



Chartered
Insurance
Institute
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Governance Report and Consolidated Accounts 2017

Incorporating
consolidated financial
statements for
the year ended
31 December 2017



Contents

The Board composition	3
Board Report	4
Audit Committee	5
Disciplinary Committee	8
Nominations Committee	10
Remuneration Report	11
Professional Standards Board	14
Qualifications, Examinations and Assessments Committee	16
Representative Council	18
Strategic and financial review	21
Independent auditor's report	26
Consolidated statement of comprehensive income	28
Statement of financial position	29
Consolidated statement of changes in equity	30
Consolidated statement of cash flows	31
Notes to the financial statements	32
Reference and administrative details	50

The Board composition

For the year ended 31 December 2017

The composition of the Board during the year was:

Dame Inga Beale	ACII, Chartered Insurer	President (2017/18)	Appointed July 2016	
Jonathan Clark	MA, Msc, Dip Eng, ACII, FCILA, Chartered Insurer, Chartered Loss Adjuster	Deputy President (2017/18)	Appointed July 2017	
John Moore	MBE, ACII, Chartered Insurance Broker	Immediate Past President (2017/18)	Appointed July 2015	
Robert Fletcher	ACII, DipPFS, Chartered Insurer	Immediate Past President (2016/17)	Appointed January 2013	Retired July 2017
Callum Beaton	FCII, Chartered Insurer	Council Member	Appointed November 2017	
John Bissell	ACII, MBA	Chief Operating Officer	Appointed January 2017	
Professor Dr Robin Callender Smith	Information Rights Judge	Lay Member	Appointed December 2013	Resigned May 2017
Ian Callaghan	BA, ACII, Chartered Insurance Practitioner	Council Member	Appointed November 2015	
Tim Carroll	BA, MBA, FCII, Chartered Insurer	Council Member	Appointed September 2014	Retired July 2017
Sara Fardon	FCII, FCMI, Chartered Insurance Broker	Employer Member	Appointed March 2013	
Sian Fisher	BA (Hons), ACII, Chartered Insurance Practitioner	Chief Executive	Appointed February 2016	
David Hertzell	Solicitor	Lay Member	Appointed July 2017	
David Ross	ACII, Chartered Insurance Practitioner	Council Member	Appointed November 2016	
Richard Salmon	FCII, Chartered Insurer	Council Member	Appointed November 2017	
David Smith	Chartered Engineer	Employer Member	Appointed October 2015	
Richard Webb	FPMI	Lay Member	Appointed December 2013	

Board meetings

Six Board meetings were held during 2017 and the attendance was as follows:

January 2017	10 out of 12 members attended
March 2017	11 out of 12 members attended
May 2017	8 out of 11 members attended
July 2017	11 out of 11 members attended
September 2017	8 out of 11 members attended
November 2017	11 out of 13 members attended

Board Report

For the year ended 31 December 2017

The Board is the governing body of the Institute and controls its property, affairs and business. It meets on alternate months throughout the year, receiving standing reports including finance, the Chief Executive's report, the business operations report (including updates on the relocation and the sale of Aldermanbury), the transformation programme report (including presentations from workstream leaders), the risk report and currently the governance review.

The main focus for the year has been supervision of the 5 year Transformation project and the progress with the CII's vision: "Working together as one insurance profession, driving confidence and trust in the power of professional standards". This initial phase of the project has concentrated on scoping and discovery, with the next phase moving to the deliverables in 2018.

As a subset of the Transformation project, the Board agreed with management's view that the Institute's home for more than 80 years was no longer fit for purpose. This resulted in a significant amount of research into the options for the Institute culminating in a lease being signed for premises at 21 Lombard Street. This is a key strategic move for the Institute and will greatly improve working practices and facilities to enable staff to work more effectively. The move is therefore part of a new operating model to be developed in 2018 to drive improved productivity and stakeholder experience. Further underpinning the new operating model will be the governance changes which are currently being finalised under the review project. These have involved extensive consultation with the Institute's stakeholders and are designed to simplify and clarify the design and effectiveness of the Board and Committee structure; essentially this means ensuring that the right information is in the right hands at the right time and that it is of an appropriate quality and volume.

The review also intends as an output, that more flexibility than is currently permitted by the bye-laws, will be introduced to facilitate an improved approach to diversity and inclusion on the Board. It is hoped these changes will be agreed by the Privy Council in time for a membership vote at the Annual General Meeting in 2019.

Throughout the search for new premises, the Board was sensitive to views that the CII's heritage should continue to be celebrated. Designs will be developed in 2018 to reflect some of the heritage from 20 Aldermanbury within the predominantly modern and open aesthetic of the Lombard Street office. The sale of the Aldermanbury building to the Corporation of London ensures that the Aldermanbury premises will be cared for respectfully. It is expected that on-going access to 20 Aldermanbury for functions and events will be possible following temporary renovation works following the sale.

2017 saw a number of personnel changes to the Board, Robert Fletcher retired following the end of his term as Immediate Past President; Robin Callender Smith resigned to re-locate with his family overseas and Tim Carroll retired at the end of his term as a Representative Council appointed member. Tim is the current Master of the Worshipful Company of Insurers. The CII extends its thanks and best wishes to all those who have given so much of their time and expertise for the benefit of the Institute and its stakeholders.

The Institute was pleased to welcome John Bissell as the CII's Chief Operating Officer in January 2017, Jonathan Clark as Deputy President in July, David Hertzell as a lay member in July, Callum Beaton and Richard Salmon as Representative Council appointees in November. Dame Inga Beal transitioned from Deputy President to President at the close of the AGM in July.

All in all, these are challenging but exciting times for the Institute and the Board looks forward to 2018 in good spirits and with keen anticipation.

Audit Committee

Role of the Audit Committee

The Role of the Committee is to review the integrity of the financial reporting and the audit process and to ensure that the CII group otherwise has sound and effective systems of internal control and risk management.

Following reviews of the CII's governance undertaken by both CIPFA and PwC, who looked at the Institute from respectively, the viewpoints of the CII against its peer-chartered bodies and on a "commercial" basis, both concluded that greater emphasis needed to be given to the management of Risk. The recommendation was that the Audit Committee be expanded and explicitly given responsibility for Risk. The first meeting of the new Audit & Risk Committee took place in March 2018.

Report for the Year ending 31 December 2017

The Committee met in March, July and November. The agendas from year to year are broadly similar with small variations to the workplan, as circumstances dictate. Whilst recruitment was taking place for a new Chair, following Rick Hudson's retirement, the Committee was chaired temporarily by Tim Carroll (March and July) and Stephen Moore (November).

March 2017 – Tim Carroll acting Chairman

The March meeting is always dominated by consideration of the consolidated accounts for the previous year. The full external audit team from BDO LLP was present as was the Interim Finance Director, Roger Hearn and Chief Operating Officer, John Bissell. The meeting noted that there would be a new structure within the Finance Department, with the COO being accountable for the financial statements and occupying a CII Board role, supported by a Finance Director who would be responsible for their production. Roger Hearn confirmed that his contract as Interim Finance Director would finish in April.

Significant prominence was also given to the re-location from 20 Aldermanbury, the CII's sale of the premises and the attendant risks. This was being considered alongside the future of the leased South Woodford and Maybank Road distribution centre sites, the latter coming due for renewal in June 2017. It was noted that an expression of interest in 20 Aldermanbury had been received from a City livery company.

Of no less interest was the implementation of the Institute's transformation programme and in particular, progress with the Target Operating Model (TOM). It was also noted that a Project Management Office had been established to oversee and co-ordinate the various activities of the programme.

Revenue was noted as being in accordance with the budget plan.

A new draft format for the Risk Register was considered. Further design refinement was anticipated over the next few months.

The auditors reported that no significant risks or anomalies had been identified in the financial statements for the year ending 31 December 2016. The Committee agreed to recommend acceptance to Board.

Finally, the Committee was updated on the governance review and endorsed the recommendation for it's remit to be expanded into an Audit & Risk Committee.

July 2017 – Tim Carroll acting Chairman

Good progress was reported with the reviewing and development of the Institute's risk appetite. Finalisation could not take place however until the position of Professional Standards Director had been filled and a new Chairman of the Audit and Risk Committee, appointed. The Risk Register was discussed in detail. The Committee recommended that the Board supplement the work of the internal Business Risk Group, with a member led working group to capitalise on experience and practice from outside the CII.

There was nothing causing concern on the Institute's pending re-location. The Committee noted that the new Finance Director, Lucie Risley had been appointed and would be attending the November meeting.

Cost control to the half year had been satisfactory and had been bolstered by the deferral of some transformation programme spend. Revenue had slightly fallen below the budget at £21.5m against expectations of £21.7m. due mainly to the advent of the apprenticeship levy. It was believed that this had fostered a more cautious purchasing approach from the Institute's corporate customers, whilst they digested its implications for their training strategies.

Audit Committee continued

The COO confirmed that the Institute was preparing for the introduction of the General Data Protection Regulation (GDPR) with leadership being provided by a cross departmental working group. Expectations were that the company would be fully prepared for the May 2018 deadline.

The Deputy Company Secretary and Governance Review lead, Caroline Lace, presented the latest developments in the 2017/18 governance review. There were no matters arising causing concern from an audit or risk perspective.

Finally, it was confirmed that interviews and shortlisting for the combined Committee Chairman's role would be finalised in September. Fourteen expressions of interest had been received to date.

November 2017 – Stephen Moore acting Chairman

The meeting was chaired by Stephen Moore who thanked Tim Carroll for his temporary stewardship pending the appointment of a recruited Chair. Regretfully the Chair's vacancy remained open. Search consultants had been retained in order to progress matters, with Stephen Moore stepping in on an interim basis*. Lucie Risley, the new Finance Director was welcomed to her first meeting.

**[Note – subsequent to the year end, Mr Roger Sanders OBE, CertPFS, President of the Insurance Institute of London has been appointed as Audit & Risk Committee Chair and will take up the role in July 2018.]*

The Committee noted and approved the service of the meeting papers via the Board Intelligence portal.

The newly appointed Professional Standards Director, Melissa Collett was introduced to the Committee. It was noted that Sara Ager would stand down as Interim Risk Officer before year end.

Caroline Lace gave a further update of the progress to date with the governance review. There were no matters arising from the point of view of the Committee.

The external auditors, BDO LLP, undertook their audit plan presentation for the year ending 31 December 2017 and confirmed that the proposed fee was in line with the previous year. The Committee agreed that the plan would be recommended to the Board for approval. It was noted that Don Bawtree, BDO's audit partner, would be stepping down in 2018 in line with normal audit partner rotation requirements. Given that BDO had held the audit for 10 years, it was recommended that a review of audit provider be initiated following the close of the audit for the period ending 31 December 2018.

The Chair expressed the gratitude of the Committee to Mr Bawtree, noted that Fiona Condron would lead the audit team for the 2018 year-end and wished her well with the appointment.

The COO reported that there were no signs of the revenue slow down accelerating, which indicated that clients were better understanding the apprenticeship's levy's opportunities. It was noted that major clients were being supported by the CII to facilitate optimisation of the levy's full potential.

It was noted that the sale of 20 Aldermanbury would be completed by September 2018 and that new premises at 21 Lombard Street had been identified. Staff relocation would be phased and was likely to begin in May/June. The Committee noted that an agile working strategy would be adopted. Via negotiated lease breaks, the lease term for the new premises had been brought into alignment with that for the South Woodford Customer Service centre.

The Committee noted that the GDPR project remained on track and the working group was now being supplemented by a fulltime business analyst concentrating on the internal, external, 3rd party and overseas risks.

In terms of the financial statements the surplus was currently £1.7m ahead of budget due to the deferral of some change programme expenditure and a broadly break-even position was anticipated at the year end. The group's cash position was healthy.

A draft risk appetite statement would be discussed at the CII Board in January 2018. The Committee's recommendation to the CII Board was for a "measured" rather than "cautious" approach, to be adopted.

The Committee acknowledged and noted the Business Plan for 2018.

Audit Committee continued

Governance

The composition of the Audit Committee during the year was:

T. Carroll BA, MBA, FCII, Chartered Insurer. (Interim Chair March & July)	Interim Chair	March to July 2017
S. Moore MSc, BA, CMIIA (Interim Chair November)	appointed	July 2013
C. Collins ACII, BBS (Hons), Chartered Insurance Practitioner	appointed	December 2013
M.A Hind , BSc (Hons), DipAcc, CertPFS, CA	appointed	December 2013
R Webb FPMI	appointed	March 2015

Committee meetings

Three meetings were held during 2017, and the attendance was as follows:

March 2017	3 out of 5 members attended
July 2017	5 out of 5 members attended
November 2017	4 out of 4 members attended

Disciplinary Committee

Role of the Disciplinary Committee

The role of the Disciplinary Committee is to implement the Disciplinary Regulations and Procedure Rules relating to disciplinary matters up to the point of appeal; to consider Complaints made against current or former CII students or members; to make available its members to hear Complaints referred to a Panel by a Case Examiner; to determine any Complaint referred to a Panel, and, where upheld, decide appropriate disciplinary action in relation to the Respondent.

The Committee is composed of CII Members, Lay Members, and a legally qualified Lay Chair. Committee Members are eligible for re-appointment, subject to a maximum of 9 years' consecutive service. All the members of the Committee are unremunerated volunteers.

Hearings are normally held in public, and in normal circumstances are published in accordance with the Panel's direction.

A right of appeal on specific grounds lies to an Appeal Panel of members of the Appeal Pool.

Disciplinary Panel decisions and Case Examiner decisions are subject to a periodic review by the Disciplinary Decisions Review Panel (DDRP) appointed from the Appeal Pool by the Professional Standards Board (now Professional Standards Committee) to ensure consistency of approach.

In 2017, 136 Complaints were initiated; this can be contrasted with 175 Complaints registered in 2016. Plagiarism remains the largest single source of complaints and, whilst there was a fall in the number of cases from the end of 2015, they have begun to rise again since the beginning of 2017. This rise appears to be a result of an increase in the number of coursework units the CII offers.

There were no hearings in 2017. In 2016, there was one hearing. The number of hearings has significantly reduced since Consensual Orders were introduced as a mechanism for resolving Complaints in May 2013.

The Committee meets up to three times a year to review statistics, trends, rule changes, Practice Notes, guidance and policies, and once yearly for a day's training, which, in 2017, was again run "in-house", at significant cost-saving, in conjunction with the Appeal Pool. Out of eleven Disciplinary Committee members, nine attended the 2017 training day.

An annual report is made to the Professional Standards Board (now Committee) by the Chair.

Disciplinary Committee continued

Governance and structure

The composition of the Disciplinary committee during the year was:

P Taylor Solicitor (retired)	Chair, Lay & Legally Qualified Member	Appointed 2011
H Chothia FCMI, FIC, MBA, MloD	Lay Member	Appointed 2013
P Harris BA (Hons), ACII, Chartered Insurer	CII Member	Appointed 2012
T Jones Solicitor	Lay & Legally Qualified Member	Appointed 2011
P Kyle MBChB, FRCS	Lay Member	Appointed 2013
K Matlin JP, MSc, BSc (Hons), ACII, ACI Arb, Chartered Insurer and Chartered Mediator	CII Member	Appointed 2011
G Mortimer BA (Hons), PGCE, MA	Lay Member	Appointed 2013
B Neaves BA (Hons), FCCA	Lay Member	Appointed 2011
R Rennison FCII, FPMI, FPFS, CFP Chartered MCSI, Dip IoD, Chartered Financial Planner	Personal Finance Society Member	Appointed 2010
C Shewan BA (Hons), Solicitor	Lay Member & Legally Qualified	Appointed 2013
J Staniforth FCII, Dip (Comp), FICA; Certified Professional, Chartered Insurance Broker	CII Member	Appointed 2011

Committee meetings

Two committee meetings and one Training Day were held during 2017 and the attendance was as follows:

February 2017	6 out of 11 members attended
June 2017	6 out of 11 members attended
October 2017	9 out of 11 members attended

Nominations Committee

The role of the Nominations Committee

The Nominations Committee merged with the Remunerations Committee, to form the Nominations & Remuneration Committee (NRC), as a result of the CII's governance review, and held its first meeting in November 2017. The Nominations Committee was responsible for ensuring that the processes followed for appointments to governance roles were objective and fair and that the most suitable candidates were nominated. The Committee considered succession planning for Board members and nominated candidates to fill vacancies on the Board and Chairs of its Committees.

The Committee while in existence also recommended to the Board the process to be used to identify suitable candidates, and nominated individuals, for the key role of President and Chief Executive; recommended candidates for Honorary Fellowship.

During 2017 the Committee addressed the following:

- Nominations and Remuneration Committee Chair appointment
- The Terms of Reference for the new Nominations and Remuneration Committee
- Audit and Risk Committee Chair/Co-opted Board Member appointment
- Deputy President 2018-19
- Appeal Pool Chair
- Membership Application Sub-Committee independent member appointments
- Claims Faculty Chair appointment
- Equal Opportunities monitoring by the CII
- Diversity of the governance structure

In addition the Committee was asked to consider the appointment of a Chair and Employer Member Trustee for the CII Pension Scheme and potential recipients of the President's award.

Committee membership during the relevant period was as follows:

K Carlton MA, D Univ., CFCIPD Chartered Fellow of the CIPD	Independent Non-executive Chair	Appointed January 2014	
J Moore MBE, ACII, Chartered Insurance Broker	Deputy President (2015/16)	Appointed July 2015	Retired July 2017
Dame I Beale ACII, Chartered Insurer	Deputy President (2016/2017)	Appointed July 2016	
Ian Callaghan ACII BA (Hons) Chartered Insurance Practitioner	Constituency Member	Appointed September 2016	
Jonathan Clark MA, MSC, Dip Eng, ACII, FCILA, Chartered Insurer, Chartered Loss Adjuster	Deputy President (2017/18)	Appointed July 2017	

The Committee would like to thank sincerely John Moore who stood down during the year and whose knowledge, insight and energy was greatly appreciated.

Committee meetings

Six meetings were held during 2017, and the attendance was as follows:

February 2017	4 out of 4 members attended
March 2017	4 out of 4 members attended
May 2017	4 out of 4 members attended

Remuneration Report

The Remuneration Committee merged with the Nominations Committee in November 2017.

The Nominations & Remuneration Committee has adopted a Remuneration Policy setting out the Chartered Insurance Institute's (CII's) overall approach to remuneration for its UK and international people.

This policy applies to group wide variable pay, benefits and the design of any bonus schemes and or performance related pay. Specifically included under these considerations are the two board appointed roles of CEO and COO, whose remuneration is subject to individual Nominations and Remuneration Committee (NRC) oversight and approval and who are members of the Executive Management Team (EMT).

These arrangements are aligned to delivery of the CII strategic plan and respect the principles of good corporate governance.

The overall aim of the Committee is for the remuneration frameworks to achieve a balance between a justifiable level of attraction or retention and considerations of fairness to individuals, whilst ensuring that frameworks do not result in excessive rewards, lead to a reward for failure and are mindful of the potential for a gender pay gap.

Consideration of variable pay always references the objects of the Royal Charter and the need to ensure that any performance measurements based on the financial success of the Institute; do not inappropriately encourage opportunism and short-term behaviours; are cognisant of diversity and inclusion as part of overall performance.

A typical remuneration package for the EMT includes salary, pension benefits and bonus. The size and balance of the package may vary to ensure it is competitive and encourages the right behaviours, including the avoidance of undue risk.

CII currently operates an annual bonus to reward attainment of the EMT's objectives in reinforcement of the business strategy. It also operates a long-term incentive for the CEO and MD of Engagement, to reward their sustained performance over a five-year period. Incentive schemes operate to support the commercial activity of the sales team. These are consistent with market and competitive requirements and seek to ensure that short term and opportunistic behaviours are mitigated.

The two executive director members of the CII Board, the CEO and COO are released to serve as non-executive directors on respectively the boards of Asta Underwriting Management Ltd and Bissell & Partners Ltd respectively. Where applicable they are allowed to retain their earnings from these sources.

No CII employee has a notice period set in excess of one year.

The base salaries of the CEO and the direct reports (together the EMT), are shown below on a banded basis.

The base salaries of the CEO and the direct reports (together the EMT), are shown below on a banded basis.	2017	2016
£220,000 - £249,999	1	1
£190,000 - £219,999	1	1
£160,000 - £189,999	1	Nil
£130,000 - £159,999	2	2
£100,000 - £129,999	4	3

For 2017, the EMT included in the above table are:	
£220,000 - £249,999	S.Fisher
£190,000 - £219,999	K.Richards
£160,000 - £189,999	J. Bissell
£130,000 - £159,999	S. Jenkins, M. Greenwood*
£100,000 - £129,999	M. Collett, S. Graham, R. Paterson, I. Simons

Further detail on the remuneration of the EMT and lay members (non-executive roles) is to be found at Note 15 to the consolidated accounts.

* Mark Greenwood left the company on 19 December 2017

Remuneration Report

continued

Gender Pay Gap

Gender Pay Gap for the period 2017 – The CII reported on its gender pay gap in October 2017, despite not being required to do so under the legislation, the CII being under the 250 employee threshold.

The mean hourly rate was 28% and the median hourly rate was 18%.

The mean hourly rates are currently favouring male employees by 28%. This is largely because currently more senior roles are held by men than women. Even when the median is considered, which is less affected by the outlying high earners, there is still a gap of around 18% favouring male employees.

Full details may be found in the “Mind the Gap” report copies of which are obtainable from <http://www.cii.co.uk/knowledge/resources/articles/mind-the-gap/47297>

Work Programme

During 2017 matters addressed by the Remuneration (and from November, the Nominations & Remuneration Committee) included the following:

- CEO’s Performance Payment 2016 (payable in 2017)
- CEO’s Bonus Scheme requirements 2017
- Results of the CEO’s performance appraisal 2016
- CEO’s Objectives 2017 and salary review (March 2017)
- Staff Achievement Bonus 2016 (payable 2017)
- Proposed changes to staff benefits 2017 and related communications
- Executive Management Bonus 2016 (payable 2017)
- Review of all bonus scheme rules 2018
- Review of Committee’s workplan 2018
- Review of the Committee’s Terms of Reference

Reference to external consultants was made where necessary.

Committee membership of the merged committee during the year was as follows:

K Carlton MA, D Univ., CFCIPD Chartered Fellow of the CIPD	Independent non-executive Chair* Until November 2017	Appointed January 2014	
D. Smith , C.Eng Chartered Engineer	Independent non-executive Chair*	Appointed November 2017	
J Moore MBE, ACII, Chartered Insurance Broker	Deputy President (2015/16)	Appointed July 2015	Retired July 2017
Dame I Beale ACII, Chartered Insurer	Deputy President (2016/2017)	Appointed July 2016	
Ian Callaghan ACII BA (Hons) Chartered Insurance Practitioner	Constituency Member	Appointed November 2017	

Remuneration Report

continued

Committee meetings

The Committee met three times during 2017. The number of Committee Members in attendance at each meeting was:

January 2017	3 out of 3 members attended
** March 2017	3 out of 3 members attended
***November 2017	5 out of 5 members attended

*The CII is extremely grateful to Karen Carlton for expertly chairing the Nominations Committee. The Institute is delighted that she agreed to remain on the newly merged Nominations & Remuneration Committee having expressed the wish not to be considered for the new position of the Nominations & Remuneration Committee Chair.

The CII is similarly grateful to David Smith, the former Chair of the Remuneration Committee, who has agreed to chair the merged Committee.

** The March 2017 Remuneration Committee was undertaken by tele-conference.

*** Merged Committee.

Professional Standards Board

Role of the Professional Standards Board

The role of the Professional Standards Board (PSB) was to

- develop appropriate policy and standards for CII members, including professional conduct and trust, discipline, ethics and competence;
- to develop appropriate policy and standards for the CII's governance including accountability, diversity, consumer representation and transparency;
- to monitor and review these standards; to communicate the standards to the members and committees; and
- to promote professionalism and the adoption of high standards within the industry, with government, with regulators and most importantly to consumers.

Activities of the Professional Standards Board

The PSB covered a range of activities in 2017. As part of its normal governance and oversight responsibilities, the PSB received reports and presentations from the Disciplinary Committee and the Membership Application Sub-Committee. As part of the discussion around disciplinary process the PSB were involved in a consultation about how the process and structure could be improved. This will be further developed in 2018. As a first step, however, the Appeal Committee which previously reported to PSB, was converted into a floating pool of members which can be called upon to hear disciplinary appeals as and when the need arises. PSB also took responsibility for direct oversight of the Disciplinary Decision Review Panel, which previously reported to the Appeal Committee.

On a broader front, the PSB discussed a variety of risks and challenges from across the profession including the Insurance Distribution Directive (IDD) and the concerns around defined benefit pension scheme transfers. Updates were provided on CII initiatives such as the transformation programme, the Choose Chartered workstream, the governance review, the Chartered Body Alliance and the Life and Pensions Declaration. The PSB also actively worked with Melissa Collett, the CII's first Professional Standards Director who was appointed in September 2017.

A key area of the PSB's work during 2017 was looking at how the PSB could improve its effectiveness going forwards. As a result of several discussions and significant input from the PSB, new and more focussed terms of reference for the Professional Standards Committee (PSC), which replaces PSB, were approved by the CII Board in March 2018. David Hertzell was appointed as a member of the CII Board in 2017 to ensure that there is a direct link between the new Committee and the Board.

The PSC would like to record its sincere thanks to Robin Callendar Smith who stepped down during the year and greatly contributed to the work of the PSB.

Professional Standards Board continued

Governance and structure

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

D Hertzell	Independent Non-executive Chair	Appointed Jan 2014
G Bottrill FPFS, Chartered Financial Planner	Financial Planning Representative	Appointed Jan 2016
L Boyle LLB, FCII, TEP, Chartered Insurer, Chartered FCSI	Life & Pensions Representative	Appointed Jan 2016
R Callender Smith (Prof, Dr, Judge)	CII Board Representative Lay Member	Appointed Jan 2015 Resigned May 2017
S Fisher BA (Hons), ACII, Chartered Insurance Practitioner	Chief Executive Officer (ex officio)	Appointed Feb 2016
N Hankin BA, ACII, MBA, Chartered Insurer	General Insurance Representative	Appointed Nov 2015
T Hunter MA	Consumer Advocacy Representative Lay Member	Appointed Apr 2012
S Lewis MSc	Consumer Advocacy Representative Lay Member	Appointed Apr 2012
C Munn (Prof) OBE, BA(Hons), PhD, FCIBS	Education Representative Lay Member	Appointed Jan 2013
J Robson (Dr) ACII, Chartered Insurance Practitioner	General Insurance Representative	Appointed Apr 2016

Committee meetings

Three meetings were held during 2017 with the attendance records as follows:

February 2017	9 out of 10 members attended
April 2017	7 out of 10 members attended
September 2017	7 out of 9 members attended
November 2017	7 out of 9 members attended

Qualifications, Examinations and Assessments Committee

Role of the Qualifications, Examinations and Assessments Committee (QEAC)

The main purpose of the QEAC was to ensure that CII candidates were treated fairly and received valid assessment outcomes through the application of the processes and procedures designed to ensure quality assurance in all the CII's qualifications, examinations and assessments. It also looked at how those processes could be refined and improved. Through doing this, QEAC ensured that the CII both maintained its professional standards and integrity and also complied with the requirements of its regulators, principally the Office for Qualifications and Examinations Regulation (Ofqual), which is an independent regulator reporting directly to Parliament, the Welsh regulatory body Qualification Wales (QW) and the Council for the Curriculum Examinations & Assessments (CCEA) in Northern Ireland. In addition, the Financial Conduct Authority Appropriate Examination Standards are considered as an underpin to many of the quasi 'licence to practise' qualifications. The Committee also considered wider pedagogical developments on a regular basis, eg the development of new trailblazer Apprenticeship schemes.

Main activities of the Committee in 2017

Key activities during the year, as in previous years were around reviewing the operation, performance and development of examinations and assessments and ensuring that any regulatory or compliance breaches and risks were monitored and resolved where possible and that suitable actions were in place to minimise the possibility of them occurring again in future.

In addition to these key areas, the Committee also focused on ensuring that the CII was able to deliver its commitments following changes to roles and responsibilities within the CII's learning and assessment department; that the requirements of GDPR would be delivered and that there were sufficient risk control and audit plans in place going forwards following a review of the CII's risk structure.

The Committee received updates and was given the opportunity to provide input into the CII's plans in relation to: the Living Learning and Great Big World workstreams (which formed part of the CII's transformation programme); apprenticeships including CII's role in end point assessment and external quality assurance; the review of Fellowship; and the introduction of a remote invigilation pilot for exam candidates.

One of the outcomes of the Committee was approval of the CII's statement that it is in compliance with the General Conditions of Recognition in its annual Statements of Compliance to Ofqual, QW and CCEA. This confirmed, through observation and challenge of the CII's self-evaluation, compliance with the General Conditions of Recognition.

A key project for the Committee throughout the year was a review of its own terms of reference to ensure it continued to be fit for purpose and to meet the changing needs of the CII. This culminated in the CII Board approving the merger of the Committee with the Accreditation Panel in March 2018 to create the Education and Learning Committee (ELC). The new Committee will be a Committee of the Board, rather than reporting into the Professional Standards Board (now the Professional Standards Committee) with Alan Clamp, the Chair of QEAC becoming the Chair of the ELC and a member of the CII board. The remit of the ELC has been expanded to cover all aspects of learning including continuing professional development.

The Committee would like to record its sincere thanks to Trevor Faulkner, who resigned in April 2017, for his expertise and contribution. We wish him well with his future projects.

Qualifications, Examinations and Assessments Committee continued

Governance and structure

Composition of Committee during the year

Dr A Clamp MA, BA, PGCE, MBA	Chair	Appointed Jan 2017
C Beaton FCII, Chartered Insurer	General Insurance Representative	Appointed Sept 2014
M Davies ACII, FPFS, Cert SMP, MSc, BA, Chartered Insurer	Financial Services Representative	Appointed Sept 2014
P Davis ACII, BA (Hons), Chartered Insurance Broker	General Insurance Representative	Appointed Sept 2010
T Faulkner BSc (Econ), MAAT, ACA	Wider Education Representative	Appointed Sept 2013 Resigned April 2017
C Lumb MA, BA, PGCE	Wider Education Representative	Appointed Sept 2012
G Morgan ACII, Chartered Insurer	Wider Education Representative	Appointed Jan 2015
P Raymond FPFS, Chartered Financial Planner	Financial Services Representative	Appointed Sept 2012
D Teague FCII, DipPFS, CertCII (MP), Chartered Insurance Practitioner	General Insurance Representative	Appointed Sept 2016
A Ward FPFS, BSc, Chartered Financial Planner	Financial Services Representative	Appointed Jan 2016

Committee meetings

Three meetings were held during 2017 with the attendance records as follows:

January 2017	9 out of 9 members attended
May 2017	6 out of 8 members attended
September 2017	5 out of 8 members attended

Representative Council

The role of the Representative Council

The Council, as the members' representative body of the Institute, has the objectives of: ensuring that the CII maintains a proper balance between promoting the Charter's objectives and the individual needs of the CII's diverse membership; acting as a forum for the two way dissemination of information between the Institute and its members and informing and influencing the strategic management of the Institute by contributing the views of the members. The Council may monitor the activities of the Board and may advise it on any matter, whether referred to it by the Board or not.

The Council is made up of Members elected by their respective Local Institute constituencies. In addition the CII appoints certain ex officio post holders such as the President, the Deputy President, the Immediate Past President, Vice Presidents (including the Vice President for Local Institutes who chairs the meeting), Past Presidents, the President of the Personal Finance Society and Committee chairs. The composition of the Council during the year is shown below.

The Representative Council was updated and provided feedback during 2017 on amongst other things:

The CII's transformation programme (including the governance review, target operating model and member engagement), relocation plans, talent initiative, Chartered Body Alliance, Insuring Women's Futures and the CII's first corporate video.

Governance and structure

The composition of the Representative Council during the year was as follows:

Appointments from the Board		
Appointed July 2016 CII President	Dame I Beale, ACII, Chartered Insurer	Deputy President to August 2017
Appointed July 2015 CII President	J Moore MBE, ACII, Chartered Insurance Broker	Immediate Past President from August 2017
Deputy President	J Clark MA, MSc, Dip Eng, ACII, FCILA Chartered Insurer, Chartered Loss Adjuster	Appointed August 2017
Vice Presidents on Council		
Vice President	E Grant BA (Hons), FPFS, FRSA, FInstSMM, Chartered MCSI Chartered Financial Planner, Chartered Wealth Manager	
Vice President	G Scott ACII Chartered Insurance Broker	
Past Presidents		
Past President	C Hanks ACII, Chartered Insurer	
Chairmen of Societies (ex officio)		
President - Personal Finance Society	N Turner APFS	Retired September 2017
President - Personal Finance Society	S Sutton FPFS Chartered Financial Planner	Appointed September 2017
Committee Chairs (ex officio)		
Audit (Audit & Risk Committee as of November 2017)	T Carroll BA, MBA, FCII, Chartered Insurer	Interim Audit Chair until July 2017 Retired from Council August 2017
Disciplinary (Lay)	P Taylor Solicitor (retired)*	
Appeals (Lay)	M Williams FRSM, Barrister*	Retired March 2017
Qualifications, Examinations and Assessments	Dr A Clamp MA, BA, PGCE, MBA	

* Note the Chairmen of the current Disciplinary and Appeals Committees, P Taylor and M Williams respectively, attend the Council as observers only.

Representative Council continued

Governance and structure (continued)

Elected Institute Representatives		
Scotland A	D Mitchell DipPFS	
Scotland B	A MacMillan ACII, Chartered Insurer	
Anglia A	J Mayhew	Appointed February 2017
Anglia B	J Callaway ACII, Chartered Insurance Practitioner	
North East A	S Robertshaw ACII, Chartered Insurance Practitioner	Retired July 2016
North East A	D Ross ACII, Chartered Insurance Practitioner	
North East B	A Jolly ACII, Chartered Insurance Practitioner	
North East C	R Talbot-Jones (Hons), Pg Dip, ACII, Chartered Insurance Broker	
North West A	D Murphy BA (Hons), ACII, ACILA, Chartered Insurance Practitioner	
North West B	S Frost Dip CII	
North West C	I Callaghan BA (Hons), ACII, Chartered Insurance Practitioner	
South Central A	P Tunnell ACII, CertPFS, BSc Banking and Financial Planning, Chartered Insurer	
South Central B	JK Rose FCII, Chartered Insurer	Retired August 2017
South Central B	C Hargreaves Cert CII	Appointed August 2017
South Coast & Channel Islands A	P Bristow FCII, Chartered Insurance Broker	
South Coast & Channel Islands B	C Beaton FCII, Chartered Insurer	
South Coast & Channel Islands C	R Ratcliff DLDC (AMS), FCII, CertPFS, Chartered Insurer	
East Midlands	T Hall BA (Hons), ACII, Chartered Insurance Broker	
West Midlands	C Hall FCILA, FUEDI ELAE, ACII	
South West & South Wales A	C Morte ACII, Chartered Insurer	
South West & South Wales B	G Vanstone Dip CII	
South West & South Wales C	S Wilton Dip CII	
Northern Ireland	L Gillanders ACII, Chartered Insurance Practitioner	
London A	R Salmon FCII, Chartered Insurer	Appointed August 2017
London B	S Clarke FCII Chartered Insurer	Appointed August 2017
London C	T Carroll FCII, Chartered Insurer	Retired August 2017
London C	J Peace FCII, Chartered Insurance Practitioner	
Associated	P Hodson CID Grad MMII, HDipRM, FCII, Chartered Insurer	

Representative Council

continued

The CII would like to express its sincere gratitude to members from all over the country who have participated in the work of the Representative Council during the past year and previous years and are now standing down. Our appreciation and thanks go to:

Council members Tim Carroll and Karen Rose; additionally, to Nick Turner and Michael Williams (observers).

Committee meetings

Three Council meetings were held during 2017 and the attendance was as follows:

April 2017	25 out of 33 members attended
August 2017	28 out of 33 members attended
December 2017	24 out of 33 members attended

Strategic and financial review

For the year ended 31 December 2017

Audited financial statements

The audited financial statements for the year ended 31 December 2017 are included on pages 28 to 49. The Financial Statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

A list of the organisations that comprise the Chartered Insurance Institute (CII) group, and which are included in these financial statements, are listed in Note 7 to the financial statements on page 41.

Financial Performance

The CII performed well during 2017. Income remained stable whilst the business pushes forward with completing the objectives of its manifesto. Additional consultants have helped contribute to the Board, management and staff vision of the CII and the project investment, including, but not limited to, the relocation of the CII, upgrades of the internal IT infrastructure, cyber resilience, Revisionmate upgrade and staff engagement initiatives for diversity and inclusion.

The investment in the transformational journey for 2017 is £1.03m. For the year ended 31 December 2017 the CII reported a surplus before tax of £0.5m (2016: £1.7m).

The net movement on reserves/funds is £11m (2016: £2.0m) after adjusting for taxation, a revaluation of the building and pension scheme contributions. The building was revalued to reflect the market value in 2017, in line with FRS102, and taking into account the completion of the sale of the building targeted to take place in October 2018. An independent valuation was not carried out but in management's judgement the increase in value by £900k from £19.0m in 2016, reflects the fair value of the building on the open market.

The year end financial position of the CII remains strong with total funds of £39.8m (2016: £38.7m).

Membership

Total membership at 31 December 2017 stood at 124,924 compared to 124,863 members at the end of 2016. In 2017 the churn rate for membership has been 14%, representing a 1% increase from 2016. The 'Partners on the Journey' workstream has a 2021 objective to reduce churn rate to 9%, contributing to additional members which will be delivered by proposition enhancements and initiatives identified and approved by the Executive team. These initiatives will begin to be implemented throughout 2018.

Income

Total operating income for the year ended 31 December 2017 was £42.1m (2016: £42.0m).

Revenue from membership services and subscriptions increased by £0.7m (4.0%) to £18.3m (2016: £17.6m) This is linked to the extra sponsorship and commitment with regard to the Festival of Financial Planning event held in 2017. All additional sponsorship income was fully utilised in funding the event and helped to ensure the successful running of the event and reaching out to over 3,000 members and professionals in the Financial sector.

Revenues from qualifications are £12.5m; a decrease of £0.2m (1.6%) compared with £12.7m last year. There was a slight reduction in the Certificate level exams sat within 2017 which followed market trends.

Revenues from educational activities, comprising textbooks, e-books, e-learning licences and other publications and training courses was broadly aligned to 2016 (2017: £11.3m, 2016: £11.4m). The CII continues to consider its pricing and products available to all members and non-members to ensure that they have up to date and relevant learning materials that fit modern requirements.

In 2017 the demand for the Financial Planning publishing materials increased due to the release of the new 'Pension Transfers' unit.

International revenues represented 10% of total revenues (2016:11%). The CII continues to be proud to be aligned with other institutes internationally and to be involved in the promotion of values and education in these sectors.

Strategic and financial review continued

For the year ended 31 December 2017

Expenditure

Total expenditure increased by £1.4m (3.5%) to £41.8m (2016: £40.4m). Following the strategic review and the Board approval and support of the "Your CII" change programme in 2016, the CII has invested £1.03m in the Transformation programme in 2017.

The change programme is being driven by CII staff who were chosen to lead a number of 'workstreams' to present business cases for their ideas to help the organisation reach its strategic objectives. From the many impressive and thorough project plans and business cases that were submitted, the CII has chosen to deliver a carefully considered group of projects with the approval and investment of the Board. These include a new branding for the CII, an upgrade to IT and technology infrastructure, a new office, updated products and processes to ensure member retention, new online learning material to support members through their qualifications, public interest projects including Insuring Women's Futures programme as well as refreshing its Chartered criteria to ensure relevance for firms of tomorrow.

Taxation

The net corporation tax charge for the year was £213k (2016: credit £97k). Further details on the tax charge are included in Note 4 to the financial statements on page 38.

Pensions

The CII operated a defined benefit pension scheme that closed to new entrants in 2001 and closed to future accrual in 2006. The scheme is funded in advance by contributions at rates assessed by the scheme actuary in regular funding reviews. The CII and the Trustees of the pension scheme had previously agreed a schedule of future payments following the actuarial valuation as at 30 June 2014, with a contribution of around £96k made in 2017 (2016: £96k).

An actuarial valuation was undertaken as at 30 June 2014, resulting in no changes to the previously agreed schedule of payments. A contribution of £96k will be made in the year ending 31 December 2018 and in subsequent years dependent on the outcome of the next actuarial valuation, which was undertaken as at 30 June 2017, but is still under discussion with the Trustees.

Employees who joined the CII since 2001 are entitled to join a Defined Contribution Scheme.

Further details are given in Note 14 to the financial statements.

Cash flow

Cash and short term deposit balances at 31 December 2017 were £25.4m (2016: £26.5m). These balances are held in the form of deposits with a small number of UK financial institutions with a range of maturities not exceeding twelve months.

Net cash outflow was £1.05m compared with a £0.8m inflow in 2016 and includes £96k of contributions to the defined benefit pension scheme as described above (2016: £96k). Capital expenditure during the year of £0.7m (2016: £0.7m) included a roll out of new laptops to all staff and purchase of a new Storage Area Network due to the migration to a cloud based infrastructure in 2017 and an investment in a new Purchase order system which will go live in the first quarter of 2018.

The Festival of Financial Planning event in November 2017, was a key contributor to the increase in year end debtors with cash inflows anticipated in early 2018 as per the CII terms of business.

Strategic and financial review continued

For the year ended 31 December 2017

Reserves

As at 31 December 2017 total accumulated funds amounted to £39,770k (£2016: £38,708k).

In planning and budgeting for its activities, the CII considers the level of reserves held in order to strike 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 and management monitor the necessary level of reserves in view of the changing environment and strive to ensure it remains relevant to the market.

At present Reserves amounting to not less than six month's budgeted consolidated expenditure shall be maintained by the CII. The assets representing these reserves may be held in bank deposits and/or longer term investment accounts managed by competent professionals.

Going concern

The CII have set out above a review of the financial performance and the CII's reserves position. The CII has adequate financial resources and is well placed to manage the business risks. The planning process, including financial projections and business continuity planning, has taken into consideration the current economic climate and its potential impact on the various sources of income and planned expenditure. There is a reasonable expectation that adequate resources are available to continue in operational existence for the foreseeable future. It is the CII's belief that there are no material uncertainties that call into doubt the CII's ability to continue. The financial statements have, therefore, been prepared on the basis that the CII is a going concern.

Internal controls and risk management

The group's operations expose it to a variety of financial and operational risks. The Board has overall responsibility for managing and mitigating risk, supported by the Audit Committee. Review of the effectiveness of the systems of internal controls is done on the basis of information and regular reports provided by management and the external auditors.

The system of internal controls is designed to manage rather than eliminate the risk of failure. While no systems or processes can provide absolute assurance against risks, material misstatement or loss, the Board is of the opinion that appropriate systems of risk management are in place throughout the CII.

Risk management

The leadership team directly controls day-to-day policies and operations and has responsibility for designing, implementing and maintaining adequate systems and processes for identifying, evaluating and controlling the risks faced by the CII. There is an established strategic risk register with risks graded according to the likelihood of scale and impact. This is reviewed regularly by the executive management team and an internal business wide risk group. The overall responsibility for risk, however, rests with the Board.

Following a review and recommendations by external specialist risk advisers, a new position of professional standards director has been created and the incumbent has been in post since the end of September 2017 and a new risk director has been appointed and will commence duties in 2018.

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 under their rules. These control procedures are subject to an independent audit carried out annually with the report findings sent to the FCA and reviewed by the Audit Committee and Board.

Strategic and financial review continued

For the year ended 31 December 2017

Budgets and financial reporting

Detailed budgets are prepared as part of the annual planning process for the Board to approve. Management accounts are prepared every month and reviewed by the leadership team and a report on financial performance is presented to the Board, Audit Committee and Council at every meeting, comparing actual results with the approved budget. The annual budget is also re-forecast every month to ensure early action can be taken against any emerging financial risks.

Principal risks and uncertainties

The CII's customers and membership of circa 125,000 are largely drawn from the UK markets for General Insurance and Financial Planning, both of which are considered as mature markets. Having carried out a strategic review in 2016 a "Your CII" change programme has been developed to increase revenue from new sources both in the UK and internationally and from new "products" and to reduce costs by improving efficiencies. This will therefore address the issue of generating sufficient income to allow continued investment in public interest activities, especially building Public Trust. The outcome of the programme is being monitored by management in order to take action as necessary.

The continuing economic and political uncertainty following the vote to leave the EU requires management to be more flexible with strategic planning and consideration of stress scenarios. Business continuity planning is important in this environment as well as the need to be mindful of the risks and challenges to the CII as its customers may defer investment decisions. The core membership also continues to operate against a backdrop of a fast-changing regulatory landscape.

A significant reduction in membership, or demand for the CII's products and services, howsoever caused, would likely translate into reduced revenues for the CII and require immediate mitigating action to be taken.

Staff

The CII aims to be an organisation 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 formally reviewed at least twice a 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, so as to meet the CII's strategic objectives and contribute to employee engagement.

The CII remains committed to internal initiatives such as 'Pride of Place' driven by the 'Your CII programme' and has invested in an external review in order to ensure that the remuneration and benefits of the staff are aligned to market expectations. The CII continues to consult and discuss with staff through varied forums and holds staff updates throughout the year which seek to achieve a common awareness on the part of all employees, 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. During 2017 a refreshed set of values and behaviours was developed and rolled out reflecting the CII's strategic manifesto.

Strategic and financial review continued

For the year ended 31 December 2017

Future plans

As a Royal Charter Body the CII's over-arching purpose is to secure and justify the confidence of the public. In September 2016 the Board approved the "Your CII Strategic Manifesto: 2021 Roadmap" which was subsequently launched in November to the public. 2017 focussed on the 'Discovery' phase by researching and identifying projects for development and change. The aim for the next five years is to build further Public Trust in the profession and to do this the CII must change, and with a purpose. The change programme aims to make the CII more relevant, modern and diverse to best serve its members and wider society. As a professional body, the CII has committed to providing the insurance and financial planning sectors the tools to secure and justify the confidence of the public in the profession – through insightful leadership, engaged membership and relevant learning.

In the year ahead, as the change programme moves from 'Discovery' to 'Delivery', the CII will be looking to launch its Public Trust Index to gauge and understand how trust is measured for its profession. The CII will also be looking to expand its international reach with employees, employers, regulators and the public. In the UK it will continue to build a programme around a series of customer propositions including developing talent with the 'classroom to boardroom' initiative. Within the sector, it will transform the popular CII Faculties into Societies as part of a wider engagement strategy using the template of the Personal Finance Society and Society of Mortgage Professionals.

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 was approved by the board on 22 March 2018.

I Beale
President
Date: 22 March 2018

J Moore
Past President
Date: 22 March 2018

Independent auditor's report

To the members of the Chartered Insurance Institute

We have audited the financial statements of the Chartered Insurance Institute ("the Institute") for the year ended 31 December 2017 which comprise the consolidated statement of financial activities, the consolidated and Institute statement of financial position, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and the Institute's affairs as at 31 December 2017 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 Chartered Insurance Institute's governing charter.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Institute in accordance with the ethical requirements 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group and Institute's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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 Board is responsible for the other information which includes 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.

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

We have nothing to report in this regard.

Independent auditor's report continued

Responsibilities of the Board

The Board's responsibilities for preparing the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out below.

The Charter and Bye Laws of the Institute require the Board to prepare the financial statements for each financial period which give a true and fair view of the state of affairs of the group and Institute and of the surplus or deficit for that period. In preparing those financial statements, the Board has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that are reasonable and prudent; and
- stated whether applicable accounting standards have been followed.

In preparing the financial statements, the Board are responsible for assessing the group and 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 Board either intend to liquidate the Institute or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our report has been prepared pursuant to the requirements of the Institute's governing charter and for no other reason. 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.

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.

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

BDO LLP

Chartered Accountants
Gatwick
West Sussex
United Kingdom
Date: 26 March 2018

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

Consolidated statement of comprehensive income

For the year ended 31 December 2017

	Note	2017 £000	2016 £000
Operating Income			
Membership services and subscriptions		18,296	17,586
Qualifications		12,474	12,672
Educational activities		11,274	11,393
Other activities		102	282
	2	42,146	41,933
Operating Expenditure			
Membership services and support		(13,683)	(13,718)
Qualifications and learning		(16,470)	(17,114)
Central services		(11,618)	(9,563)
		(41,771)	(40,395)
Operating Surplus	3	375	1,538
Non operating income and costs			
Dividends and interest		107	144
Loss on disposal of assets		(6)	(1)
Unrealised gain on listed investments	7	9	5
Other		48	60
		158	208
Surplus before taxation		533	1,746
Taxation (charge)/credit	4	(213)	97
Net Surplus		320	1,843
Other comprehensive income			
Unrealised gain on freehold property	5,13	900	240
Net defined benefit pension cost	14	(96)	(96)
Foreign exchange (loss)/gain		(62)	27
Total other comprehensive income		742	171
Total comprehensive income for the year		1,062	2,014

Statement of financial position

As at 31 December 2017

	Note	Group		Institute	
		2017	2016	2017	2016
		£000	£000	£000	£000
Fixed assets					
Tangible fixed assets	5	20,934	19,921	20,927	19,913
Inangible fixed assets	6	615	1,063	615	1,063
Investments	7	105	96	192	192
		21,654	21,080	21,734	21,168
Current assets					
Stocks: Course books		75	72	-	-
Debtors	9	6,013	4,673	7,071	4,799
Cash at bank and short term deposits	8	25,402	26,455	24,570	25,685
		31,490	31,200	31,641	30,484
Current liabilities					
Creditors: Amounts falling due within one year	10	(13,175)	(13,357)	(25,149)	(25,605)
Net current assets		18,315	17,843	6,492	4,879
Provisions for liabilities and charges	12	(199)	(215)	(199)	(215)
Net assets		39,770	38,708	28,027	25,832
Accumulated funds					
General	13	35,417	33,339	28,027	25,832
Charitable	13	4,353	5,369	-	-
Total funds		39,770	38,708	28,027	25,832

The financial statements on pages 28 to 49 were approved by the Board on 22 March 2018.

I Beale
President
Date 22 March 2018

J Moore
Past President
Date 22 March 2018

The notes on pages 32 to 49 form part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2017

	Revaluation reserve	Profit and loss account	Total Funds
	£000	£000	£000
1 January 2016	10,005	26,689	36,694
Surplus for the year	-	1,843	1,843
Movement on revaluation reserve	240	-	240
Employer contribution to pension fund	-	(96)	(96)
Foreign exchange gain	-	27	27
At 31 December 2016	10,245	28,463	38,708
	Revaluation reserve	Profit and loss account	Total Funds
	£000	£000	£000
1 January 2017	10,245	28,463	38,708
Surplus for the year	-	320	320
Movement on revaluation reserve	900	-	900
Employer contribution to pension fund	-	(96)	(96)
Foreign exchange loss	-	(62)	(62)
At 31 December 2017	11,145	28,625	39,770

Consolidated statement of cash flows

For the year ended 31 December 2017

	2017	2016
	£000	£000
Cash flows from operating activities		
Surplus before taxation	533	1,746
Adjustments for:		
Depreciation and amortisation charges	981	831
Unrealised investment (gain)	(9)	(5)
Loss on disposal of tangible fixed assets	6	1
Employer contributions to defined benefit pension fund	(96)	(96)
Interest receivable	(107)	(144)
(Increase) in trade and other debtors	(1,382)	(22)
(Increase)/decrease in stocks	(3)	26
(Decrease) in trade creditors	(33)	(1,410)
(Decrease)/increase in deferred income	(29)	195
(Decrease)/increase in other creditors	(281)	228
(Decrease)/increase in provisions	(16)	19
Exchange (losses)/gains on translation	(62)	27
Cash from operations	(498)	1,396
Taxation paid	(11)	(43)
Net cash generated from operating activities	(509)	1,353
Cash flows from investment activities		
Purchases of tangible fixed assets	(659)	(685)
Proceeds from the sale of tangible fixed assets	7	-
Interest received	108	144
Net cash from investing activities	(544)	(541)
Net increase in cash and cash equivalents	(1,053)	812
Cash and cash equivalents at beginning of year	26,455	25,643
Cash and cash equivalents at end of year	25,402	26,455

Notes to the financial statements

1. Accounting policies

a) Basis of preparation

The CII is a body incorporated by Royal Charter. The 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 financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies.

Parent 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.

The following principal accounting policies have been applied:

b) 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 (see note 7). All have been prepared to 31 December 2017. In preparing consolidated financial statements, the financial statements of the parent and its subsidiaries are combined on a line by line basis, eliminating any intragroup balances and transactions in full.

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.

c) Revenue recognition

Membership services and subscriptions

Subscriptions

Membership subscriptions are credited in the financial statements of the period in which they are received to the extent of the proportion of the subscription year remaining, and the remainder in the financial statements of the following period.

Examinations

Examinations and accreditation

Examination and accreditation fees are credited in the financial statements of the period in which the examinations and accreditations take place.

Notes to the financial statements continued

Educational activities (continued)

Coursework and continuous assessment

Income from study options involving coursework submission or continuous assessment is credited to the financial statements 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 in the month of purchase.

E-learning/licence fees

Sales of e-learning licences are recognised as a sale 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 carried forward as deferred income.

Other Income

Dividends and interest receivable

Dividends and interest receivable are included in the financial statements of the period in which they are receivable. Interest is receivable from short term, fixed rate deposits.

d) Expenditure recognition

Expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Any irrecoverable VAT is included within expenditure with the cost that it relates to.

e) Tangible fixed assets

Freehold properties are stated at market value plus subsequent additions at cost.

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

Purchases of other 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

f) 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	3-5 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.

Notes to the financial statements continued

g) Investments

Listed investments are stated at current bid price. Gains and losses on remeasurement are recognised in surplus or deficit for the period.

h) 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.

i) 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 'sterling', which is the company's functional and the group's presentation currency.

On consolidation, the results of overseas operations are translated into 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.

j) 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 all 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.

k) Operating leases

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

l) 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 period in which the service is received.

(ii) Quarterly and annual bonus plans

The Group operates quarterly and annual bonus plans for 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.

m) Retirement benefits

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

Notes to the financial statements continued

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 costs, 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.

n) Stocks

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

o) 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.

p) 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 14 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 12 to the financial statements.

Notes to the financial statements continued

2. Operating income

	2017	2016
	£000	£000
a) Membership services and subscriptions		
Membership subscriptions	15,653	15,379
Conferences and event income	2,576	2,147
Other services	67	60
	18,296	17,586
b) Qualifications		
Examinations income	12,474	12,672
	12,474	12,672
c) Educational activities		
Publications	4,846	4,890
Other learning materials	4,306	4,373
Training courses	1,292	1,167
Other educational activities	830	963
	11,274	11,393
Other income	102	282
	42,146	41,933

Notes to the financial statements continued

3. Operating result

The operating result is stated after charging.

	2017	2016
	£000	£000
a) Auditor's remuneration		
Audit fees:		
Audit of the Group Financial Statements	77	75
Audit of the Group subsidiaries due to Associates of BDO LLP	25	22
Taxation and other fees	70	73
	172	170
b) Salaries and related costs		
Wages and salaries	11,219	11,191
Employer's social security costs	1,138	1,120
Employer's pension costs	948	785
	13,305	13,096
c) Average number of staff employed during the year		
Total employees	230	231
Full-time equivalents	225	226
d) Depreciation and amortisation		
Depreciation and amortisation of fixed assets	981	831
e) Amounts payable under operating leases		
Building	261	491
Equipment	138	76
Cars	24	33
	423	600

Notes to the financial statements continued

4. Taxation

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

	2017	2016
	£000	£000
Taxation charge on ordinary activities		
Corporation Tax at 19.25% (2016: 20.27%)	174	2
Adjustment in respect of previous periods	39	(99)
	213	(97)
The tax assessed for the year is higher than the standard rate of corporation tax in the UK at 19.25% (2016: 20.27%). The differences are explained below:		
Surplus on ordinary activities before tax	533	1,746
Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20.27%)	103	354
Effects of:		
Permanent differences	1,166	1,031
Tax relief for items not taken to profit and loss account	-	(19)
Mutual trading activities	(1,474)	(1,627)
Charitable exemptions	196	293
Deferred tax not recognised	150	(32)
Double tax relief	(4)	-
Adjustment in respect of previous periods	39	(99)
Effect of other tax rates/credits	37	2
Current tax charge/(credit) for period	213	(97)

Notes to the financial statements continued

5. Tangible fixed assets

	Freehold land and buildings	Fixtures and fittings	Computer equipment	Total CII only	Subsidiary furniture and equipment	Total CII Group
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
1 January 2017	19,000	1,709	1,174	21,883	33	21,916
Additions	-	58	518	576	-	576
Disposals	-	-	(158)	(158)	(1)	(159)
Revaluation	900	-	-	900	-	900
31 December 2017	19,900	1,767	1,534	23,201	32	23,233
Depreciation						
1 January 2017	-	1,201	769	1,970	25	1,995
Charge for year	-	225	225	450	-	450
Disposals	-	-	(146)	(146)	-	(146)
31 December 2017	-	1,426	848	2,274	25	2,299
Net book value						
31 December 2017	19,900	341	686	20,927	7	20,934
31 December 2016	19,000	508	405	19,913	8	19,921

The historic cost of freehold land and buildings is £4,260,100 (2016: £4,260,100).

Land and buildings comprising 20 and 21 Aldermanbury are stated at market value plus subsequent additions at cost.

The Board agreed on the sale of the 20 and 21 Aldermanbury in October 2017 with a targeted completion date of October 2018.

Notes to the financial statements continued

6. Intangible fixed assets

	Computer software	Total CII and Group
	£000	£000
Cost or Valuation		
1 January 2017	3,763	3,763
Additions	83	83
31 December 2017	3,846	3,846
Amorisation		
1 January 2017	2,700	2,700
Charge for year	531	531
31 December 2017	3,231	3,231
Net book value		
31 December 2017	615	615
31 December 2016	1,063	1,063

Notes to the financial statements continued

7. Investments

Group	UK fixed interest	UK equities	Total
	£000	£000	£000
Investments at market value at 1 January 2017	5	91	96
Revaluation to fair value	-	9	9
Investments at market value at 31 December 2017	5	100	105
Institute Only		Investments in subsidiaries	Total
		£000	£000
Investments at cost at 1 January 2017		192	192
Investments at cost at 31 December 2017		192	192
Investments in subsidiaries	2017		
Institute only - Shares in group undertakings	£000		
Cost and net book value at 31 December 2017	192		

Name of company	Principal activity	Country of incorporation	Beneficial holding
C.I.I. Enterprises Limited	E-learning and commercial activities	United Kingdom	Ordinary shares
The Education and Training Trust of the Chartered Insurance Institute	Education and training	United Kingdom	Charitable trust
The Chartered Insurance Institute Prize and Educational Funds	Award prizes	United Kingdom	Charitable trust
The Personal Finance Society	Professional body for financial advisors and related roles	United Kingdom	Limited by guarantee
Chartered Institute of Insurance and Financial Services Private Limited	Sales and promotion of the Chartered Insurance Institute products	India	Ordinary shares
Vertical Rainbow Sdn. Bhd	Sales and promotion of the Chartered Insurance Institute products	Malaysia	Ordinary shares
The Chartered Insurance Institute Hong Kong Limited	Sales and promotion of the Chartered Insurance Institute products	Hong Kong	Ordinary shares

The Society of Financial Advisers and The Society of Technicians in Insurance were both considered dormant throughout 2017.

Notes to the financial statements continued

8. Movement in cash and short term deposits

	Group		Institute	
	2017	2016	2017	2016
	£000	£000	£000	£000
Cash				
1 January	10,314	9,586	9,544	8,921
Increase/(decrease) in cash	(6,145)	728	(6,207)	623
31 December	4,169	10,314	3,337	9,544
Cash balances include £278,764 (2016: £285,202) of cash held by The Chartered Insurance Institute Prize and Educational Funds, the use of which is restricted.				
	Group		Institute	
	2017	2016	2017	2016
	£000	£000	£000	£000
Short term deposits				
1 January	16,141	16,057	16,141	16,057
Withdrawals	(14,038)	-	(14,038)	-
New deposits placed	19,130	84	19,130	84
31 December	21,233	16,141	21,233	16,141
	Group		Institute	
	2017	2016	2017	2016
	£000	£000	£000	£000
Total cash at bank and short term deposits				
Cash	4,169	10,314	3,337	9,544
Short term deposits	21,233	16,141	21,233	16,141
Total cash at bank and short term deposits	25,402	26,455	24,570	25,685

Notes to the financial statements continued

9. Debtors

	Group		Institute	
	2017	2016	2017	2016
	£000	£000	£000	£000
Amounts owed by subsidiary undertakings	-	-	2,403	626
Corporation tax	-	42	-	39
Trade debtors	3,967	3,332	3,401	3,312
Prepayments	1,183	1,004	773	574
Other debtors	500	258	469	223
Accrued income	363	37	25	25
	6,013	4,673	7,071	4,799

10. Creditors

	Group		Institute	
	2017	2016	2017	2016
	£000	£000	£000	£000
Trade creditors	1,193	1,226	1,145	1,156
Corporation tax	174	13	20	-
Amounts owed to subsidiary undertakings	-	-	15,237	15,371
Other creditors	595	746	583	732
Accruals	2,209	2,339	1,360	1,513
Deferred income (note 11)	9,004	9,033	6,804	6,833
	13,175	13,357	25,149	25,605

11. Deferred income

	Group		Institute	
	2017	2016	2017	2016
	£000	£000	£000	£000
Member subscriptions	6,092	6,027	4,085	4,127
Examination fees	1,493	1,519	1,493	1,519
Other	1,419	1,487	1,226	1,187
	9,004	9,033	6,804	6,833

Notes to the financial statements continued

12. Provision for liabilities

Group and Institute	Legal and Compliance	Property	Total
	£000	£000	£000
At 1 January 2017	10	205	215
Provided during the year	-	189	189
Utilised during the year	-	(33)	(33)
Released during the year	-	(172)	(172)
At 31 December 2017	10	189	199

Provision for legal and compliance costs relate 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.

13. Accumulated funds Group and Institute

Group and Institute	General		Charitable		2017	2016
	Revaluation	Revenue	Unrestricted	Restricted	Total	Total
	£000	£000	£000	£000	£000	£000
At 1 January	10,245	23,094	4,993	376	38,708	36,694
Surplus/(deficit) for the year	900	1,178	(1,016)	-	1,062	2,014
At 31 December	11,145	24,272	3,977	376	39,770	38,708

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

Institute Only	General		2017	2016
	Revaluation	Revenue	Total	Total
	£000	£000	£000	£000
At 1 January	10,245	15,587	25,832	23,282
Surplus/(deficit) for the year	900	1,295	2,195	2,550
At 31 December	11,145	16,882	28,027	25,832

General funds include those of the CII only.

Notes to the financial statements continued

14. Pension fund

The Institute operated a defined benefit pension scheme which was closed on 30 June 2001. This is a multi-employer defined benefit scheme. The CII is the majority employer of the scheme with Insurance Institute of London, 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.

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 2014 using the attained age method. The principal valuation assumptions were an investment return pre-retirement of 5.4% per annum and investment return post retirement of 3.7%.

The market value of the scheme assets at the valuation date was £31,200,000 and this represented 102% of the actuarial value of the benefits that had accrued to members.

The actuarial valuation described above has been updated at 31 December 2017 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:

	2017	2016
Discount rate	2.60%	2.70%
Inflation assumption (RPI)	3.10%	3.20%
Rate of increase in salaries	N/A	N/A
Rate of increase of pensions in payment	2.90%	3.10%
Rate of increase of pensions in deferment	3.10%	3.20%

	2017	2016
	£000	£000
Change in benefit obligation		
Benefit obligation at beginning of year	36,895	28,660
Interest cost	981	1,098
Actuarial losses/(gains)	(1,097)	8,146
Benefits paid	(1,022)	(1,009)
Benefit obligation at end of year	35,757	36,895
Analysis of defined benefit obligation		
Plans that are wholly or partly funded	35,757	36,895
Total	35,757	36,895

Notes to the financial statements continued

14. Pension fund continued

	2017	2016
Change in plan assets		
	£000	£000
Fair value of plan assets at beginning of year	37,657	31,728
Expected return on plan assets	1,004	1,219
Actuarial gains/(losses)	1,935	5,623
Employer contributions	96	96
Benefits paid	(1,022)	(1,009)
Fair value of plan assets at end of year	39,670	37,657
Funded status	3,913	762
Effect of surplus cap	(3,913)	(762)
Net amount recognised	-	-
Components of pension cost	2017	2016
	£000	£000
Interest cost	981	1,098
Expected return on plan assets	(1,004)	(1,219)
Interest expense on effect of asset ceiling	23	121
Total pension cost recognised in the income and expenditure account	-	-
Actuarial losses/(gains) immediately recognised	(3,033)	2,523
Effect of surplus cap	3,129	(2,427)
Total pension cost recognised in other comprehensive income	96	96
Cumulative amount of actuarial losses immediately recognised	5,150	8,183

Notes to the financial statements continued

14. Pension fund continued

	2017	2016			
Plan assets					
	£000	£000			
Cash & cash equivalents	444	22			
Equity instruments	9,444	13,180			
Debt instruments	22,751	20,214			
Real estate	990	-			
Alternative strategy funds	6,041	4,241			
Total	39,670	37,657			
Five year history	Financial year ended 31 December				
	2017	2016	2015	2014	2013
	£000	£000	£000	£000	£000
Benefit obligation at end of year	35,757	36,895	28,660	27,287	25,015
Fair value of plan assets at end of year	39,670	37,657	31,728	30,457	28,465
Surplus	3,913	762	3,068	3,170	3,450
Difference between actual and expected return on scheme assets:					
Amount	(1,935)	(5,623)	465	(1,198)	(1,430)
Percentage	(5%)	(15%)	2%	(4%)	(5%)
Experience gains (and losses) on scheme assets:					
Amount	-	-	-	-	-
Percentage of scheme liabilities	0%	0%	0%	0%	0%

Notes to the financial statements continued

15. 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 personnel

Key management personnel are defined as the board and the direct reports of the CEO who have authority and responsibility for planning, directing and controlling the activities of the Group. Total remuneration in respect of these individuals is £2,011,972 (2016: £2,253,057).

Key management compensation	2017	2016
	£000	£000
Wages and salaries	1,596	1,580
Termination costs	92	329
Employer's social security costs	184	208
Employer's pension costs	140	136
	2,012	2,253

All the Executive Directors are members of the defined contribution pension scheme in the UK, except the CEO and COO who have reached their lifetime allowances and are receiving cash allowances in lieu of employer pension contributions and one other Executive Director who is a member of the Mandatory Provident Fund in Hong Kong, where he resides. Included above are honorarium payments to lay members totalling £27,200 (2016: £36,000).

There are 8 lay members i.e. non-members of the CII who participate on the CII Board and its Committees. The vast majority are paid in accordance with the following scale, which includes preparation for the meetings attended and any outputs required as a result:

Committee chairs	£2,000 per meeting
Board members	£1,000
Committee members	£800

Two lay members are both Board members and Committee members in which case the lay member receives the combined rate for a Board and Committee Member.

Payments to lay members will be reviewed by the Nomination and Remuneration Committee, with expert external input during 2018.

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

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

Notes to the financial statements continued

15. Related party transactions continued

The base salaries of the CEO and the direct reports of the CEO (at 31 December 2017 are shown below on a banded basis).

	2017	2016
£220,000 - £249,999	1	1
£190,000 - £219,999	1	1
£160,000 - £189,999	1	Nil
£130,000 - £159,999	2	2
£100,000 - £129,999	4	3

For 2017, the Executive Directors included in the table are:

	2017
£220,000 - £249,999	S Fisher
£190,000 - £219,999	K Richards
£160,000 - £189,999	J Bissell
£130,000 - £159,999	S Jenkins, M Greenwood
£100,000 - £129,999	M Collett, S Graham, R Paterson, I Simons

16. Operating leases

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

	2017	2016
	£000	£000
Buildings		
Less than 1 year	184	232
2-5 years	736	736
Over 5 years	644	828
	1,564	1,796
Equipment		
Less than 1 year	38	48
2-5 years	10	24
	48	72
Cars		
Less than 1 year	8	22
2-5 years	7	3
	15	25

Reference and administrative details

Company number

Incorporated by Royal Charter: RC000104

Auditor

BDO LLP
2 City Place
Beehive Ring Road
Gatwick
West Sussex
RH6 OPA

Principal bankers

HSBC
62-76 Park Street
London
SE1 9DZ

Principal office

20-21 Aldermanbury
London
EC2V 7HY

Legal advisers

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

Leadership team

Chief Executive	Sian Fisher
Company Secretary	Rowan Paterson
Chief Operating Officer	John Bissell
Managing Director of Engagement/ Chief Executive, Personal Finance Society	Keith Richards
Director of Marketing	Ian Simons
Director of Learning and Assessment	Simon Graham
Development Director	Steve Jenkins
Professional Standards Director	Melissa Collett