has meant adopting a new approach. Whilst we delivered the majority of our exams successfully, we are sorry that some of our students experienced difficulties with the new arrangements and we have listened to feedback and worked hard to address these issues quickly.

The CII's financial results for 2020 reflect the impact of some restricted activities during the pandemic. Despite the operating deficit reported for 2020, the CII has sufficient reserves to absorb the impact of the deficit while continuing to deliver the existing range of services to our members and students and invest in the infrastructure to support future needs. Our ability to serve our customers was constrained by national lockdown restrictions, rather than financial restrictions. Nevertheless, we have continued to take action to ensure our financial resources are monitored and prudently managed. At each appropriate interval we scrutinise expenditure, ensuring the appropriate balance is met between conservation of our cash resources and the need to invest in the future viability of the CII. Our reserves have reduced to levels lower than the previous few years but we are taking action to ensure that the reserves are restored to better levels over the next few years.

In December, the Board approved the CII's Business Plan. This three-year plan for 2021-2023 builds on the progress achieved to date from the 2016 Strategy and takes account of the learnings from the pandemic to continue to modernise our ways of working to better serve our members and customers, and to build public trust in the profession through Insightful Leadership and Professional Standards.

Governance

For the year ended 31 December 2020

Independent Chair's Statement (continued)

2020 was a year of transition for the Board as the governance changes approved by members at the June 2019 AGM were implemented. The Board welcomed three Engagement Board members during the year, a role created to ensure that the voice of members is represented during Board discussions and decision-making. My appointment as Independent Chair allows the CII's President to focus on their role as ambassador for the profession and I would like to recognise Nick Turner's achievements as CII's President 2019/20, and also his support during my early months in the role. I very much look forward to continuing to work with the Board to support Julie Page as CII's President 2020/21 in delivering the theme of her presidential year which seeks to focus the profession on addressing unmet client needs, building on Nick's theme of trust – the very foundation of the CII's purpose.



Dr. H. Phillips
Independent Chair
Date: 12 April 2021

Governance

For the year ended 31 December 2020

Governance Structure

The Chartered Insurance Institute is a not-for-profit organisation that operates under the terms of its Royal Charter and Bye-laws. Our Royal Charter requires us to secure and justify the confidence of the public.

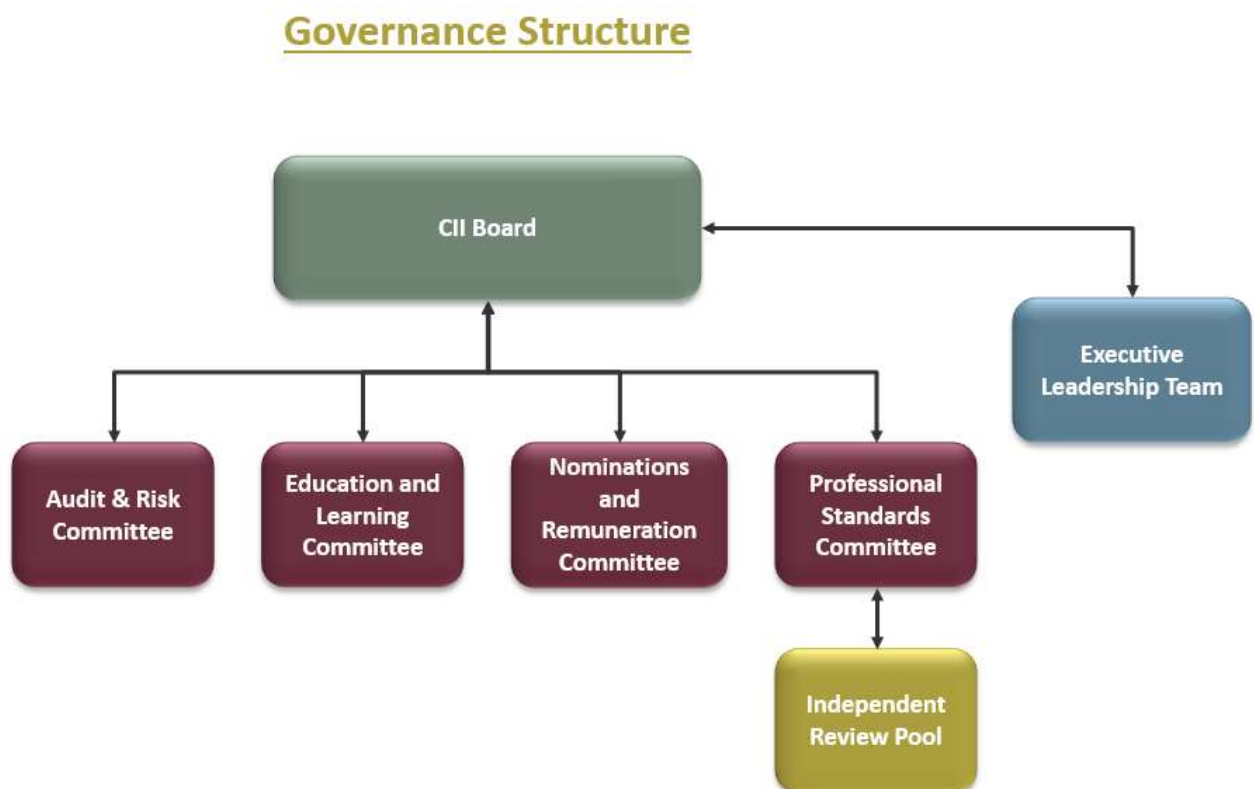
Our governance structure is designed to provide accountability and safeguard the CII's long-term future, ensuring that the CII's activities are underpinned by appropriate scrutiny and delegation.

The Board is the Institute's governing body. It is responsible for leading the strategic direction of the CII and promoting through the strategy the CII's objectives. The Board ensures the Institute has the resources, culture and controls in place to meet its strategic objectives and ensure its long-term success.

The Board has four Standing Committees - Audit and Risk, Education and Learning, Nominations and Remuneration, and Professional Standards. Each is chaired by a Board member and includes a member appointed from the Local Institutes National Forum (LINF); all committee members are non-executive appointments.

The Board delegates responsibility for the day-to-day management of the CII to the Executive Leadership Team (ELT) of the Institute, which is headed by the Chief Executive Officer.

A diagram of the governance structure is set out below.



Governance

For the year ended 31 December 2020

CII Board Report

Membership

At 31 December 2020, the CII's Board comprised 13 members in accordance with the CII's revised Bye-laws as approved by members at the June 2019 AGM. Eleven are non-executive Board members: the Independent Chair, President, Deputy President, four members appointed from the membership, and the chairs of the Board's four Standing Committees. The Chief Executive Officer and Chief Operating Officer are executive members.

The composition of the Board for the year ended 31 December 2020 is set out in the table below. 2020 has seen a number of personnel changes on the Board as it continued the transition to its new structure. Jonathan Clarke and Nick Turner retired following the end of their terms as Immediate Past President and President, respectively, and Callum Beaton and Richard Salmon ended their tenures as Constituency Members. Jennette Newman joined the Board as Chair of the Professional Standards Committee in January 2020, Dr Helen Phillips joined the Board as Independent Chair in July and Peter Blanc joined as Deputy President in October. We also welcomed three new Engagement Board Members during the year: Debbie Mitchell to represent the financial planning sector, Pauline Azzopardi to represent international members, and Artur Niemczewski to represent the London Market/Global Specialty.

The CII requires Board members to provide details of any company directorships and other significant interests they hold on an annual basis and to declare any conflicts or interests in any item being discussed at each meeting in order that these can be managed appropriately. Members are also required to make a 'related party declaration' to confirm whether they or any party related to them had undertaken any transactions with the CII.

Activity

The Board meets quarterly to review delivery against the agreed strategy, operational performance and risks to the delivery of the objectives. During 2020, it held an additional meeting in December 2020 to review a proposal for the formal transfer of the closed CII Pension Scheme 1993 ('the Scheme'). It also held two strategy sessions with the Executive Leadership Team. Board member attendance at these meetings is also reported in the table below.

A key focus for the Board during 2020 has been the CII's response to the Covid-19 pandemic and its implications for the organisation and profession, and the consequent risks and mitigations. This has been discussed at each meeting, with the Board updated regularly between meetings on action being taken as well as analysis of the situation and its implications for the continued delivery of services to customers and members. The Board's concern has been to ensure the safety of our staff, customers and members, and the long-term success of the CII while enabling continued delivery of the modernisation programme. Following a review of the CII's UK property footprint, in August 2020 the Board approved the decision to lease office space and establish a single UK hub in London alongside the Chartered Institute for Securities & Investment at 20 Fenchurch Street (known as the 'walkie talkie'), with decisions to exercise an option to end the lease of our Lombard Street offices and to not extend the lease of our South Woodford offices. The change will deliver savings as well as supporting our Anytime, Anywhere operating model.

At its February 2020 Strategy Session, the Board reviewed performance against the CII's five-year strategy approved in 2016, the Strategic Manifesto 2021 Road Map. During this session, the Board agreed the ongoing relevance of the Strategy to the CII and work was progressed during the year to develop detailed plans to progress our international ambitions and to transform our learning offer. The Board approved the CII's Business Plan in December 2020. This provides a three-year plan for 2021-2023 which builds on the progress achieved to date from the 2016 Strategy, and recognises the uncertainties as well as opportunities of the current environment. Progress against this Plan will be reviewed at each meeting.

Governance

For the year ended 31 December 2020

CII Board Report (continued)

Activity (continued)

The CII's Vice Presidents for Local Institutes and International Affiliated Institutes, and the President of the Personal Finance Society have a standing invitation to attend each Board meeting, and also report on their work twice a year.

Composition of the CII Board and meeting attendance during the year ended 31 December 2020

	ROLE	DATE OF APPOINTMENT	DATE OF RETIREMENT	MEETING ATTENDANCE*
Helen Phillips, BSc(Hons), PhD, FRSB	Independent Chair	July 2020		4 out of 4
Pauline Azzopardi, FCII, Chartered Insurer, BSc. (C.Hons), CeFA, Cert PFS	Engagement Board Member	September 2020		4 out of 4
Callum Beaton, FCII, Chartered Insurer	Constituency Member	November 2017	30 June 2020	3 out of 3
John Bissell, MBA, ACII, Chartered Insurer	Chief Operating Officer	January 2017		7 out of 7
Peter Blanc, Cert CII	Deputy President 2020/21	October 2020		3 out of 3
Ian Callaghan, BA(Hons), FCII, Chartered Insurance Practitioner	Constituency Member	November 2015		7 out of 7
Alan Clamp, MA, PGCE, MBA, PhD	Committee Chair	May 2018		6 out of 7
Jonathan Clark, MA, MSc, Dip Eng, ACII, FCILA, Chartered Insurer, Chartered Loss Adjuster	Immediate Past President (2019/2020)	August 2017	8 October 2020	4 out of 4
Sian Fisher, BA(Hons), ACII, Chartered Insurance Practitioner	Chief Executive Officer	February 2016		7 out of 7
Debbie Mitchell, DipPFS	Engagement Board Member	April 2020		5 out of 5
Jennette Newman, LLB Hons, Solicitor	Committee Chair	January 2020		7 out of 7
Artur Niemczewski, PhD, MPP, MSc, Cert CII	Engagement Board Member	November 2020		2 out of 2

*Number of meetings attended of those eligible to attend. The Board met seven times during 2020 including the two strategy sessions.

Governance

For the year ended 31 December 2020

CII Board Report (continued)

Activity (continued)

Composition of the CII Board and meeting attendance during the year ended 31 December 2020 (continued)

	ROLE	DATE OF APPOINTMENT	DATE OF RETIREMENT	MEETING ATTENDANCE*
Julie Page, ACII, Chartered Insurance Practitioner	President (2020/21)	June 2019		6 out of 7
Richard Salmon, FCII, Chartered Insurer	Constituency Member	November 2017	31 October 2020	1 out of 4
Roger Sanders, OBE, CertPFS	Committee Chair	July 2018		7 out of 7
David Smith, Chartered Engineer	Committee Chair	October 2015		5 out of 7
Nick Turner, APFS	President (2019/20)	July 2018	8 October 2020	4 out of 4

*Number of meetings attended of those eligible to attend. The Board met seven times during 2020 including the two strategy sessions.

Governance

For the year ended 31 December 2020

Audit and Risk Committee (ARC)

The Audit and Risk Committee's role is to ensure that the Institute operates effective processes of financial reporting and control, and of risk management, so that the Board is equipped to carry out its governance responsibilities.

Financial Reporting

The Audit and Risk Committee monitors the financial performance of the CII Group at each meeting and interrogates the integrity of the financial statements, reviewing significant financial reporting judgements contained within them.

The Committee scrutinised the Group Financial Statements for 2019, and the CII's Business Plan and Budget for 2021-23, before recommending these to the CII Board for approval. A detailed breakdown of financial, operational, and risk management plans was received and interrogated, in addition to focused reports on learning and assessment and international development areas. The Committee also reviewed and endorsed the CII's approach to amortisation.

The Committee has oversight of the CII's treasury activities, investments, and approach to pension schemes. The Committee agreed the relevant benchmarks and reviewed the performance of the CII's investments and investment strategy to ensure that this continues to achieve a satisfactory return for the CII and its stakeholders.

Internal Controls and Risk Management

The Audit and Risk Committee monitors systems of internal control and ensures the effectiveness of the CII's approach to, and management of, top business risks. The Committee received the CII's top risk register at each meeting and continued to assess risk culture and management in detail.

Covid-19 necessitated changes to working and service delivery across the globe, and the committee has monitored and constructively challenged the CII's response to the situation as it has evolved. As part of this, financial stress tests were undertaken, and the Committee has given focused attention to business continuity and the implementation of precautionary measures to increase longer term resilience.

The Committee endorsed the CII's relocation to Fenchurch Street and monitored progress towards office moves alongside the continuation of business modernisation through the CII's Transformation Programme. The Committee was kept informed and engaged with the process of change. Staff wellbeing, as well as member and customer support, were key considerations at each stage of development.

The Audit and Risk Committee has oversight of policies and statements where these pertain to accounting and risk management. The Committee endorsed the CII's risk appetite statement and categorisation, as well as changes to risk focused policies including the CII's Anti-Fraud Policy. It also reviewed the CII's insurance coverage and policy framework from a risk management and compliance perspective.

The Audit and Risk Committee is satisfied that the CII has appropriate systems of internal control that work effectively.

External Audit

An important matter for the Committee to consider each year is the independence, effectiveness, and appointment of the external auditor, and to receive updates on progress and findings of the audit. The Committee endorsed the scope and approach set out in the audit plan for the CII Group for the 2020 financial year and agreed the audit plan and the auditor's remuneration.

Governance

For the year ended 31 December 2020

Audit and Risk Committee (ARC) (continued)

External Audit (continued)

The Committee is satisfied with the quality of the external audit and believes that the auditor, BDO LLP, is able to take a measured and diligent view of the quality of financial and other systems of reporting and control within the CII. Further details are outlined in the relevant sections of these statements.

The Audit and Risk Committee has the authority to seek any information it requires of the CII to fulfil its duties. It has access to the minutes of all Committee meetings and receives the CEO's Board updates.

Membership

The Audit and Risk Committee was pleased to recognise the increased diversity of its membership as part of the CII's ongoing commitment to enhancing diversity and inclusion across the Institute.

All members of the Audit and Risk Committee are independent non-executives. The Committee's Chair is Roger Sanders, a Board member. The composition and attendance of ARC during the year was as follows:

	EXPERIENCE	DATE OF APPOINTMENT	DATE OF RETIREMENT	MEETING ATTENDANCE
Roger Sanders, OBE, CertPFS	Chair, Financial Services, Pensions and Investments	July 2018		4 out of 4
Alan Hind, BSc (Hons), DipAcc, CertPFS, CA	Accounting & Auditing	July 2013	June 2020	2 out of 2
Carol Collins, ACII, BBS (Hons), Chartered Insurance Practitioner	Risk	July 2013	June 2020	2 out of 2
Stephen Moore, MSc, BA, CMIIA, CISA	Internal Audit/IT Audit and Cyber Security	July 2013	October 2020	0 out of 3
Annie Tay, B.Eco (Act Science), MAppFin, FIA, CERA	Insurance, Strategy, Risk and Audit	November 2019		3 out of 4
Prashant Amatya	Audit, Risk and Accounting	March 2020		4 out of 4
Irina Kendix, MSc, MBA, CMIIA	Audit, Risk, Compliance and Governance	March 2020		4 out of 4
Juliet Williams, ACII, Chartered Insurance Broker	Local Institutes National Forum (LINF) Representative	March 2020		4 out of 4
Damien Régent	Audit, Finance and Risk	December 2020		2 out of 2

Committee meetings are regularly attended by the Chief Executive Officer, Chief Operating Officer, Governance Director, Finance Director and Risk and Compliance Manager in order to provide information. The external auditor (BDO) attended the March 2020 and December 2020 meetings.

Governance

For the year ended 31 December 2020

Education and Learning Committee (ELC)

The Education and Learning Committee oversees CII activity in respect of building the knowledge base of the profession. It ensures the relevance, accessibility and quality of the CII's learning and assessment products whilst providing assurance that the CII's internal processes are transparent, fair to candidates and compliant with regulatory requirements.

A key responsibility of the Education and Learning Committee is to review the CII's Statement of Compliance as an Awarding Organisation and monitor the CII's ongoing performance. The Committee received updates from the Awarding Organisation Panel on its activities and progress at each meeting and scrutinised the Statement of Compliance in detail before recommending the submission to the CII Board for approval.

The pandemic had a significant impact on the ability of awarding organisations to deliver exams in traditional settings. The Committee welcomed the CII's agile response to the situation and the accelerated roll out of remotely invigilated exams. While the majority of exams were delivered successfully the change was not without issue, and the Committee challenged the CII management to ensure that students received adequate support and the root causes of issues were identified and resolved effectively.

The Committee reviewed and provided input on the development of the CII's learning and assessment offering to ensure the portfolio of qualifications provided remained relevant, accessible, and able to effectively train sector professionals.

Membership

Alan Clamp is the Chair of the ELC and a member of the CII Board. The composition of the ELC during the year was as follows:

	EXPERIENCE	DATE OF APPOINTMENT	DATE OF RETIREMENT	MEETING ATTENDANCE
Alan Clamp, MA, PGCE, MBA, PhD	Chair	January 2017		4 out of 4
Callum Beaton, FCII, Chartered Insurer	General Insurance, Local Institutes National Forum (LINF) Representative	September 2014	September 2020	1 out of 2
Mark Davies, ACII, FPFS, Cert SMP, MSc, BA, Chartered Insurer	Financial Planning	September 2014	September 2020	2 out of 2
Dawn Teague, FCII, DipPFS, Cert CII (MP), Chartered Insurance Practitioner	General Insurance	September 2016		3 out of 4
Anthony Ward, FPFS, BSc, Chartered Financial Planner	Financial Planning	January 2016		2 out of 4
Malcolm Brown, LL.B., ACII, Chartered Insurer	Accreditation Panel	September 2018	May 2020	1 out of 1
Samantha Ridgewell, CIPD, ACII	Education and Learning	March 2019		4 out of 4

Governance

For the year ended 31 December 2020

Education and Learning Committee (ELC) (continued)

Membership (continued)

	EXPERIENCE	DATE OF APPOINTMENT	DATE OF RETIREMENT	MEETING ATTENDANCE
Rob Jones, BCom, PGCUTL, FCA, DBA	Higher Education	March 2019		4 out of 4
Anthony Blackman, MScBSc(Hons) FBDO CL (Hons),SLD SMC(Tech), PGCert, CertAcc (Open), MBCLA, MRSB, MRSPH, FinstCPD	Accreditation and Professional Bodies	September 2020		2 out of 2
Leah Holroyd	Education, Learning and Development	September 2020		2 out of 2
Richard Smith, BA (Hons.), FCII, Chartered Insurer	Local Institutes National Forum (LINF) Representation	September 2020		2 out of 2

The Chief Customer Officer and the Qualifications Director, attended all meetings

Governance

For the year ended 31 December 2020

Nominations and Remuneration Committee

The CII's Nominations & Remuneration Committee (NRC) oversees nomination and remuneration matters on behalf of the Board. This includes arrangements for the appointment of Board and Committee members and their remuneration, as well as oversight of the CII's overall remuneration framework and budget and monitoring the impact of the CII's approach on diversity, equality and inclusion.

Membership

The Committee comprises six members, all of whom are non-executives. The Committee is chaired by Dave Smith, a Board member, and now includes the CII's Independent Chair who was appointed as a member in August 2020. The Committee's membership includes a nominations and remuneration specialist, and the CII is grateful for the substantial contribution Karen Carlton has made to the work of the NRC in this role over the past seven years and welcomes Jackie Mann as her successor from January 2021.

The composition of NRC during the year was as follows:

	ROLE	DATE OF APPOINTMENT	RETIREMENT DATE	MEETING ATTENDANCE
David Smith, Chartered Engineer	NRC Chair	November 2017		4 of 4
Peter Blanc, Cert CII	CII Deputy President 2020/21	October 2020		1 of 1
Ian Callaghan, BA (Hons), FCII, Chartered Insurance Practitioner	Constituency Board Member (LINF representative)	November 2017		4 of 4
Karen Carlton, MA, D Univ., Chartered Fellow of the CIPD	Independent member	January 2014	December 2020	3 of 4
Julie Page, ACII, Chartered Insurance Practitioner	CII President 2020/21	June 2019		1 of 4
Helen Phillips, BSc (Hons), PhD, FRSB	Independent Chair	July 2020		2 of 2
Nick Turner, APFS	CII President 2019/20	July 2018	October 2020	3 of 3

Activity

Nominations

The Committee is responsible for agreeing the CII's nominations policy which sets out the guiding principles for appointments to Board and Committees, namely that appointments processes are clear and transparent, seek to attract a diverse pool of candidates, are fair and impartial, with appointments made on merit. The Committee determines and oversees arrangements for appointments to the Board and its Committees within the policy and gives consideration to succession planning for the Board and Committees, ensuring that they have appropriate skills and expertise.

Governance

For the year ended 31 December 2020

Nominations and Remuneration Committee (continued)

Activity (continued)

Nominations (continued)

Key nominations activity during 2020 included:

- Identifying and nominating candidates for five Board positions: Independent Chair, three Engagement Board members and Deputy President.
- Identifying and nominating candidates for Vice President for Local Institutes and Vice President for Affiliated Local Institutes.
- Overseeing the processes for identifying and approving the appointment of four Committee members.
- Considering nominations for Honorary Fellowships and the President's Award, and making recommendations to the Board and President, respectively.
- Considering the management succession and contingency plan.

Remuneration

The Committee is responsible for agreeing the CII's remuneration policy which sets out the overall approach to remuneration and the following principles: fairness; remuneration reflecting performance; independent oversight; strategic, enabling the CII to meet its targets; and transparency. The Committee recommends the overall People Budget to the Board for approval as part of the CII's Business Plan, including any overall pay award for the CII's staff. It also makes recommendations to the Board in respect of the remuneration package for the executive Board members (currently the CEO and COO) on appointment and reviews these annually, determines the remuneration for Board and Committee members, and the design and oversight of all staff performance-related bonus schemes.

The CII's typical remuneration package includes salary, pension and other benefits, with a small number of staff eligible for a sales incentive plan. A bonus scheme is in place for members of the Executive Leadership Team, with a Long-Term Incentive Plan (LTIP) designed to incentivise certain members of the Executive Leadership Team to deliver the operating plan and organisation strategy over the longer term and particularly where significant change or transition is required. The remuneration package for each role broadly reflects market practice for the role and seeks to be competitive and encourage the right behaviours – including avoiding any undue risk.

Key remuneration activity during 2020 included:

1. Agreeing the 2020/21 Remuneration Policy
2. Approving 2019 bonus awards for the CEO and COO
3. Approving the 2020 and 2021 bonus scheme for the Executive Leadership Team and the principles for staff sales incentive scheme
4. Recommending the People Budget to the CII Board, including provision for a small market inflationary increase subject to affordability in mid-2021.

The Committee has also agreed with the newly appointed HR Director that work will be undertaken during 2021 to develop a remuneration strategy that takes account of the changing workplace and that will enable the CII to continue to attract and retain the people it needs to deliver the CII's strategic ambitions.

Diversity, Equality & Inclusion

The Committee recognises ongoing efforts to enhance diversity and inclusion across the CII. The Committee receives annual reports on gender pay and pension gap. The CII has continued efforts to reduce its gender pay gap. The mean gender pay gap in 2020 was 16.3%, compared to 14.8% in 2019. The gender pension gap has narrowed significantly during 2020, from 36.0% in 2019 to 17.8%. Tackling the causes of gender gaps is complex, and the CII has identified a number of actions to address. Data collection and analysis has expanded this year to include ethnicity reporting which shows a mean ethnicity pay gap of 29% in 2020.

Governance

For the year ended 31 December 2020

Professional Standards Committee (PSC)

The Professional Standards Committee (PSC) oversees CII activities towards building, promoting and protecting professional standards throughout the insurance and financial planning sectors. Its primary responsibility is to promote and support professionalism, including competence and ethical behaviour across the CII's membership in order to engender public trust. The Committee also oversees the CII's compliance with the FCA's accredited body requirements. It received regular reports on the activities of the Accredited Body Panel and monitored progress towards an audit of this area.

The Committee reviewed its own strategic priorities and identified professional standards, ethics, and transparency as key themes of leadership for its 2020 activities. Over the course of the year, the committee provided input on the development of key targets in these areas. The Committee was pleased to approve the CII's Ethics Two Year Plan and oversee the completion of the CII's Code of Ethics and Transparency Companion Guide.

In response to the pandemic, the Professional Standards Committee endorsed the CII's decision to implement a 'renewal-lite' process to ease the burden on Chartered firms whilst seeking assurance that the rigorous professional standards requirements continued to apply throughout this vital period. The process and support that has been provided to firms has been well received, and Committee members have challenged the CII to reach for more ambitious targets for Chartered recognition in the coming year.

The Professional Standards Committee continued to review and provide input on the development of CII activities that sought to measure and enhance public trust, including various initiatives to increase public awareness and financial security in later life, such as Insuring Women's Futures. The Committee has also monitored the development of the FCA test case on business interruption insurance claims and assisted with the CII's position. It has reviewed the CII's assessment of the impact of the pandemic on insurers, the public, and consumer confidence in the sector.

The Professional Standards Committee is responsible for monitoring the work of the Independent Review Pool (IRP) to provide assurance to the CII Board of the robustness of the CII's disciplinary processes. The Committee received a detailed report from the IRP and was satisfied with the work that had been undertaken (see below).

Governance

For the year ended 31 December 2020

Professional Standards Committee (PSC) (continued)

Committee membership

The Professional Standards Committee welcomed Jennette Newman as Chair this year, who is also a lay member of the CII Board. The composition of the PSC during the year was as follows:

	EXPERIENCE	DATE OF APPOINTMENT	DATE OF RETIREMENT	MEETING ATTENDANCE
Jennette Newman, LLB Hons, Solicitor	Chair	January 2014		4 out of 4
Nick Hankin, BA, MBA, ACII, Chartered Insurer	General Insurance	November 2015		2 out of 4
Lillian Boyle, LLB, FCII, TEP, Chartered Insurer, Chartered FCSI, FIoD	Life and Pensions	January 2016		4 out of 4
Gary Botttriell, FPFS, Chartered Financial Planner	Financial Planning	January 2016		4 out of 4
Julie Robson, PhD, BA (Hons), SFHEA, ACII, Chartered Insurer	General Insurance	April 2016		4 out of 4
Kate Wellington, LLB, BCL, BEc	Independent Consumer Representative	June 2019		4 out of 4
James Daley, BA (Hons), PG Dip	Independent Consumer Representative	June 2019		4 out of 4
Mark Butterworth, BA, MBA, FCII, FIRM	Commercial Representative	June 2019		4 out of 4
Jamie Lewis, ACII, Chartered Insurer	Local Institute National Forum (LINF) Representative	February 2020		3 out of 4

The CII Professional Standards Director and Policy and Public Affairs Director attended all meetings. Other members of the senior management team attended meetings to discuss particular topics.

Governance

For the year ended 31 December 2020

Independent Review Pool (IRP)

The Independent Review Pool (IRP) carries out a review and tribunal service for the disciplinary and eligibility functions of the CII and is independent of the CII. The IRP comprises members who are drawn from the CII's membership and independent members, a number of whom are legally qualified.

Members are appointed from the IRP to two specific sub-committees:

- The Membership Application Sub-Committee (MASC) considers and determines membership eligibility cases referred for decision. A panel of members is convened to consider each case, and during 2020 9 cases were determined.
- The Disciplinary Decision Review Panel (DDRP) oversees the disciplinary process. During 2020 it met four times. At each meeting it received reports on the status of disciplinary cases and reviewed the handling of a number of cases in detail. During 2020 it reviewed 25 of the 203 cases closed by the CII's Legal team during the year.

Members of the IRP also meet annually for a training day. The CII would like to record its sincere thanks to all members of the IRP for their involvement during the year.

The composition of the IRP during the year was as follows:

IRP MEMBERS	SUB-COMMITTEE
John Elliott, BA (Hons), Barrister	MASC Chair
Belinda Schofield, Solicitor	DDRP Chair
Graham Briscoe, C.Eng, CITP, CMC, FBCS, FIWFM, FMC, FWPC	MASC
Hiroo Chothia, FCMI, FIC, MBA, MloD	
Amanda Dean, MA, Mus B, ATT, CTA, ADIT	DDRP
Martin Havelock, Barrister (non-practising), MCI Arb	DDRP
Peter Kyle, MBChB, FRCS	
Ken Matlin, JP, MSc, BSc (Hons), ACII, ACI Arb, Chartered Insurer, Accredited Mediator	DDRP
Tom McGrath, CBE, FCII, Chartered Insurance Broker (retired 31 December 2020)	MASC
Gail Mortimer, BA(Hons), PGCE, MA	
Barry Neaves, BA(Hons), FCCA (retired 12 October 2020)	
Catherine Shewan, BA(Hons), Solicitor	
Karen Stokes, Chartered Linguist, FCIL, MITI, MA (Oxon), MA (City), DipTrans IoLET	MASC
Peter Taylor, Solicitor (retired) (retired 30 June 2020)	
Dawn Teague, FCII, DipPFS, Cert CII (MP), Chartered Insurance Practitioner (retired 31 December 2020)	MASC
Keith Torrance, FCII, DMS, MCMI, Chartered Insurance Practitioner	DDRP
Robert Weald, FCII, Chartered Insurance Risk Manager	DDRP
Stephen Wilkinson, FCII APFS Cert CII (MP & ER) CFP ^{CM} Chartered MCSI Chartered Financial Planner (retired 31 December 2020)	MASC

Strategic and Financial Review

For the year ended 31 December 2020

Business model and strategy

The CII is a professional body dedicated to building public trust in the insurance and financial planning profession. Our strapline “*Standards Professionalism Trust*” embodies our commitment to driving confidence in the power of professional standards: competence, integrity and care for the customer.

We deliver that commitment through a Relevant Customer Proposition, Insightful Leadership and an Engaged Membership. Our more than 125,000 members are committed to professional standards by maintaining continuing professional development and adhering to a published ethical code.

The strategy of the CII is based on the following pillars:

- Engaged Membership:
 - Providing valued services to our members;
 - Being an influential voice of the profession for our members;
 - Being a career partner for our members on their lifelong journey.
- Relevant Customer Proposition:
 - Maintaining respected qualifications within the profession;
 - Continuous professional development and professional standards;
 - Providing tools and skills which reflects modern lifestyles and careers.
- Insightful Leadership:
 - Facilitating discussions on relevant topics such as ethics and conduct in the modern world;
 - Leading initiatives of public interest such as Insuring futures;
 - Promoting Talent and Diversity in our profession;
 - Maintaining an International outlook in an increasingly globalised world.

The CII's strategic pillars are supported by an Operating Model which focusses on:

- Modernisation including increasing digital fulfilment of our products and services;
- Employee engagement;
- An International Outlook which leverages the strength of the CII's UK Hub while working with International partners to deliver services which support the Insurance and Financial Planning professions in their respective regions;
- A firm underpin for everything we do of good Governance and a framework of Professional Standards.

Audited financial statements

The audited financial statements for the year ended 31 December 2020 are included on pages 29 to 54. These Financial Statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The organisations that comprise the Chartered Insurance Institute Group ('the CII or the Group') included in these financial statements are listed in Note 9 to the financial statements on page 46.

Financial Performance

Note: All percentage movements quoted in the financial review are based on values which are rounded to the nearest £'000 as reported in the accompanying financial statements.

The global pandemic introduced challenges to many organisations including the CII in 2020. The CII Group mobilised its operations to continue delivering services to our members and customers, leveraging our investment in digital transformation over the past 3 years to mitigate the operational impact to the CII, and support our members and customers during the challenging year.

Operating income in 2020 is £36.9m (2019: £45.2m) which represents a decrease of 18% as our income was negatively impacted by our inability to hold examinations at test centres in 2020 due to national lockdown restrictions which also curtailed our in-person sponsored events.

Strategic and Financial Review

For the year ended 31 December 2020

Financial Performance (continued)

Operating expenditure for the year was £40.9m (2019: £42.9m) which is a reduction of £2.0m or 4% and includes £2.1m in amortisation charge and other expenditure in relation to our on-going transformation activity (2019: £0.9m). In 2020, the CII commenced use of its new Enterprise system – Microsoft NAV. The costs incurred had been capitalised on the statement of financial position during the period 2018 to 2020. Upon commencement of use of the system in 2020, we are required to amortise the past and current expenditure annually, in line with the accounting policy set out in note 1(g) of the Separate and Consolidated Financial Statements of the CII. Other tools will be brought into use in 2021 at which point we will commence amortisation of those items also.

Excluding the impact of transformation costs and amortisation, the 2020 operating expenditure was £38.8m (2019: £42.0m). The decrease of £3.2m or 7% is directly related to reduced operational activity as a result of the national pandemic restrictions as well as concerted efforts to reduce overhead costs in light of the reduction in revenue.

The Group's operating result before tax is a deficit of £3.8m (2019: surplus £2.8m). The operating deficit generated in the year was the result of the significant fall in revenue in 2020 due to the impact of the pandemic. Despite cost control measures implemented in the year, the cost savings did not match the equivalent reduction in income.

For the year ended 31 December 2020, the CII reported a total comprehensive loss of £4.9m (2019: comprehensive income £1.6m). Non-operating activity delivered net income of £179,000 (2019: £511,000). The reduction in non-operating net income compared to the prior year was mainly due to the loss on disposal of tangible fixed assets recognised in 2020, resulting from our office move to Fenchurch Street which will take place in the first half of 2021. The loss on tangible fixed asset disposal will be more than offset by savings in property costs expected in 2021 and beyond.

Total funds of the Group at 31 December 2020, which represents the Group's net assets, were £34.3m (31 December 2019: £39.2m). The total accumulated funds include £7.1m (2019: £8.2m) of cash and investments which are held for charitable or restricted (defined benefit pension Escrow) purposes and are not available for use in the CII's operational activities.

While the financial results of 2020 were impacted by the effects of the global pandemic, the CII continued to focus its efforts on support for members and students during the unprecedented period. There was a hardship programme in place to support members and students who required assistance, and our plans to launch remote invigilation were accelerated to provide flexible options to students in their qualification pathway.

Despite the financial results in 2020, the CII Group remains committed to supporting our profession and its members and students in light of the enhanced significance of Insurance and Financial Planning to wider society in the pandemic and post-pandemic period.

Strategic and Financial Review

For the year ended 31 December 2020

Membership

At 31 December 2020, our total membership was 125,420 (31 December 2019: 129,151), a reduction of 3,731 members representing 3% of the membership total at the start of 2020. During the pandemic we have observed an increase in membership lapses starting in the second quarter. The CII and Personal Finance Society, which are the two membership entities of the CII Group, continued to extend support to members during the challenging year, and this support continues in 2021.

Income

Following previous years of growth, revenue from membership services and subscriptions in 2020 of £17.7m (2019: £19.5m) represents a decrease of £1.8m or 9% which was predominantly due to our reduction in sponsorship from corporate sponsored member events which were not held in the year due to the impact of the global pandemic.

The global pandemic also significantly impacted our Qualifications revenue in 2020 which was £9.8m (2019: £14.4m) representing a reduction from the prior year of £4.6m or 32%. As the governments of the UK and other countries across the world took action to reduce the spread of Covid-19, examination centres were closed in the first and second quarters of 2020. In the third quarter there was a gradual re-opening of test centres and the launch of remote invigilation for multiple-choice examinations (MCQs) however, the global pandemic continued to impact the Group throughout 2020.

Educational activities, comprising textbooks, e-books, e-learning licences and other publications and training courses delivered revenue in 2020 of £9.5m (2019: £11.3m) as the revenue from educational activities is linked to the revenue from qualifications and as a result, we experienced a reduction in the demand for educational support during the global pandemic.

Geographically, our total revenue from International markets in 2020 was £3.9m (2019: £4.4m) representing 11% (2019: 10%) of the Group's total revenue in 2020. Our International markets were similarly impacted as the UK market by the global pandemic.

Expenditure

Total operating expenditure was £40.9m (2019: £42.9m) representing a decrease of £2.0m. Excluding expenditure and charges relating to our transformation activity, operating expenditure was £38.8m (2019: £42.0m). Expenditure reduced in 2020 partly due to direct cost savings from events and examinations which were not incurred as activities were curtailed by national lockdowns (UK and Internationally). In addition, the Group performed a thorough review of expenditure and reduced overhead costs in several areas to mitigate the impact of reduced revenue.

Given the importance the Group has placed on meeting the future needs of members and customers, the CII continued its investment in transformation. In 2020, £4.5m (2019: £5.1m) related to transformation activity was recognised in the financial statements, of which £2.4m (2019: £4.2m) was capital in nature and recognised on the consolidated statement of financial position and £2.1m (2019: £0.9m) was recognised as an expense in the consolidated statement of income comprising amortisation charges and non-capital expenditure incurred in the current year.

Taxation

The net corporation tax charge for the year was £0.1m (2019: £0.2m) mainly reflecting the loss generated in 2020. Further details on the tax charge are included in Note 4 to the financial statements on page 40.

Pensions

In 2020, £1.0m was paid to the CII pension scheme 1993 - a defined benefit pension scheme ('the Scheme') from an established Escrow fund for this purpose. Further details are given in Note 16 to the financial statements on page 51.

Strategic and Financial Review

For the year ended 31 December 2020

Cash flow

Cash and short-term deposit balances at 31 December 2020 were £31.5m (31 December 2019: £37.7m). These balances include £6.9m (31 December 2019: £8.1m) of cash and short-term deposits held in Escrow (to support the CII defined benefit pension scheme) and the charity subsidiaries (The Education and Training Trust of the CII and CII Prize Funds) which are not available for the Group's operational requirements. Most of these balances are held by a small number of UK financial institutions to mitigate concentration risk, all within 95-day notice periods.

Net cash outflow for the year was £6.2m (2019: outflow £7.1m) and includes £3.0m cash outflow from operating activities (2019: inflow £2.2m) due to the operating deficit generated in the year. Total capital expenditure was £2.6m (2019: £4.5m) and net transfers to investment, including reinvestment of investment returns, was £0.7m (2019: £4.9m).

Investments

The Group's investment portfolio at 31 December 2020 was £6.1m (31 December 2019: £5.2m). The Group added £0.7m (2019: £4.9m) of surplus cash and reinvested returns to the investment portfolio during the year, while the portfolio benefitted from an increase in value through unrealised gains in the year of £0.3m (2019: £0.2m).

The investments are held principally in UK and International equities and debt securities and are managed by a reputable investment manager.

Reserves

As at 31 December 2020, total accumulated funds amounted to £34.3m (31 December 2019: £39.2m). Included in the accumulated funds are Escrow and charity funds of £7.1m (31 December 2019: £8.2m) which are not available to support the Group's operations.

In planning and budgeting for its activities, the CII considers the level of reserves held in order to establish a balance between the continuing development of its services and the need for prudent management of our working assets and commitments, as well as providing for contingencies.

It is the CII's objective to generate an operating surplus to build and maintain reserves at a sustainable level, taking into account working capital requirements and key risks. The CII Board has set policies which determine that Group reserves amounting to not less than six months' budgeted consolidated expenditure will be maintained by the CII. The liquid assets which comprise these reserves may be held in bank deposits and/or longer-term investment accounts managed by reputable organisations.

The CII's Board and management monitor the necessary level of reserves in view of the changing environment and strive to ensure it remains relevant to the market.

Going concern

The CII undertook a robust business planning process to consider the financial performance of 2020 as well as the risks to the Group's operational plans for the future. These risks include consideration of the impact of the UK's departure from the European Union (Brexit) and the impact of the global Covid-19 pandemic.

Brexit is not expected to have a material impact to the Group.

The global pandemic has had the following impact on the Group's operations:

- Rescheduling and cancellation of some in-person examinations;
- Increase in membership lapse rates resulting in a lower number of members;
- Cancellation of in-person events.

Strategic and Financial Review

For the year ended 31 December 2020

Going concern (continued)

The Group has adapted its operations to ensure that service to members and customers can continue, having regard to some of the changes that were required to comply with social distancing requirements.

The Group's business plan considered, and include, contingency actions to address unfavourable financial performance. The Executive Leadership Team (ELT) closely monitors the financial performance of the Group, tracking deviations from the financial business plan and mitigating actions that will be deployed when indicators of significant unfavourable financial deviations are detected.

The Group continues to maintain sufficient financial resources to undertake its plans in the foreseeable future.

The ELT and the Board remain of the view that there are no material uncertainties which call into doubt the CII's ability to continue as a going concern. The financial statements have therefore been prepared on the going concern basis.

Risk management and internal controls

The CII Board has overall responsibility for risk, delegating risk management activities to the Audit and Risk Committee and Management. In addition, every CII employee has a responsibility for managing risk within their respective area.

The leadership team directly controls day-to-day operations and has responsibility for designing, implementing and maintaining adequate systems and controls. The Audit and Risk Committee, supported by the Risk and Compliance Manager, reviews and ensures that the CII complies with a proportional and value-added risk framework ('the framework').

The objective of risk management at the CII is to ensure risks and opportunities are understood, evaluated, recorded, managed, and reported effectively, within a consistent and proportional framework that aligns to, and considers, the CII's strategy, processes, people, and financial resilience.

The framework provides processes for reviewing the CII's top risks and ensures that risk is an integrated part of the business planning process and decision making. The framework includes an Enterprise Risk Management policy and a risk appetite methodology.

The CII Board agreed our risk appetite statement, that sets out our general approach to risk, this being:

- The CII will make considered risk-based decisions, to build and grow into new and existing sectors by developing Relevant Learning, Engaged Membership and Insightful Leadership for members and stakeholders. We will do this by living our values of being visionary, open, and seeking excellence.
- The CII will minimise risk by balancing cost and control, in core areas. These being the CII brand, quality of qualifications and services, member proposition, and promoting professionalism.

This was re-visited in 2020 as part of the business planning process and it was agreed that the statement remains relevant.

In 2020, measurable risk appetite limits were linked to the CII's key risks and strategic measures.

These were reviewed monthly by the management team and, where possible, corrective action was taken.

Strategic and Financial Review

For the year ended 31 December 2020

Risk management and internal controls (continued)

As a body accredited by the Financial Conduct Authority ('FCA'), the CII is also specifically required to design, implement and operate control procedures over the issuing of Statements of Professional Standing, the verification of advisers and the provision of information to the FCA as required by its rules. These control procedures are subject to an independent audit carried out in line with FCA requirements, and they are sent to the FCA and reviewed by the Professional Standards Committee on behalf of the Board.

Principal risks and uncertainties

The CII is affected by a number of financial and operational risks inherent in the services, sectors, and regions in which we operate. We prudently manage our financial risks (mainly credit counterparty and liquidity risk) and annually review our Treasury Management Policy.

2020 has been an unprecedented year with the Covid-19 pandemic impacting the CII operations, financial performance and its stakeholders, increasing our risk profile in some areas, particularly exams delivery. The Covid-19 pandemic has prompted the CII to fast-track projects, refine its office strategy, review its priorities and cost base. Throughout 2020 we managed these risks by ensuring we had in place contingency plans and by modelling and managing possible financial scenarios.

As part of our business planning process, we identified the top risks to the achievement of our 2021-2023 business plan; all the risks below are exacerbated by Covid-19 and its economic impact on the CII. This is especially true in regard to failure to attract and retain members, deliver International income, progress learners, and protect and develop UK business.

Key Risk	Risk mitigation and / or management actions
Inability to attract and retain members. There is a risk that our membership offering fails to be relevant and modern, and does not attract or retain members, reducing our ability to promote professionalism and standards.	<ul style="list-style-type: none">• In response to Covid-19, our digital membership content has continued to be expanded.• Societies provide relevant, tailored, value-added materials to members and a consistent level of engagement and support to local institutes.• Associated firm status was launched in August 2020 to provide increased engagement and influence with decision makers within firms.• A program of work has commenced to ensure we continue to develop and deliver a modern, relevant and compelling membership proposition supported by technology.
Failure to meet international growth targets by not providing relevant affordable products, a quality customer experience, and the ongoing impact of Covid-19. Developing our International presence is a component of the CII's longer-term growth strategy, as this will allow us to promote professionalism to a wider audience and diversify our income sources.	<ul style="list-style-type: none">• In 2020 we enhanced the examination methods open to our international students providing greater flexibility (including remote exams) of how and when examinations can be sat, we will continue to embed this within 2021.• Development of relevant international products (in April 2020 the new India Motor product was launched).• Clear plans for engagement with international partners and continuing to build regulatory relationships.• Continued rollout and use of the new websites which facilitates more self-service for our international students.

Strategic and Financial Review

For the year ended 31 December 2020

Principal risks and uncertainties (continued)

Key Risk	Risk mitigation and / or management actions
<p>Failure to protect and develop UK business.</p> <p>In 2020, our UK business was impacted by Covid-19 particularly income from exams and events. To some extent, we expect this to continue in 2021. This is partially mitigated by advancing our digital offering.</p> <p>Offering a range of new, modern and relevant products as well as enhanced digital services during 2020 allowed us to protect and develop UK business.</p>	<ul style="list-style-type: none">• Focus on relationships with key Corporate Chartered Status (CCS) firms.• Increased CII support initiatives with major advisory firms and 'new' adviser academies.• Listening and acting upon our customer and members' views and feedback• In 2020 we enhanced the examination methods, providing greater digital experience and flexibility. We will continue to embed this within 2021.
<p>Organisational change.</p> <p>Business transformation continues; several projects were delivered in 2020 including changing our exam provider and continuing the rollout of the new web shop. These, and other projects, will transform the way the CII operates and interacts with customers. In some cases, Covid-19 has affected the delivery of projects and has changed priorities.</p> <p>It is likely that the level of change will remain high over the next two years as our transformation programme continues.</p> <p>There is a risk of undertaking too much change at once and being able to effectively manage and prioritise within the constraints caused by Covid-19.</p>	<ul style="list-style-type: none">• Centralised and flexible approach to project prioritisation and management.• The project portfolio was reviewed and revised as part of the 2021 to 2023 business planning process and is under continual review.• Strong project governance over material projects.

As part of the business planning process, we reviewed emerging risks and opportunities. The top emerging risks include:

- **Economic recession:** The longer-term economic consequences of Covid-19 are still unknown; this could lead to increased unemployment and the shrinking of our current and potential customer base, reducing learning and the development of investment and sponsorship.
- **Competition:** There could be new competitors entering the market, particularly, new non-traditional platform-type entrants.
- **Market consolidation:** Margin and market pressures continue to drive Mergers & Acquisitions impacting potential members, learners, ASSESS sales, and existing or potential Corporate Chartered Status holders.
- **Social and technology changes:** Covid-19 is fast tracking technological and social change. The way individuals engage with organisations to deliver learning and membership benefits is likely to change. This could have a negative impact on membership and learner numbers.
- **Consumer expectations:** Consumers seeking a personalised, quick, reliable and easy, and in most cases digital, experience in all interactions could impact current CII delivery methods.

Strategic and Financial Review

For the year ended 31 December 2020

Principal risks and uncertainties (continued)

Several possible management responses to these emerging risks are being developed which include:

- Continued drive for digitalisation and personalisation of customer interactions using modern and diverse means;
- Diversifying income sources through further international expansion;
- Market monitoring and increasing our organisational flexibility;
- Undertaking scenario planning and analysis to map actions that can be taken if different scenarios occur;
- Continue the development of our membership and student learning propositions to cater for the changing needs of people's diverse career routes and choices.

Budgets and financial reporting

As part of the annual planning process, detailed budgets are prepared for the approval of the Board. The financial results of the CII Group, which comprise analyses of the CII Group's financial performance and financial position, are prepared every month and reviewed by the leadership team. A report on the Group's financial results is presented to the Audit and Risk Committee and the Board at every meeting, comparing actual results to the approved budget. Forecast financial performance is reported during the year to ensure that early action can be taken against emerging financial risks.

Our colleagues

The CII aims to be an organisation of high performance where its colleagues enjoy working and where they feel supported and developed. Colleagues are kept fully informed of the organisation's strategy and objectives, and individual performance is reviewed throughout the year. Learning and development is considered as an integral part of this approach as it ensures that the right skills are developed, at the right time, through appropriate learning tools to meet the CII's strategic objectives and contribute to employee engagement.

The CII remains committed to people engagement and measures on a quarterly basis. We consult with colleagues through varied forums and hold business updates throughout the year which seek to achieve a high level of awareness on the part of all colleagues, including financial, economic and market factors impacting the CII's performance.

The CII's recruitment and selection policy is designed to ensure that it selects the best possible candidate for the job, on the basis of their relevant merits and abilities, as measured against the requirements of the job, whilst following best practice of inclusive recruitment.

The CII's commitment to diversity and inclusion is embedded in its policies, procedures and practice. We continue to report on our gender pay gap and now on our ethnicity pay gap and measure achievement of all actions to improve the diversity and inclusion of all colleagues on a quarterly basis.

Investors in People (IiP) is a national standard for achieving business goals through employee learning, development, involvement and engagement. We went through our IiP re-accreditation in late 2018 and are proud to maintain GOLD standard.

Future plans

In December 2020, the CII Board approved the business plan for the period 2021-2023 which is focussed on continuing the journey set out in the CII Strategic Manifesto launched in 2016. Our strategy remains relevant to ensuring that the CII can continue to deliver meaningful value to our united profession as we continue to fulfil our over-arching purpose to secure and justify the confidence of the public.

Strategic and Financial Review

For the year ended 31 December 2020

Future plans (continued)

Development and modernisation of our infrastructure continues to be a key enabler to:

- further improving our member and stakeholder engagement;
- enhancing the delivery of our pathway to qualification and continuous professional development; and
- ensuring continued robust monitoring of professional standards.

In 2020, we launched a new online portal for MyCII to modernise the user experience when members and students interact with the CII. In 2021 and beyond we will implement tools to further simplify customers' interaction with the CII, and will provide solutions and support that are targeted to the needs of our customer community. This continues the theme of our Transformation programme in keeping to a Digital First mindset, congruent with wider societal trends.

Following the launch of remote invigilated multiple-choice question (MCQ) exams in 2020, we will continue the work to streamline the system following the feedback we received from our student community after the initial launch. Our remote invigilated examinations will expand to the text (written) based examinations which will provide even more flexibility to students on their learning pathway without compromise to the quality or integrity of the qualifications. Our learning pathway is under constant review to ensure that learning outcomes and modes of examinations remain relevant to the profession. If there are any improvements which are required to ensure continued relevance to the profession, we will undertake these improvements within a timeframe which best suits existing and future learning candidates.

Professional standards lie at the heart of our profession, and as such we are developing an enhanced competency framework with ethics being a key component. Ethics content and companion guides will be uniquely branded and rolled out to all members. Our infrastructure development will include more streamlined interaction with the CII for Corporate customers.

In addition to supporting the initiatives above, the CII's infrastructure development is expected to result in lower future operating cost through process efficiencies facilitated by new IT systems.

Internationally, the CII will continue its efforts to develop partnerships with other insurance professional bodies to leverage practices for the benefit of our membership.

The CII Board and Executive Leadership Team remain committed to our continuing partnership with the members of our united profession that delivers so much value to the public.

Strategic and Financial Review

For the year ended 31 December 2020

Statement of responsibilities

The Directors are responsible for preparing the Strategic and Financial Review Report and the financial statements in accordance with UK accounting standards, comprising FRS 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The Directors will not approve the separate and consolidated financial statements unless they are satisfied that they give a true and fair view of the state of the CII Group (separate and consolidated) affairs and financial performance for the period ended 31 December 2020, and comparative period(s).

In preparing these separate and consolidated financial statements, the Directors have:

- selected suitable accounting policies and then apply them consistently;
- made judgements and accounting estimates that are reasonable and prudent;
- stated whether applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on the going concern basis unless it is inappropriate to presume that the CII will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the CII Group's transactions and disclose with reasonable accuracy at any time the financial position of the CII. The Directors are also responsible for safeguarding the assets of the CII and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the governance and financial information on the CII's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors, as at the date of this report, have taken all the 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 Directors are not aware of any relevant audit information of which the auditor is unaware.

The Strategic and Financial Review was approved by the Board on 31 March 2021.

Auditor

BDO LLP was reappointed as the Institute's auditor during the year and has expressed its willingness to continue in that capacity.

The Strategic and Financial Review Report was approved by the Board on 31 March 2021.



Dr. H. Phillips
Independent Chair
Date: 12 April 2021



S Fisher
Chief Executive Officer
Date: 12 April 2021

Independent Auditor's Report

For the year ended 31 December 2020

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 Institute's affairs as at 31 December 2020 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Chartered Insurance Institute's governing Charter & Bye-laws.

We have audited the financial statements of the Chartered Insurance Institute ("the Institute") and its subsidiaries ("the Group") for the year ended 31 December 2020 which comprise the Consolidated statement of comprehensive income, Separate and Consolidated Statement of financial position, Consolidated statement of changes in funds, Consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Conclusions related to going concern

In auditing the financial statements, we have concluded that the Boards' 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 Institute's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

The Board is responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The other information comprises: the Governance reports and the Strategic and Financial Review. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information.

Independent Auditor's Report

For the year ended 31 December 2020

Other information (continued)

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.

Responsibilities of the Board

As explained more fully in the Statement of responsibilities, the Directors 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 Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 61 of the Chartered Insurance Institute Charter & Bye-laws and report in accordance with the Bye-laws 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.

Based on our understanding of the Institute and the industry in which it operates, we identified that the principal laws and regulations that directly affect the financial statements to be FRS102 and relevant tax legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items. We considered the Institute's own assessment of the risks that irregularities may occur either as a result of fraud or error. We also considered financial performance, key drivers for bonus or other performance targets.

In addition, the Institute is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: employment law and data protection. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Those Charged with Governance and other management and inspection of regulatory and legal correspondence if any.

Independent Auditor's Report

For the year ended 31 December 2020

Auditor's responsibilities for the audit of the financial statements (continued)

Extent to which the audit was capable of detecting irregularities, including fraud (continued)

Audit procedures performed by the engagement team included:

- Enquiries of management and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reading minutes of meeting of those charged with governance and reviewing correspondence with HMRC and regulators;
- Challenging assumptions made by management in their significant accounting estimates in particular in relation to the useful economic lives of assets, impairment considerations and assumptions used in the calculation of the defined benefit pension liability; and
- In addressing the risk of fraud through management override of controls; testing the appropriateness of journal entries and other adjustments, in particular any journals posted by senior management, journals which would impact on performance arrangements including bonuses, or with unusual accounts combinations.

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 Institute's board, as a body, in accordance with The Chartered Insurance Institute Charter & Bye-laws. Our audit work has been undertaken so that we might state to the Institute's Board those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Institute and the Institute's Board as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

BDO LLP, statutory auditor
Gatwick, UK

Date: 12 April 2021

BDO LLP is eligible for appointment as auditor of the Institute 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).

Separate and Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	Note	<u>2020</u> £000	<u>2019</u> £000
Operating Income			
Membership services and subscriptions		17,658	19,468
Qualifications		9,768	14,363
Educational activities		9,522	11,332
Other activities		-	22
	2	36,948	45,185
Operating Expenditure			
Membership services and support		(11,126)	(14,333)
Qualifications and learning		(13,767)	(15,866)
Central services		(16,052)	(12,656)
		(40,945)	(42,855)
Operating (Deficit)/Surplus	3	(3,997)	2,330
Non-operating income and costs			
Dividends and interest		253	339
Loss on disposal of fixed assets	6	(383)	(21)
Realised (loss)/gain on investments	8	(38)	8
Unrealised gain on investments	8	322	154
Other		25	31
		179	511
(Deficit)/Surplus before taxation		(3,818)	2,841
Taxation charge	4	(51)	(192)
Net (Deficit)/Surplus		(3,869)	2,649
Other comprehensive loss			
Net defined benefit pension cost	16	(996)	(996)
Foreign exchange loss arising from retranslation of overseas subsidiaries		(30)	(55)
Total other comprehensive loss		(1,026)	(1,051)
Total comprehensive (loss)/income for the year		(4,895)	1,598

All income and expenditure is derived from continuing activities.

The notes on pages 33 to 54 form part of these financial statements

Separate and Consolidated Financial Statements

Separate and Consolidated Statement of Financial Position

As at 31 December 2020

		Group		Institute	
	Note	<u>2020</u> £000	<u>2019</u> £000	<u>2020</u> £000	<u>2019</u> £000
Non-current assets					
Tangible fixed assets	6	535	1,197	523	1,191
Intangible fixed assets	7	5,641	4,740	5,641	4,740
Investments	8	6,140	5,156	5,942	5,039
Investments in subsidiaries	9	-	-	87	192
		12,316	11,093	12,193	11,162
Current assets					
Stocks – Course books		59	108	59	108
Debtors	10	4,994	6,435	6,196	8,051
Cash at bank and short-term deposits	11	31,501	37,663	26,914	32,962
		36,554	44,206	33,169	41,121
Current liabilities					
Creditors:					
Amounts falling due within one year	12	(13,681)	(15,298)	(27,646)	(26,951)
Net current assets		22,873	28,908	5,523	14,170
Provisions for liabilities and charges	14	(863)	(780)	(863)	(780)
Net assets		34,326	39,221	16,853	24,552
Accumulated funds					
General	15	30,224	35,013	16,853	24,552
Charitable	15	4,102	4,208	-	-
Total funds		34,326	39,221	16,853	24,552

The financial statements on pages 29 to 54 were approved by the Board on 31 March 2021.



Dr. H. Phillips
Independent Chair
Date: 12 April 2021



S. Fisher
Chief Executive Officer
Date: 12 April 2021

The notes on pages 33 to 54 form part of these financial statements

Separate and Consolidated Financial Statements

Consolidated Statement of changes in funds

For the year ended 31 December 2020

	General Reserves £'000	Total Funds £'000
1 January 2019	37,623	37,623
Net Surplus for the year	2,649	2,649
Employer contribution to pension fund	(996)	(996)
Foreign exchange loss arising from retranslation of overseas subsidiaries	(55)	(55)
At 31 December 2019	39,221	39,221
	General Reserves £'000	Total Funds £'000
1 January 2020	39,221	39,221
Net deficit for the year	(3,869)	(3,869)
Employer contribution to pension fund	(996)	(996)
Foreign exchange loss arising from retranslation of overseas subsidiaries	(30)	(30)
At 31 December 2020	34,326	34,326

The notes on pages 33 to 54 form part of these financial statements

Separate and Consolidated Financial Statements

Consolidated statement of cash flows

For the year ended 31 December 2020

	Note	<u>2020</u> £000	<u>2019</u> £000
Cash flows from operating activities			
(Loss)/Surplus before taxation		(3,818)	2,841
Adjustments for:			
Depreciation, impairment and amortisation charges	6,7	1,922	531
Unrealised investment gain	8	(322)	(154)
Realised investment loss		38	-
Loss on disposal of tangible fixed assets		383	13
Employer contributions to defined benefit pension fund	16	(996)	(996)
Interest receivable		(253)	(339)
Decrease/(Increase) in trade and other debtors		1,374	(98)
Decrease/(Increase) in stock		49	(12)
(Decrease)/Increase in trade creditors		(1,536)	592
Increase/(Decrease) in deferred income		1,532	(259)
(Decrease)/Increase in other creditors		(1,473)	15
Increase in provisions		83	106
Exchange losses on foreign currency translation		(30)	(55)
Cash (used in)/generated from operations		(3,047)	2,185
Taxation paid		(191)	(164)
Net cash used in operating activities		(3,238)	2,021
Cash flows from investment activities			
Purchases of tangible fixed assets	6	(142)	(284)
Purchase of intangible assets	7	(2,427)	(4,246)
Proceeds from sale of tangible fixed assets		25	1
Interest & dividends received		320	281
Purchase of investments	8	(1,841)	(4,983)
Proceeds from sale of investments	8	1,141	86
Net cash used in investing activities		(2,924)	(9,145)
Net decrease in cash and cash equivalents		(6,162)	(7,124)
Cash and cash equivalents at 1 January 2020		37,663	44,787
Cash and cash equivalents at 31 December 2020	11	31,501	37,663

The Group has no external debt as at 31 December 2020 and 31 December 2019.

The notes on pages 33 to 54 form part of these financial statements

Notes to the Separate and Consolidated Financial Statements

1. Accounting policies

a) Basis of preparation

The Chartered Insurance Institute (CII, parent company or Institute) is a body incorporated by Royal Charter. The address of the registered office is given in the Reference and Administrative Details page which follows the notes to the financial statements. The operations and principal activities of the CII are set out in the Strategic and Financial Review report.

The separate and consolidated financial statements are prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, in accordance with applicable United Kingdom Accounting Standards, including Financial Reporting Standard 102, applicable in the United Kingdom and the Republic of Ireland.

The preparation of the separate and consolidated financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying Group's accounting policies. Details of significant judgements and estimates are provided in note 1(s).

Parent company disclosure exemptions

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

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

b) Going concern

In their assessment of going concern the Directors have included consideration of the impact of significant macroeconomic factors such as the Covid-19 global pandemic and Brexit, and concluded that the going concern assumption remains appropriate for the preparation of these financial statements.

The CII's principal activities are in the UK with other activities in regions within and outside the EU. Based on the measures undertaken by CII's members in preparation for Brexit, the CII expects to receive minimal impact from Brexit.

There remains uncertainty on the trajectory of economic recovery in the UK and internationally, as governments begin their roll out of the vaccine to combat the effects of the Covid-19 virus. The CII has modelled scenarios which depict possible 'worse-case' scenarios which include continued degradation of the organisation's revenue and responsive actions. This exercise demonstrated that the CII has sufficient resources to continue operating for the foreseeable future and as such the going concern assumption remains appropriate for the preparation of these financial statements.

The following principal accounting policies have been applied:

c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the CII and all of the entities considered by the CII to be subsidiary undertakings (the CII Group or the Group, see note 9). All have been prepared to 31 December 2020. In preparing consolidated financial statements, the financial statements of the parent and its subsidiaries are combined on a line-by-line basis, fully eliminating any intragroup balances and transactions.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

Notes to the Separate and Consolidated Financial Statements

d) Revenue recognition

Membership services and subscriptions

Subscriptions

Membership subscriptions are credited in the statement of comprehensive income in the period in which they are received to the extent of the proportion of the subscription year remaining. The difference between the amount received and the amount credited in the period is credited to the statement of financial position in the period, to be released to the statement of comprehensive income in the following period.

Examinations

Examinations & Accreditation

Examination and accreditation fees are credited in the statement of comprehensive income of the period in which the examinations and accreditations take place.

Educational activities

Coursework & Continuous Assessment

Income from study options involving coursework submission or continuous assessment is credited to the statement of income on a straight-line basis over the length of the study period taken.

Publications and learning materials

Sales of hard and soft copy publications and learning materials are recognised as income in the month of purchase.

E-learning/Licence Fees

Sales of e-learning licences are recognised as income at the beginning of the licence period.

Training courses, events and conferences

Income from sales of training courses, events or conferences is recognised in the period when the course, event or conference takes place. Amounts received in advance are credited to the statement of financial position as deferred income, to be released to the statement of income in the period in which the event takes place.

Other Income

Dividends and interest receivable

Dividends and interest receivable are included in the statement of comprehensive income of the period in which they are receivable. Interest is receivable from investments and short-term, fixed rate deposits.

e) Expenditure Recognition

Expenditure is recognised on an accruals basis and has been classified under headings that aggregate all costs related to the category.

f) Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Purchases of fixed assets are capitalised and depreciated over their estimated useful lives as follows:

Computer equipment	3-5 years
Equipment	5 years
Fixtures and fittings	10 years
Furniture	8 years

Notes to the Separate and Consolidated Financial Statements

g) Intangible fixed assets

Intangible fixed assets are stated at historical cost less accumulated amortisation and any accumulated impairment.

Intangible fixed assets are capitalised and amortised over their estimated useful lives as follows:

Computer software	3-8 years
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Impairment of fixed assets

At each balance sheet date, the carrying amounts of fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated and the carrying amount of the asset reduced to the recoverable amount. Impairment losses are recognised in the income and expenditure account.

h) Investments

All investments are stated at fair value which is determined with reference to quoted market prices at the end of the reporting period. Gains and losses on remeasurement or disposal are recognised in the statement of income for the period.

i) Investment in subsidiaries

Investments in subsidiary entities are held at cost less impairment.

j) Cash at bank and short-term deposits

Cash at bank and short-term deposits comprise cash in hand, balances with banks and deposits with a maturity not exceeding 95 days from when notice is given. These balances are considered to have an insignificant risk to a change in its value.

It also includes cash which is held by the Group's investment managers for investing as the Group is able to access this cash for other purposes at short notice and without penalty.

k) Current trade debtors and trade creditors

Trade debtor and trade creditor balances included within current assets and current liabilities respectively comprise items recognised at their transaction price and measured at the balance sheet date at the undiscounted amount of cash or other consideration expected to be received or paid.

l) Foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'pounds sterling', which is the company's functional and the Group's presentation currency.

On consolidation, the results of overseas operations are translated into pounds sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

m) Tax

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the entity's taxable operating surplus and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse; based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Notes to the Separate and Consolidated Financial Statements

n) Operating leases

Operating lease rentals are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

o) Employee benefits

The Group provides a range of benefits to employees, including quarterly and annual bonus arrangements, paid holiday arrangements and defined benefit and defined contribution pension plans.

(i) Short-term benefits

Short-term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the statement of comprehensive income in the period in which the service is received.

(ii) Quarterly and Annual bonus plans

The Group operates quarterly and annual bonus plans for certain employees. An expense is recognised in the statement of comprehensive income when the Group has a legal or constructive obligation to make payments under the plans as a result of past events and a reliable estimate of the obligation can be made.

p) Retirement benefits

The CII operates two types of pension schemes; a defined contribution plan and a defined benefit plan, both of which require contributions to be made to separately administered funds.

Defined contribution scheme

For the defined contribution scheme the amount charged to the statement of comprehensive income in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

Defined benefit plan

The Chartered Insurance Institute Pension Scheme (1993), a defined benefit scheme for staff was closed to new members in 2001 and to further service accrual in 2006. Contributions are made to the scheme at rates set by the scheme actuary and as advised by the scheme administrator. Interest cost, return on assets and actuarial gains or losses are recognised as part of non-operating activities.

For defined benefit schemes the amounts charged in operating expenditure are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the income and expenditure account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of comprehensive account.

Defined benefit schemes are funded with the assets of the scheme. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax asset or liability, is presented separately after other net assets on the face of the balance sheet, once the recognition criteria has been met.

q) Stocks

Stocks are valued on a 'first in, first out' basis at the lower of cost and net realisable value.

r) Fund accounting

General funds are funds which are available for use at the discretion of Council for the activities of the Institute. Charitable funds comprise unrestricted funds, available for the use of The Education and Training Trust of the Chartered Insurance Institute in furtherance of its charitable objectives, and restricted funds, available for the use of The Chartered Insurance Institute Prize and Educational Funds in furtherance of its charitable objectives.

Notes to the Separate and Consolidated Financial Statements

s) Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and assumptions which have the most significant risk of causing material adjustment to the carrying amount of assets and liabilities are:

1) Retirement benefits

The CII accounts for retirement benefits in accordance with Financial Reporting Standard 102 Section 28.9 to 28.28, "Post-employment benefits". In determining the pension cost and obligation of the defined benefit pension scheme, a number of assumptions are used including: discount rate, inflation, salary increases, mortality rates and expected returns on investments. Further details are provided in note 16 to the financial statements.

2) Provisions for liabilities and charges

In accordance with Financial Reporting Standard 102 section 21, "Provisions and Contingencies", provision is made where the CII believes that, at the balance sheet date, it has an obligation that may require settlement at a future date. The CII is required to estimate the likely future settlement amount based on management's best view of the most likely outcome. Further details are provided in note 14 to the financial statements.

Notes to the Separate and Consolidated Financial Statements

2. Operating income

	<u>2020</u>	<u>2019</u>
	£000	£000
a) Membership services and subscriptions		
Membership subscriptions	17,081	17,161
Conferences and event income	538	2,246
Other services	39	61
	17,658	19,468
b) Qualifications		
Examinations income	9,768	14,363
	9,768	14,363
c) Educational activities		
Publications	3,458	4,950
Other learning materials	4,997	4,956
Training courses	528	637
Other educational activities	539	789
	9,522	11,332
Other income	-	22
Total operating income	36,948	45,185

Notes to the Separate and Consolidated Financial Statements

3. Operating result

The operating result is stated after charging:

	<u>2020</u>	<u>2019</u>
	£000	£000
a) Auditor's remuneration		
Audit fees:		
Audit of the Group Financial Statements	84	84
Audit of the Group subsidiaries due to Associates of BDO LLP	25	25
Taxation and other fees	106	167
	215	276
b) Salaries and related costs		
Total salaries and related costs	15,736	14,221
Further analysis of staff and related costs is provided in note 5(a)		
c) Depreciation and Amortisation		
Depreciation, amortisation and impairment of fixed assets	1,922	531
d) Amounts payable under operating leases		
Building	821	1,205
Equipment	87	150
Cars	-	6
	908	1,361

Notes to the Separate and Consolidated Financial Statements

4. Taxation

The CII bears tax on its rental, investment and non-mutual income

	<u>2020</u>	<u>2019</u>
	<u>£000</u>	<u>£000</u>
Taxation charge on ordinary activities		
Corporation Tax at 19% (2019: 19%)	52	187
Adjustment in respect of previous periods	(1)	5
Tax charge for period	51	192

The tax assessed for the year is the same as the standard rate of corporation tax in the UK at 19% (2019: 19%).

The differences are explained below:

(Deficit)/Surplus on ordinary activities before tax	<u>(3,818)</u>	<u>2,841</u>
(Deficit)/Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	(725)	540
Effects of:		
Permanent differences	15	(12)
Tax relief for items not taken to the statement of comprehensive income	(331)	(331)
Mutual trading activities	758	(160)
Unrelieved tax losses	-	-
Charitable exemptions	20	(2)
Deferred tax not recognised	387	126
Double tax relief	13	22
Adjustment in respect of previous periods	(1)	5
Effect of other tax rates/credits	(85)	4
Tax charge for period	51	192

Notes to the Separate and Consolidated Financial Statements

5. Remuneration

	<u>2020</u>	<u>2019</u>
	£000	£000
a) Salaries and related costs		
Wages and salaries	13,312	11,960
Employer's social security costs	1,328	1,207
Employer's pension costs	1,096	1,054
	15,736	14,221
	<u>2020</u>	<u>2019</u>
b) Average number of staff employed during the year		
Total employees	246	241
Full-time equivalents	242	236

The total expense recognised in the consolidated statement of comprehensive income representing the CII's contribution to the employee defined contribution pension plan in 2020 is £1.1m (2019: £1.1m).

There were no significant contributions payable or prepaid in the consolidated statement of financial position as at 31 December 2020 (31 December 2019: no significant contributions).

c) **Board and Committee remuneration**

In 2020, eight non-executive Board members received honorarium payments totalling £118,833 (2019: £81,300) for attendance at both Board and Committee meetings.

A further seven Committee members received honorarium payments for attendance at Committee meetings.

Honorarium payments are made in accordance with the following scale, which includes preparation for the meetings attended and any outputs required as a result:

Board members: up to £60,000 per annum
(varies within the range depending on the Board member's role e.g. Independent Chair, Committee Chair, etc)

Committee members: up to £2,000 per meeting

Honorarium payments are agreed and reviewed by the Nomination and Remuneration Committee and reflect each member's role, their responsibilities and requirements.

Notes to the Separate and Consolidated Financial Statements

5. Remuneration (continued)

d) Executive compensation

The CEO and direct reports are the Executive Leadership Team (ELT) of the Institute (until September 2020, the team was known as the Executive Management Team or EMT).
Total remuneration of the EMT/ELT is shown in the table below.

	<u>2020</u>	<u>2019</u>
	£000	£000
Salaries and short-term benefits	1,654	1,642
Employer's social security costs	197	198
Employer's pension costs	151	143
Long-term benefits	196	176
	2,198	2,159

The Institute provides the following benefits to all the members of the Executive Leadership Team:

- Private Healthcare (single cover)
- Critical Illness cover
- Life Insurance
- Dependants' pension scheme (only those who joined the CII prior to 01/01/2014)

The bands of the base salaries (excluding allowances, benefits and bonuses) received by members of EMT/ELT are shown below:

	<u>2020</u>	<u>2019</u>
£225,000 - £249,999	1	1
£175,000 - £199,999	3	1
£150,000 - £174,999	1	3
£125,000 - £149,999	2	1
< £125,000	2	3

For 2020, the members of EMT/ELT included in the preceding table are:

£225,000 - £249,999	S Fisher
£175,000 - £199,999	K Richards, J Bissell, G White*
£150,000 - £174,999	S Jenkins
£125,000 - £149,999	M Collett, D Thompson^
< £125,000	I Simons^, C Thomas*

(*) joined during 2020.

(^) ceased being a member during 2020.

Notes to the Separate and Consolidated Financial Statements

6. Tangible fixed assets

	Fixtures & Fittings, Furniture & Equipment	Computer equipment	Total CII only	Subsidiary furniture and equipment	Total CII Group
	£000	£000	£000	£000	£000
Cost or Valuation					
1 January 2020	1,096	1,328	2,424	7	2,431
Additions	12	121	133	9	142
Disposals	(604)	(4)	(608)	(2)	(610)
31 December 2020	504	1,445	1,949	14	1,963
Depreciation					
1 January 2020	318	915	1,233	1	1,234
Charge for year	159	215	374	1	375
Impairment	21	-	21	-	21
Disposals	(199)	(3)	(202)	-	(202)
31 December 2020	299	1,127	1,426	2	1,428
Net book value					
31 December 2020	205	318	523	12	535
31 December 2019	778	413	1,191	6	1,197

Notes to the Separate and Consolidated Financial Statements

7. Intangible fixed assets

Group and Institute	Computer software
	£000
Cost or Valuation	
1 January 2020	8,685
Additions	2,427
31 December 2020	11,112
Amortisation	
1 January 2020	3,945
Charge for year	1,526
31 December 2020	5,471
Net book value	
31 December 2020	5,641
31 December 2019	4,740

Additions to intangible assets in 2020 relates to the development of our e-commerce platform. The development of the e-commerce platform is part of our wider Transformation programme.

Notes to the Separate and Consolidated Financial Statements

8. Investments

Group	Fixed interest £000	Equities & Unit Trusts £000	Total £000
Investments at fair value at 1 January 2019	5	92	97
Additions	786	4,197	4,983
Disposals	-	(86)	(86)
Gains on disposal	-	8	8
Revaluation to fair value	(17)	171	154
Investments at fair value at 31 December 2019	774	4,382	5,156

Institute Only	Fixed Interest £000	Equities & Unit Trusts £000	Total £000
Investments at fair value at 1 January 2019	-	-	-
Additions	786	4,197	4,983
Disposals	-	(86)	(86)
Gains on disposal	-	8	8
Revaluation to fair value	(17)	151	134
Investments at fair value at 31 December 2019	769	4,270	5,039

Group	Fixed interest £000	Equities & Unit Trusts £000	Total £000
Investments at fair value at 1 January 2020	774	4,382	5,156
Additions	423	1,418	1,841
Disposals	(265)	(876)	(1,141)
Gains/(Losses) on disposal	9	(47)	(38)
Revaluation to fair value	38	284	322
Investments at fair value at 31 December 2020	979	5,161	6,140

On an historical cost basis, the comparable amounts of investments are: **951** **4,731** **5,682**

Institute Only	Fixed Interest £000	Equities & Unit Trusts £000	Total £000
Investments at fair value at 1 January 2020	769	4,270	5,039
Additions	423	1,236	1,659
Disposals	(265)	(803)	(1,068)
Gains/(Losses) on disposal	9	(9)	-
Revaluation to fair value	38	274	312
Investments at fair value at 31 December 2020	974	4,968	5,942

On an historical cost basis, the comparable amounts of investments are: **947** **4,549** **5,496**

Notes to the Separate and Consolidated Financial Statements

9. Investments in subsidiaries

Institute Only	Total
	£000
Investment in subsidiaries at cost at 1 January 2020	192
Return of capital from subsidiary in liquidation	(105)
Investments at cost at 31 December 2020	87

Name of company	Principal activity	Country of incorporation	Company/Charity Number	Beneficial holding
C.I.I Enterprises Limited	E-learning and commercial activities	United Kingdom	01953478	Ordinary shares
The Education and Training Trust of the Chartered Insurance Institute	Education and training	United Kingdom	02812416 (Company) 1021017 (Charity)	Incorporated charity
The Chartered Insurance Institute Prize and Educational Funds	Award prizes	United Kingdom	216054	Charitable trust
The Personal Finance Society	Professional body for financial advisors and related roles	United Kingdom	05084125	Limited by guarantee
Chartered Institute of Insurance and Financial Services Private Limited	Sales and promotion of the Chartered Insurance Institute products	India	U80301MH2009FTC191233	Ordinary shares
The Chartered Insurance Institute Hong Kong Limited	Sales and promotion of the Chartered Insurance Institute products	Hong Kong	1396471	Ordinary shares
Chartered Insurance Ins DMCC	Sales and promotion of the Chartered Insurance Institute products	Dubai	DMCC140630	Ordinary shares
Vertical Rainbow Sdn. Bhd (Dissolved 25 th January 2021)	Sales and promotion of the Chartered Insurance Institute products	Malaysia	941645-T	Ordinary shares

The Society of Financial Advisers and The Society of Technicians in Insurance were both considered dormant throughout 2020.

All of the above subsidiaries are 100% controlled by CII. Vertical Rainbow Sdn. Bhd was dissolved on the 25th January 2021, following the repatriation of residual capital in 2020.

Notes to the Separate and Consolidated Financial Statements

10. Debtors

	Group		Institute	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	£000	£000	£000	£000
Amounts owed by subsidiary undertakings	-	-	1,546	1,978
Trade debtors	2,909	4,060	2,911	4,063
Corporation tax	-	-	27	27
Prepayments	1,560	1,303	1,249	1,150
Other debtors	479	709	445	695
Accrued income	46	363	18	138
31 December	4,994	6,435	6,196	8,051

11. Movement in cash and short-term deposits

	Group		Institute	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	£000	£000	£000	£000
Cash				
1 January	11,122	9,885	6,421	8,979
Increase/(Decrease) in cash	2,507	1,237	2,621	(2,558)
31 December	13,629	11,122	9,042	6,421

Cash balances include £158,507 (2019: £269,969) of cash held by The Chartered Insurance Institute Prize and Educational Funds, the use of which is restricted.

	Group		Institute	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	£000	£000	£000	£000
Short-term deposits				
1 January	26,541	34,902	26,541	34,902
Withdrawals	(8,859)	(8,589)	(8,859)	(8,589)
New deposits placed	190	228	190	228
31 December	17,872	26,541	17,872	26,541

	Group		Institute	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	£000	£000	£000	£000
Total cash at bank and short-term deposits				
Cash	13,629	11,122	9,042	6,421
Short-term deposits	17,872	26,541	17,872	26,541
Total cash at bank and short-term deposits	31,501	37,663	26,914	32,962

The cash balance includes an amount of £3.0m deposited in an Escrow account, held by Stephenson Harwood LLP as the escrow agents. The amount is restricted for the purposes of the CII Pension Scheme 1993 and will be transferred in 2021 to the scheme, according to terms specified in the Escrow agreement.

Notes to the Separate and Consolidated Financial Statements

12. Creditors

	Group		Institute	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	£000	£000	£000	£000
Trade creditors	411	1,947	411	1,981
Corporation tax	-	139	-	-
Amounts owed to subsidiary undertakings	-	-	16,963	14,531
Other creditors	450	464	436	437
Accruals	1,415	2,875	1,191	2,491
Deferred income (note 12)	11,405	9,873	8,645	7,511
31 December	13,681	15,298	27,646	26,951

13. Deferred income

	Group		Institute	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	£000	£000	£000	£000
Member subscriptions	6,426	6,042	4,071	3,803
Examination fees	3,174	2,226	3,174	2,226
Other	1,805	1,605	1,400	1,482
31 December	11,405	9,873	8,645	7,511

The following table represents the movement of deferred income during the year:

	Group		Institute	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	£000	£000	£000	£000
Deferred income at start of year	9,873	10,132	7,511	7,888
Amounts invoiced during year	26,432	24,995	21,413	20,698
Amounts taken into income for the year	(24,900)	(25,254)	(20,279)	(21,075)
Deferred income at end of year	11,405	9,873	8,645	7,511

Notes to the Separate and Consolidated Financial Statements

14. Provision for liabilities

Group and Institute	Reorganisation	Legal and Compliance	Property	LTIP	Other	Total
	£000	£000	£000	£000	£000	£000
At 1 January 2020	-	38	464	278	-	780
Provided during the year	230	-	10	235	10	485
Utilised during the year	-	(38)	(230)	-	-	(268)
Released during the year	-	-	(134)	-	-	(134)
At 31 December 2020	230	-	110	513	10	863

The Institute underwent an internal reorganisation in December 2020 for which associated costs were provided.

Provision for legal and compliance costs related to amounts set aside to cover legal and other related costs that the CII may be liable for in connection with operations both in the UK and Internationally.

Provision for property costs represents the dilapidation costs on the CII's leased property. Costs are based on best estimates of restoration costs for the property.

The provision for the Long-Term Incentive Plan (LTIP) bonus award is payable to three members of the Executive Leadership Team for their achievements over a five-year period, the first vesting period was awarded in 2019, on approval by the Nominations and Remuneration Committee. The award for the second vesting period ending in 2020, for two Executive Leadership Team members will be paid in 2021.

Notes to the Separate and Consolidated Financial Statements

15. Accumulated funds Group and Institute

Group	General Funds	Charitable Funds		2020	2019
	Revenue	Unrestricted	Restricted	Total	Total
	£000	£000	£000	£000	£000
At 1 January	35,013	3,832	376	39,221	37,623
Net (Deficit)/surplus for the year after taxation	(3,763)	(75)	(31)	(3,869)	2,649
Employer contribution to the defined benefit pension scheme	(996)	-	-	(996)	(996)
Foreign exchange loss	(30)	-	-	(30)	(55)
At 31 December	30,224	3,757	345	34,326	39,221

General funds include those of the CII, CII Enterprises Limited and The Personal Finance Society, Chartered Insurance Institute Hong Kong Limited, Chartered Institute of Insurance and Financial Services Pvt Limited and Chartered Insurance Ins DMCC. Unrestricted charitable funds are those of The Education and Training Trust of the Chartered Insurance Institute. Restricted charitable funds are those of The Chartered Insurance Institute Prize and Educational Funds.

Institute Only	General Funds	2020	2019
	Revenue	Total	Total
	£000	£000	£000
At 1 January	24,552	24,552	24,373
Net (Deficit)/surplus for the year after taxation	(6,703)	(6,703)	1,175
Employer contribution to defined benefit pension scheme	(996)	(996)	(996)
At 31 December	16,853	16,853	24,552

Notes to the Separate and Consolidated Financial Statements

16. Pension fund

The Institute operated a multi-employer, defined benefit pension scheme which was closed on 30 June 2001. The CII is the majority employer of the scheme with the Insurance Institute of London, Insurance Institute of Manchester and The Insurance Charities being the other participating members of the scheme. The scheme is funded in advance by contributions at rates assessed by the scheme actuary in regular funding reviews. The scheme assets are held separately from the CII in trustee-administered funds.

Following the actuarial valuation at 30 June 2005, the CII agreed with the Trustees to cease accruing for future service with effect from 30 June 2006 and transfer all active members into the CII's stakeholder defined contribution scheme. The CII makes contributions into the stakeholder scheme at rates between 10% and 20% of basic salary. In addition, a capital contribution of £3.0m was paid into the defined benefit scheme on 19 December 2005. Following the actuarial valuation at 30 June 2008, the CII agreed with the Trustees to transfer the full outstanding balance in the Escrow account into the scheme and to fund the remaining deficit by equal payments over four years, starting in July 2010. A further £0.5m of contribution was paid in December 2014.

Following the actuarial valuation at 30 June 2014, the CII agreed to make annual contributions of £0.1m into the scheme until June 2023. The actuarial valuation at 30 June 2017 showed a shortfall of £3.0m, a funding level of 93%. In addition to a contribution of £3.0m to correct the shortfall, the CII and the Trustees agreed for the payment of further contributions of £1.0m in each of the years 2019 and 2020 into the pension scheme. As at 31 December 2020, a further £3.0m was held in an Escrow account, managed by Stephenson Harwood LLP, for future contributions to the pension scheme.

The pension costs charged in these financial statements have been assessed in accordance with the advice of a qualified actuary based on an actuarial valuation at 30 June 2017 using the attained age method. The principal valuation assumptions were an investment return pre-retirement of 2.07% per annum and investment return post retirement of 2.07%. The market value of the scheme assets at the valuation date was £39.7m and this represented 93% of the actuarial value of the benefits that had accrued to members.

The actuarial valuation described above has been updated at 31 December 2020 by a qualified actuary using revised assumptions that are consistent with the requirements of FRS 102. Investments have been valued for this purpose at fair value.

The major assumptions used for the FRS 102 actuarial valuation were:

	<u>2020</u>	<u>2019</u>
Discount rate	1.40%	2.05%
Inflation assumption (RPI)	2.85%	2.90%
Rate of increase in salaries	N/A	N/A
Rate of increase of pensions in payment	2.75%	2.80%
Rate of increase of pensions in deferment	2.90%	2.90%

	<u>2020</u>	<u>2019</u>
	<u>£000</u>	<u>£000</u>
Change in benefit obligation		
Benefit obligation at beginning of year	36,830	31,942
Interest cost	743	910
Amendments	-	-
Actuarial (gains) - effects of changes in assumptions	4,503	5,124
Actuarial (gains) - effect of experience adjustments	908	-
Benefits paid	(1,228)	(1,146)
Benefit obligation at end of year	41,756	36,830

Analysis of defined benefit obligation

Plans that are wholly or partly funded	41,756	36,830
Total	41,756	36,830

Notes to the Separate and Consolidated Financial Statements

16. Pension fund – continued

	<u>2020</u>	<u>2019</u>
	£000	£000
Change in plan assets		
Fair value of plan assets at beginning of year	45,156	40,450
Expected return on plan assets	911	1,153
Actuarial gains	4,567	3,703
Employer contributions	996	996
Benefits paid	(1,228)	(1,146)
Fair value of plan assets at end of year	50,402	45,156
Funded status	8,646	8,326
Effect of surplus cap	(8,646)	(8,326)
Net amount recognised	-	-
	<u>2020</u>	<u>2019</u>
	£000	£000
Components of pension cost		
Interest cost	743	910
Expected return on plan assets	(911)	(1,153)
Interest expense on effect of asset ceiling	168	243
Total pension cost recognised in the income and expenditure account	-	-
Actuarial losses immediately recognised	845	1,421
Effect of surplus cap	151	(425)
Total pension cost recognised in other comprehensive income	996	996
Cumulative amount of actuarial gains immediately recognised	4,264	5,109

In 2020, a review of the pension scheme was undertaken which revealed a potential additional liability arising from historic administration matters. The review remains on-going, however, the current estimate of the additional liability is included in the pension scheme valuation summary as at 31 December 2020.

Employer contributions in 2020 amounting to £1.0m (2019: £1.0m) was paid into the pension scheme from the escrow account.

Notes to the Separate and Consolidated Financial Statements

16. Pension fund – continued

Plan Assets	<u>2020</u>	<u>2019</u>
	£000	£000
Cash & cash equivalents	1,127	1,359
Debt instruments	49,275	43,797
Total	50,402	45,156

Five-year history	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
	£000	£000	£000	£000	£000
Benefit obligation at end of year	(41,756)	(36,830)	(31,942)	(35,757)	(36,895)
Fair value of plan assets at end of year	50,402	45,156	40,450	39,670	37,657
Surplus	8,646	8,326	8,508	3,913	762

Difference between expected and actual return on scheme assets:

Amount	(4,567)	(3,704)	2,480	(1,935)	(5,623)
Percentage of scheme assets	(9%)	(8%)	6%	(5%)	(15%)

Experience gains and (losses) on scheme liabilities:

Amount	(908)	-	-	-	-
Percentage of scheme liabilities	(2%)	0%	0%	0%	0%

Notes to the Separate and Consolidated Financial Statements

17. Related party transactions

The CII has taken advantage of the exemption under Financial Reporting Standard 102 section 33, Related Party Disclosures, not to disclose transactions between Group entities that have been eliminated on consolidation in these financial statements. There are no other related party transactions.

Key management remuneration which comprises the remuneration received by the Board and Executive Leadership Team is disclosed in note 5.

During 2020, the Institute recorded transactions with a third-party entity in which a member of key management personnel (as defined by FRS 102, para 33.6) has significant influence. These transactions were conducted at arms-length and under normal commercial terms. The value of sales transactions during the period was £229,000 (2019: £376,000).

18. Operating Leases

At 31 December the Group and the CII had total commitments under non-cancellable operating leases of:

	<u>2020</u>	<u>2019</u>
	£000	£000
Buildings		
Less than 1 year	659	1,158
2 - 5 years	1,970	4,592
Over 5 years	81	1,431
	2,710	7,181
Equipment		
Less than 1 year	41	55
2 - 5 years	176	35
Over 5 years	15	-
	232	90
Cars		
Less than 1 year	-	1
	-	1

The reduction in the buildings operating lease commitments relates to the impact of the exercise of an early option in 2020 to end the property lease at Lombard Street, London.

As at 31 December 2020, the lease for our new premises at Fenchurch Street, London had not yet been executed. The new premises will be leased during the first half of 2021.

19. Contingent liability

The Institute may be subject to legal matters arising from the ordinary course of business activity. No provision has been made in the financial statements as the outcome cannot be estimated with the degree of certainty required to recognise a provision.

Reference and administrative details

Company number

Incorporated by Royal Charter: RC000104

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Principal bankers

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Investment Manager

Quilter Cheviot Investment Management
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Legal advisers

Cannings Connolly
16 St. Martin's Le-Grande
London
EC1A 4EE

Company Secretary

Victoria Finney (appointed 1 January 2020)

Executive Leadership Team

Chief Executive

Chief Operating Officer

Chief Membership Officer/

Chief Executive, Personal Finance Society

Professional Standards Director

Development Director

Human Resources Director

Chief Customer Officer

Sian Fisher

John Bissell

Keith Richards

Melissa Collett

Steve Jenkins

Caren Thomas (appointed 2 October 2020)

Gillian White (appointed 2 January 2020)

REAR COVER