



**Effective management and leadership development can lead to enhancements in people performance and in organisational performance. We can help to achieve this.**

**Annual report & accounts**  
**2012**

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**Bad management  
is harming UK Plc.**

**We exist to increase the  
number and standard of  
professionally qualified  
managers and leaders.**

# Our vision:

## “Better led and better managed organisations”

### Our mission:

In order to help deliver this vision we are committed to our mission:

“To increase the number and standard of professionally qualified managers and leaders”

### Our strategic objectives

The strategic objectives set by the Board of Trustees are to:

- grow the overall membership base and achieve a critical mass of Chartered Managers
- win support for, and engagement with, the Institute from employers across all sectors
- increase awareness of the Institute, and achieve recognition for its contribution to better management practice
- increase the uptake of management development and education through Institute programmes and qualifications
- develop relevant and profitable revenue streams outside subscription income
- develop the Institute's structure, systems, intellectual capital and financial strength to enable the organisation to fulfil its mission.



**The quality of our  
managers is vital to  
the success of the UK.  
Ethical, professional and  
qualified managers are  
crucial if organisations are  
to survive and prosper.**

# Reducing the management skills gap

## Raising the UK's management standards

With continued uncertainty in the UK economy and turbulence in the international markets that UK managers operate within, it is now more important than ever that we focus on the quality and the skills of UK managers and leaders.

Having frequently highlighted the fact that a culture of bad management is a cost to the UK, and an impediment to our recovery and growth, it was encouraging that one of our key research activities this year – *The Business Benefits of Management and Leadership Development* – showed the positive impacts that good management can have. We hope this will act as a wake-up call to businesses that creating a professional, ethical management culture is no longer something to be put on the back burner. This is particularly important as we experience additional pressure on the management skills gap, with the post-war 'baby boom' generation reaching retirement age with a renewed focus on knowledge transfer being called for.

Working towards a qualified management workforce has also remained a key focus for us over the past year. With only 1 in 5 managers holding a relevant professional

qualification, it is unsurprising that the UK management culture is lagging. Our work in the past year to place the Chartered Manager status at the heart of our membership structure shows our commitment to turning this around – as well as our focus on qualifications registrations. Campus CMI has also proved to be an excellent initiative in terms of reaching tomorrow's managers with the message about the importance of qualifications, as well as helping to increase young people's work-readiness.

For CMI this has been a year of change. Since the departure of Ruth Spellman as CEO last year, I am grateful for the strong leadership that Christopher Kinsella provided as Acting Chief Executive, and I look forward to working with Ann Francke, our new Chief Executive, in the coming months.

On a personal note, in October this year I will have completed my two year term as President, and will hand over my Presidency to Peter Ayliffe. During this time, CMI has seen a great deal of change, but has also continued to play a vital part in raising the UK's management standards. It has been an honour to have served the CMI as President, and I believe the organisation is in an excellent position to continue its important work going forward.

**Terry Morgan CBE CMgr CCMi**  
**President of CMI**



## **Why should you invest in developing your managers?**

**Management and leadership development activities can lead to increases of up to 32% in people performance and 23% in overall organisational performance.**

# Dedicated to developing managers and leaders across all sectors

While the year began optimistically, 2011 turned out to be a continuation of the recent difficult times for UK managers. More than half the managers we surveyed last year reported that the economy had significantly impacted their organisations, leading to redundancies, pay and recruitment freezes and job insecurity.

However, CMI continued to dedicate itself to supporting public, private and third sector organisations in developing their managers and leaders. As a result, we saw an increase in organisations working with CMI from the financial services, health, construction, tourism and across the public sector. We also developed our relationships in the education sector and with other professional bodies.

Although budgets for training and development remained under pressure, the number of qualification registrations and certifications remained high. We believe this shows that managers continue to value CMI qualifications as milestones on their pathway to personal and professional growth. Indeed, CMI staff themselves followed this example, with 26 CMI employees working towards and achieving qualifications last year. With our number of Approved Centres now standing at over 650 and our Awarding Body team working hard to train and develop that network, we have continued to make CMI qualifications available to even more people.

This continuing high regard for qualifications also makes our Chartered Manager award, the ultimate recognition of a professional manager, more relevant now than ever before. One focus during 2011 was the development and relaunch of the Chartered Manager grade, streamlining the processes and repositioning it at the pinnacle of our structure. More information will follow in 2012.

For future managers, Campus CMI continued apace. Since its launch in 2010, almost 1,700 students have completed a CMI qualification and over 780 students are currently working to complete their certificates.

As ever, our main focus remains on current managers and I am delighted to say that, in our recent member research, satisfaction levels of members and students measured 93 per cent. However, research indicated that we needed to bring forward changes to improve the level of engagement with members, enhance communications and introduce new activities.

As a result, a number of changes were introduced during the year. The new Customer Relationship Management (CRM) system was fully implemented and is improving our ability to engage with members, clients and stakeholders. The modernisation of ManagementDirect has expanded its e-learning capability and improved delivery. We achieved significant growth in our Accreditation Services, and the Group Learning Toolkits were introduced into our suite of support materials.

Another of our key roles is providing highly respected research into aspects relevant to UK management. The major highlight of our research output last year was on the impact of management and leadership development. Together with Penna Plc, and a steering board of CMI Companions, we explored how organisations and individuals invest in management and leadership development and which methods are most effective. The results established a positive link between effective management development and organisational performance, leading to us calling on Government and employers to ensure management skills shortages do not hamper the recovery.





We also released new research results showing, for the first time, that junior female executives now earn as much as their male counterparts. However, on average, male managers continue to be paid more than women. We believe strongly that within UK Plc we should foster a culture of pay transparency and address issues when organisations fail to observe this approach. As well as our research into this area, CMI continues to support female managers through our Women in Management (WiM) group.

Research such as this also helped our profile raising activity to exceed its targets. Between March 2011 and April 2012, CMI generated over 2,300 items of media coverage, including over 300 items in the national media. A Branch Media Toolkit was developed to provide information to Branch committees on maximising media opportunities in their areas, building on the successful launch of a similar project for CMI Approved Centres.

In terms of member communications, the new look *Professional Manager* magazine received a host of awards, with 91 per cent of readers saying it had improved since re-launch. Digital activity also continued to raise awareness levels and provided a channel for managers and leaders to engage with CMI, with all channels growing.

For the Institute of Consulting, we rolled out a new national register to help employers source consultants and business advisers, which saw over 120 members register accounts in the first week alone. We also began work with major employers such as Capita, Mott MacDonald and the Scottish Government.

Despite all of these successes, 2011/12 was still a challenging year from a financial perspective. Poor market conditions put pressure on our income, which fell by 2 per cent to £11.7m,

and the latest valuation of the defined benefits pension scheme resulted in a £0.3m increase in the annual deficit funding requirement. However, we have worked hard to reduce our cost base – as did so many of the managers we represent – and we expect the benefits of these actions to become more visible in the coming year. Our net cash funds, including investments, stand at £4.45m at the year end, and the customer order pipeline has been improved, which should place us in good stead to take the organisation forward.

This is especially important, as there is no guarantee that 2012/13 will be any less difficult a year for our members. As the year closed with more news of government austerity measures and further financial crises, we can only expect uncertainty in the economy to continue. However, all our efforts in the past year have been to show that those organisations that continue to manage their businesses effectively by respecting, valuing and developing their people, will stand a greater chance of survival and prosperity. Likewise, those managers who do everything they can to continue to develop their own skills will have the confidence and competence to adapt to any challenges. It is our job as an organisation to ensure that both these employers and individual managers feel they have the support, guidance and recognition that they need.

It has been a pleasure to have led the organisation as Acting Chief Executive for the last year. Returning in due course to the CMI Board as a co-opted Trustee, I handed over to our new Chief Executive Ann Francke in June 2012, and I wish her every success in her new role.

**Christopher Kinsella BA MA FCMA**  
**CMgr CCMi**  
**Acting Chief Executive**

# Management matters

Number of CMI and IC members:

**90,000**

Member satisfaction level:

**93%**

Improvement in organisational performance good management brings:

**23%**

**As we are all too well aware, in 2011 managers were under even more pressure to deliver results with fewer people and smaller budgets – in addition to managing redundancies, pay freezes, organisational restructuring, and other challenges as a result of the economic downturn.**

In the main, managers cited the poor economy, unexpected external disruptions, lack of skills, staff shortages, poor leadership and insufficient experience as being the key factors that led to reduced organisational performance.

Yet good management, as our research demonstrates, can lead to improvements in organisational performance by as much as 23%. And if staff believe they are managed well and are positive about the people they work for, they will be inclined to work harder and aim higher to achieve better results for their organisations.

CMI and the Institute of Consulting (IC) clearly have a vital role to play in this. In 2011, we supported our members and the management population as a whole by introducing new and improved tools; engaged with some of the UK's most prestigious organisations to bring about new membership; and rolled out Campus CMI in 165 schools.

As a result, the overall number of fee paying members has increased. By the end of the year, combined CMI and IC membership numbers totalled approximately 90,000, with our members benefiting through networking and contacts, sharing best practice and enhancement of core competencies.

This was partly achieved through improved retention rates for existing members – for example, in March 2011, we recorded member satisfaction at 93.8 per cent for those with more than one year's

membership and student satisfaction at 94.5 per cent. However, we also canvassed new members through effective marketing and communications campaigns. To ensure these numbers continue to grow, we have improved our online membership management tools and increased our ability to deliver targeted information to our customers. Our new Customer Relationship Management (CRM) system also enabled us to launch a new segmented membership communications plan.

We initiated a member engagement review to improve the effectiveness of CMI's and IC's engagement with members, and assess our local, regional and national structures. Research completed to date shows we need to bring changes forward to improve the level of engagement with members, enhance communications, rationalise structures and provide activities that members will wish to take part in. This will encompass not only high quality events where members can meet face to face, but also engagement via digital and online channels.

The other good news is that managers continue to recognise the value of CMI qualifications as important routes to personal and professional growth, professional competence and enhanced business performance. Just under 30,000 managers embarked on a qualifications programme between April 2011 and March 2012. Our most popular qualifications continue to be First Line Management (Level 3), Management and Leadership (Level 5), and Strategic Management and Leadership (Level 7).

The work of our Approved Centres team has been vital in ensuring the quality and increasing the reach of those qualifications. We now have over 650 Approved Centres, to whom our Awarding

Body team have been explaining the revised quality control procedures as well as delivering training. A new Centre Handbook has also been developed, designed to give Approved Centres full support around all aspects of CMI.

For us, Chartered Manager remains the highest proof of a manager's professional status. It is also fast becoming a necessary qualification for managers wanting to remain competitive. For this reason we achieved the constitutional change for Chartered Manager integration within our grade structure and introduced plans to enable existing Members, Fellows and Companions to upgrade to Chartered Manager status. These changes and developments will be rolled out throughout 2012.

However, it is not just about qualifications for current managers. Launched in March 2010, Campus CMI is making a real difference to young people's lives across the UK, helping them to build the skills and confidence they need to gain a strong foothold on the career ladder.

Last year Campus CMI worked with 165 schools and colleges to inspire confidence in 14 to 21 year olds by teaching them management, workplace and leadership skills. So far, almost 1,700 students have completed a CMI qualification and almost 780 students are on their way to doing so. In addition, CMI continued its work directing and managing a pilot mentoring scheme of the Chairman's Club – a network of senior executives from the global and domestic sponsors of the London 2012 Olympic and Paralympic Games.

We have also made great strides in 2011/12 in our work supporting consultants, through the IC. We successfully launched the National Consultants' Register, giving employers a safe and reliable place to source

consultants and business advisers. Over 120 member accounts were registered on the job board by the end of the first week alone. New information and communication channels were also introduced for IC regional chairs and committees, and contracts signed with some high profile names in the private and public sectors. Internationally, we also began working with our American IC equivalent to engage major organisations.

New IC qualifications and the IC Code of Conduct are now creating good levels of interest with larger consultancy practices, and the internal consultancy market, resulting in engagement with larger employers, who value the benefit that the Code, standards and qualifications can add to their organisations.

For CMI and IC to succeed and grow, we know that supporting our members needs to be at the heart of everything we do. Real progress was made during 2011, but we are always looking to be better, as we hope our work in 2012 will show.

### Career defining

**"Chartered Manager is a career-defining scheme. It allows managers and leaders to confirm their professional status, especially when working alongside other chartered professionals."**

Colonel Neale Moss OBE CMgr FCMI,  
Joint Helicopter Command



# Strong managerial capability

## The foundation for future success

**Throughout the year, CMI's work with employers has been a key area of focus.**

We saw an increase in organisations choosing to work with us from the financial services, health, construction, tourism and plant hire sectors and, thanks to our success in a number of public sector procurement exercises, we also undertook work with local authorities, and the public health and transport sectors. Encouragingly, we saw a lot of repeat business from employers this year, showing they clearly value the input we can have on their management and leadership development programmes. 2011 also saw the launch of our first senior leadership programme run with an employer, aimed at Director level employees within the tourism sector.

However, there is always more that we can do and partnerships have been

key in extending our employer reach. As a result, we have taken an active part in developing our relationships both in the education sector, such as with Linking London, and with other professional bodies including the Institution of Mechanical Engineers (IMechE), the Institution of Engineering and Technology (IET), Association of Chartered Certified Accountants (ACCA) and the Chartered Quality Institute (CQI).

Indeed, increasing our ability to reach employers with the CMI offer has been a key feature of our work in the past year. Merlin, our new CRM core system, went live in December 2011, improving our capability to engage and manage relationships with members, clients and stakeholders. This fully integrated system is improving the way we work with employers by enabling us to better segment and personalise our offer to them.

One example which demonstrates the impact of better segmentation and marketing is the revenue from our Pathways division, which produces the books and online materials needed for qualifications, and is up 18 per cent on the previous year. The team also launched Group Learning Toolkits into this overall suite of learning support materials, specifically designed to provide tutors with the support and tools they need to deliver our Level 5 qualifications.

We also saw an increase of 40 per cent in the revenue from our ManagementDirect tool, particularly in the latter part of the year. Pivotal to this has been a significant upgrade to ManagementDirect, which provided a more modern look and feel, expanded the amount of e-learning content, and introduced the ability for employers to create structured learning journeys. Feedback tells us that these learning journeys have been particularly well received, as it gives employers greater control over employees' e-learning. It also supports the needs of specific sectors, such as financial services, that have to show how their training fits with regulatory standards.

2011 also saw our first clients undertake ManagementKnow, our tool which allows employers to measure and compare both management confidence and management competence. It is an area where we are continuing to see a growing interest, as it allows employers to better focus their HR spend in times of tough budgetary constraints.

Provision of Accreditation Services was a further area of focus, where we work with employers to map and offer CMI accreditation for their own

training programmes. We have had a particular breakthrough in the health sector, winning an important pilot contract looking at the accreditation of training providers within the NHS by mapping qualifications to the NHS Leadership Framework.

Closely linked to this is our work both around qualifications and as an Awarding Body. From an Awarding Body perspective, the current economic climate is leading to an increased recognition that employers, who may have previously bought training in from external suppliers, now have to be more self-sufficient. Becoming approved to deliver CMI qualifications can offer real savings in the medium to long term, and is becoming a popular choice.

A desire for increased business competitiveness is also having a positive impact on our qualifications work. For example, in the service sector and where organisations regularly have to bid for contracts, we are seeing employers increasingly committing to Chartered Manager status as a point of difference between them and their competitors. Other organisations are using the Chartered Manager framework to set and raise management standards, and support their talent management process, and with the changes to Chartered Manager currently being rolled out, we are expecting to see that continue to grow.

With support to employers vital to improving the business performance of UK Plc, it has been encouraging to see such a positive response to so much of our offer. We are looking forward to being able to work with an even greater number over the coming year.

## Development opportunity

**"We see future development opportunities with our senior management layer and may explore more strategic programmes at Level 5. The CMI is highly regarded here at Stena Line; I can only see our relationship going from strength to strength"**

Joanne Williamson, Training Manager,  
Stena Line





# Championing better management and leadership at the highest levels

Items in the media covering our research:

1,400

Pieces of research launched:

7

Entries into Management Book of the Year:

154

**Having a voice and presence in the corridors of power ensures the views and opinions of our 90,000 individual and 450 group members and our latest research are communicated to the key decision and policy makers.**

By seeking to influence Government policy, we aim to improve leadership and management skills across the UK. Through our research, we provide practical resources for all managers and leaders that make a difference to management practice.

Key priorities for 2011/12 were equipping employers with a strong business case for better management and leadership, communicating current and future management trends and thinking in these turbulent times and expanding our influence through strategic partnerships and more widespread Parliamentary engagement.

A keynote for the year was the publication of the CMI/Penna report, *The Business Benefits of Management and Leadership Development*. This research investigated how employers can best invest in management and leadership during a time of austerity, based on a survey of almost 4,500 managers. Providing a powerful contribution to the debate in this area, it sets out valuable practical recommendations for employers on how to target resources to maximise impact and the business case for investment in management and leadership.

A Steering Board of Companions, chaired by Dr Martin Read CBE CCMI, provided expertise, challenge and guidance, while a high-profile launch

event led by the Minister for Universities and Science, The Rt Hon David Willetts, ensured it got the profile it deserved from the start. It has already been cited in a Parliamentary debate, with Barry Sheerman MP calling on it as part of his case for management and leadership skills as key drivers of economic growth.

Reports including our Economic Outlook series and our annual Future Forecast and Business Continuity Management research enabled us to understand and highlight the current and future concerns, challenges and practices of managers and leaders. In turn, we championed these views through responses to Government consultations, including the Department for Business Innovation and Skills' (BIS) Modern Workplaces consultation on extending the right to request flexible working and reforming parental leave. In an Olympic year, Nicola Roche, Director of Strategy in the Government Olympic Executive, joined us at a Parliamentary event on why a successful London 2012 Games will be the product of world-class management and leadership as much as athletic prowess.

The Management Book of the Year competition had a highly successful second year. CMI in association with the British Library use the competition to identify and publicise the books that all managers and leaders should be reading, if they are to get ahead in their careers and help the organisations they work for succeed in the current climate.

*The Cult of the Leader*, written by Christopher Bones, was named the CMI Management Book of the Year at an awards ceremony hosted by the

British Library. Bones' book won the competition from a field of 154 entries, triumphing over a shortlist of 25 prolific business and management authors. The book was the unanimous winner chosen by five high profile judges including Sir Anthony Cleaver, Dame Mary Marsh and Professor Cary Cooper.

2011 also saw the launch of the Management Article of Year, a new initiative developed with members of the CMI's Academic Advisory Council. This new competition challenges the research community to submit their work in the form of short articles for review by the professional management community. This process is designed to provide valuable 'real-world' feedback to researchers and also help busy managers find the most relevant articles. The competition is supported by the British Academy of Management, the Advanced Institute of Management Research, the Association of Business Schools and the British Library, and is sponsored by John Wiley and Sons Ltd.

Looking to the future, we shone a spotlight on the importance of equipping the next generation of managers with the right skills at a House of Commons reception to raise the profile of Campus CMI. Younger learners were also the focus of a paper submitted to the Scottish Government's consultation on post-16 education. Our work with Boston Consulting Group allowed a forward glance too – we were its UK partner in the global *Organisations of the Future* report looking at organisational change.

In September 2011, we explored future creativity and innovation in the consulting industry, and the barriers

to these, in the first ever joint Institute of Consulting and CMI research. The resulting *Management Innovation in the UK Consulting Industry* report was supported by the Advanced Institute of Management Research and Cardiff Business School.

What lies in store for management and leadership in the new-look public sector in the years to come was also explored. Firstly, through a hard-hitting event held in partnership with the Associate Parliamentary Health Group during the Government's 'listening exercise' on its NHS reforms and then via a response to the Home Office's consultation on Peter Neyroud's proposals for police leadership and training.

To help extend our influence and shape the management agenda we have worked in partnership with a broad range of key stakeholders including the UK Commission for Employment and Skills, CBI, ACAS, British Library, Association of Business Schools, British Academy of Management, the Cabinet Office, Aon, British Standards Institution and The Conference Board. We play a key role in the work of policy groups including the BIS Leadership and Management Network Group, Leadership 2020 Commission, Macleod Employee Engagement Taskforce, Professions for Good, and the UKCES Research Advisory Group.

The prominence of the CMI research is confirmed by the 1,400 pieces of media coverage specifically on our research last year, with significantly greater coverage in the online world. We firmly believe that, for insights into management best practice, CMI should be the first port of call.

## Developing skills

**"With the economy stalling and the public finances in a precarious condition, the UK has rarely had a greater need for world-class management and leadership. Whether it is unlocking growth in the private sector or creating a more efficient public sector, developing the right management skills and behaviours is absolutely critical"**

Dr Martin Read CBE CCMI –  
foreword to *The Business Benefits of Management and Leadership Development*



# Shouting it from the roof tops

## Raising the profile of CMI

Number of schools  
involved with  
Campus CMI

165

Number of  
members in our  
LinkedIn group:

9,000

Number of pieces  
of coverage:

2,321

**Realising our vision and meeting the responsibility we have to improve the capability of managers and leaders across the UK will only be possible if we continue to raise CMI's profile and build its reputation as the leading expert on management and leadership issues. Communicating our offer and working to ensure managers, leaders and employers take notice of us and are compelled to join us, is a vital part of growing the organisation.**

Aligned to our policy and research priorities, a key focus for communications in the past year was highlighting the business benefits of management and leadership development by capitalising on the CMI/Penna report. The media launch in February 2012 generated more than 250 pieces of coverage, with highlights including *BBC Radio 2* and the *Financial Times*.

The ethos of the research was also the basis for one of our biggest brand awareness campaigns to date – the 'Shadow Man' campaign in November 2011. The message was simple: CMI will work with you and your organisation to improve your managers and leaders and this investment in management and leadership development will make your organisation perform better. To promote good management practices, the call to action for managers was to take up a free five-day trial enabling them to explore the wealth of information and resources that are available through CMI membership.

Through a targeted PR programme, CMI's thought leadership reputation is growing, with a steady stream of media coverage appearing in the places where managers and leaders are reading, watching and listening. CMI appeared in the media more than 2,000 times in 2011/12 – more than twice a month in the *Financial Times* or on its website. Topics covered included the importance of management qualifications, the risks of bad management, and diversity in the boardroom.

Online channels are becoming an increasingly important way of promoting our work and communicating with our various different audiences, from potential individual members to those at the highest levels of Government. Social media is now fully integrated into our communications programme and our presence has grown significantly over the past year. Membership of our LinkedIn and Facebook groups has doubled to 9,000 and 2,000 members respectively. We also have a very engaged Twitter following, which has grown by 50% over the last 12 months.

In addition, more and more people are turning to our website as a resource for all things management and leadership – web visitors are up 20%. Hosting live "Ask the Expert" sessions online is proving to be an excellent way of enabling managers to quiz our experts on burning issues, as well as helping us share report findings and recommendations.



The 2011 CMI Management and Leadership Conference brought together over 250 senior-level attendees from Government, commerce, the public sector and business world. The theme was 'Fit for Growth' and topics addressed included the skills crisis, leading at a time of change and economic adversity, and the importance of diversity in business.

The Conference dinner provided an opportunity to recognise and celebrate management success stories from the past year with the announcement of the winners of the second annual CMI National Management and Leadership Awards. Other accolades awarded on the night included the 2011 Gold Medal, which went to Dame Fiona Reynolds DBE, then Director General of the National Trust, and the Chartered Manager of the Year title which went to Colonel Neale Moss OBE.

The Conference is just one of many CMI events that took place – as our branches and volunteers continued to do an impressive job of raising awareness of our work and engaging key audiences. The programme of events across the UK, providing networking opportunities for members, highlighted the importance of management and leadership excellence and enabling managers to access practical support and solutions.

Finally, the Institute of Consulting has also continued to grow its profile and voice as a leading authority in the sector, increasing its efforts in engaging the media in particular. Highlights have included regular mentions in the consultancy trade press, as well as coverage in high profile titles such as the *Financial Times*, *City AM* and *Management Today*.

## Networking

**"The main thing has been networking and sharing ideas with other people in my industry. As well as meeting people at events, I have been able to keep up with the latest theory on HR in the form of free e-books on CMI's website that would otherwise have cost me big money. In addition to the day-to-day advantages, membership demonstrates real commitment, and if you are made redundant you are more likely to find work if other managers put a face to the name"**

Jamie Lyons, HR professional speaking about the value of his CMI membership in *The Times*



# Leading the management and leadership revolution

The UK needs better managers and leaders to turn the economy around and kick-start much-needed growth. CMI's focus for the coming year is to be the agent of change – making this happen by working with individual managers, employers and the Government.

Under the leadership of our recently appointed Chief Executive, Ann Francke, and new President, Peter Ayliffe, we will continue to adapt and improve our offer to meet the needs of our current members and help engage new ones. We want a modern CMI for modern managers and management.

Bringing ethics back into business, encouraging diversity in management and emphasising the crucial role that professional qualifications and Chartered status play in management and leadership excellence will all be key campaigning issues.

After a thorough review, Chartered Manager and the pathway to gaining chartered status has been streamlined and strengthened. It now sits at the heart of our membership offer and seeing real growth in the numbers of Chartered Manager is one particular target over the next 12 months. Research in autumn 2012 will demonstrate to employers and individual managers the business case for Chartered Manager.

We will work with the management community to restore public trust in UK business and the public sector. Raising professional standards is an integral part of what CMI stands for. If more managers and leaders were like our members – working to a code of conduct and ethics which signs them up to practising with integrity – organisations would perform better and benefit from positive reputations.

Plans for the Institute of Consulting should see it grow. The new National Consultants' Register – a simple and effective way for buyers to find the right consulting services – is key to this. It will strengthen the appeal for practices and individuals, enabling us to build corporate membership partnerships more readily.

The new CRM system will continue to improve customer service and marketing operations. Managers will be able more easily to access practical information, learning opportunities and support online through increased use of webinars and web streaming, and a new online version of *Professional Manager* magazine.

# Professional practice and business ethics

The CMI encourages and, indeed, requires demonstration of high professional and ethical standards in leadership and management. These sentiments are enshrined in our Code of Practice for Professional Managers. Likewise, IC has a Code of Conduct for its own members. Both Codes are overseen by the Professional Standards Committee (PSC).

Following a major review and relaunch of the CMI Code in the early part of 2011, awareness raising has continued on the basis that the Code supports and takes forward the Institute's charitable aims.

Three formal complaints against members of the CMI, in relation to a possible breach of the Code, were investigated during the year. One case proceeded to a formal hearing, the recommendation being to expel the member from the Institute. Investigation into the other two complaints found no prime facie case to be answered and therefore the cases were dismissed.

## Driving change

**"I like to lead by example so I undertook Chartered Manager for my own personal development. For me, it was clear that Chartered Manager would benefit my business, improving management skills and recognising talent. This is why Balmoral Tanks has launched a talent management programme built on the Chartered Manager ethos. It will contribute to the success of the organisation and its effectiveness as a competitive UK business"**

Allan Joyce CMgr FCMI, Managing Director,  
Balmoral Tanks



# Institute Governance

**Terry Morgan CBE CMgr CCMI, Chairman of Crossrail Ltd, moved into his second and final year as President of the Institute and Chair of the Board of Trustees. Peter Ayliffe CCMI, President and CEO of VISA Europe, was appointed by the Board as President Elect in July, and will assume the Presidency following the CMI Annual General Meeting on 4 October 2012.**

The Board of Trustees is the governing body of the charity and it met under the chairmanship of the President six times during the year. It is the Board's role to determine the overall direction and development of the organisation through good governance and effective strategic planning. The Board is also responsible for safeguarding and protecting the assets of the Institute, identifying the principal business risks and ensuring that appropriate systems are in place for their management. Board members also have an important representational and communications role to play, engaging with members at the National Conference and other major CMI events.

The Institute has kept abreast of developments in charity legislation, in particular the ongoing guidance on public benefit. In compiling this report the Board has paid due regard to this guidance in deciding which activities the charity should undertake and in reporting on those activities.

The Finance and Audit Committee provides an independent review of internal controls and financial reporting, as well as reporting to the Board on a quarterly basis on risk management issues. The Chairman is appointed by

and from the Board and its members (up to a maximum of seven) are appointed by the Board on the recommendation of the Nominations Committee.

The Nominations Committee is chaired by the Immediate Past President. Two of its members are appointed by and from the Board. The remaining three members are appointed by the Board from the wider membership.

The Advisory Committees of the Board consider policy issues in accordance with the agreed strategic framework. These Committees report to the Board at each of their meetings. *The Digest* e-newsletter communicates to all honorary officers the strategic discussions taking place across the central committee structure.

The structure, roles and responsibilities of the Advisory Committees of the Board is kept under regular review, to ensure that the governance structure reflects the overarching priorities within the five year strategic plan. Changes in governance over the past year have seen the launch of the Qualifications Committee and Management and Leadership Development Committee.

New members of the Board and its Committees are provided with a comprehensive induction, including face to face briefings and written guidance in the form of *The Guide* resource pack. A closed user website is available to all honorary officers, providing comprehensive and up to date information to support Board and Committee members in their work. *Ramses*, a digital repository and archive of committee papers,

minutes and constitutional documents continues to evolve, with a growing back catalogue of documentation.

A Board and Committee evaluation exercise, carried out on CMI's behalf by *Across the Board: Governance for Growth*, was conducted in January and February. This exercise took the form of an online survey and face to face interviews. An action plan to address the outcomes of the review was approved by the Board in May 2012. This includes establishment of a programme of regular briefings and corporate governance updates, enhancements to induction processes and regular appraisals of Committee outcomes and achievements against their respective terms of reference.

Vacancies for the elected member places on the Board are promoted via the CMI website and e-newsletters. In 2012 the website materials were enhanced with the addition of a role and person specification for a Board member, to complement the agreed set of competencies. Candidates are subject to initial assessment by Nominations Committee. In a contested election, full CMI members are eligible to vote. Three members contested the two places available in the 2011 election.

Co-options to the Board are considered on the basis of perceived gaps in the range of available skills and competencies required to meet the needs of the Board at the time. The remaining members of the Board are ex-officio, namely the President, President Elect, Immediate Past President, Chairman of IC Council and the Chief Executive.

The CMI Secretariat team regularly networks with Institute Secretaries from peer Institutes, to exchange good practice on issues relating to governance and constitutional structures. The Secretariat team represents the Institute on the Equally Professional Network, a grouping of professional bodies committed to promoting equality and diversity in and through their memberships.

The CMI continues to be a leading member of the European Management Association (EMA). The 2011 annual Assembly of EMA was hosted by the Institute in London in October, with EMA members invited to attend the CMI National Management and Leadership Conference. Key activities

within EMA included agreement on a 'Code of Practice' disseminated across the member organisations, taking the CMI Code of Practice for Professional Managers as its core, as well as planning ahead for engagement in pan-European projects on management standards and sector skills.

In October, the Secretariat team submitted and won a competitive tender to administer the Secretariat of ICMCI, the International Council of Management Consultancy Institutes. ICMCI has a global reach, with 49 national management consultancy institutes within its membership. The Secretariat role commenced on 1 January for a three year term.



# Financial Review

The accounts have been prepared in accordance with the Statement of Recommended Practice (SORP) 2005 – Accounting by Charities. The Institute is a company incorporated by Royal Charter and a charity.

CMI Enterprises Limited is a wholly owned subsidiary of the Institute offering commercial services in support of the Institute. The accounts of CMI Enterprises Limited are consolidated into the accounts of the Institute. During the year, CMI Enterprises Limited generated an operating profit of £12,791 (2011 – £14,916) which is transferred to the Institute under gift aid. A number of measures have been taken by the Institute during the past year to improve the future financial performance of CMI Enterprises Limited.

Membership income during the year was £4.93m (2011 – £5.02m). Deferred subscription income of £1.97m (2011 – £2.16m) was carried forward at the end of the year. This represents the unexpired portion of subscriptions received from members.

Total incoming resources for the year amounted to £11.69m (2011 – £11.96m) and generated net outgoing resources of £0.31m after inclusion of £0.35m of non-recurring staff and related costs (2011 – net incoming resources of £0.30m). The net cash outflow from operating activities of £1.00m (2011 – net cash inflow of £0.35m) is stated after including both the non-recurring

costs and £0.67m (2011 – £0.41m) of contributions to fund the deficit on the defined benefits pension scheme. Including capital expenditure of £0.33m (2011 – £0.38m) in the cash outflows, this resulted in a decrease in the value of the Institute's net funds (net cash plus investments) from £5.73m to £4.45m.

The Institute generated a net deficit on General Fund of £0.20m (2011 – £0.48m surplus) from operational activities in the year. £0.01m has been transferred to Designated Reserves, mainly to fund the continued development of the Institute's products and information systems.

At 31 March 2012, the FRS 17 valuation of the defined benefits pension scheme deficit stood at £8.33m (2011 – £5.64m). The net liabilities after inclusion of the pension deficit were £5.01m (2011 – £1.54m). A recovery plan has been put in place which seeks to eliminate the deficit over a period of 15 years. The Institute's total assets excluding the pension deficit were £3.32m at 31 March 2012 (2011 – £4.10m) and, as such, it is able to meet its obligations as they fall due.

At the end of the year, the Institute's free reserves were £0.89m (2011 – £1.76m), a decrease of £0.87m. The Institute's reserves policy is determined by the Board of Trustees and sets a target level for reserves of six months of the charity's expenditure. This level of reserve is considered prudent to provide against a significant unforeseen down

turn in income or an exceptional rise in expenditure. Charitable expenditure in the year of £10.11m results in a reserves target of £5.06m. The Institute's free reserves plus deferred subscription income total £2.85m, equivalent to 56% of the reserves target. This reflects the shortfall in net incoming resources, combined with higher defined benefits pension deficit contributions and the continued investment in the upgrade of the core information systems. The Institute remains committed in the longer term to achieving the target level of 6 months' reserve cover.

The Board of Trustees is responsible for monitoring the Institute's internal control systems. The Board, supported by the Finance and Audit Committee; Executive Directors; and Internal Auditors, review these systems in relation to the wider issue of any major risks identified as arising from or in connection with the Institute's activities and their mitigation. Particular attention was paid in the recent review to the Institute's new CRM system and its business continuity planning. The Board considers the controls to be appropriate to the size and nature of the Institute's operations and will continue to keep them under review.

All of the assets and funds held are applied towards achieving the objectives of the Institute and the assets are available and adequate to fulfil any outstanding obligations as they fall due.



The Charter of the Institute permits investments, either in its own name or in the name of nominees, of moneys which are not immediately required for its purposes, in or upon such investments, securities or property as may be thought fit. The investments of the charity are held in accordance with the trustees' powers. The Institute's investment strategy looks for a balance between both capital and income growth over a 10 year cycle, whilst also including sufficient liquid assets to support the working capital needs of the Institute. Investments are reported at market value in accordance with the SORP and performance is benchmarked against a weighted average index of funds. The performance of the portfolio during the year reflected the general movement in worldwide investment values and was in line with the benchmark index.

The accounts for the year, which are presented on pages 24 to 37 of this report, were approved by the Board of Trustees on 25 July 2012.

**Approved on behalf of the Board**

**Terry Morgan CBE CMgr CCMi**  
**President of CMI**

25 July 2012

# Trustees' responsibilities

Charity law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of its financial position at the end of the year. In preparing those financial statements, the trustees are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

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

Financial statements are published on the Institute's web site in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Institute's web site is the responsibility of the trustees. The trustees' responsibility also extends to the ongoing integrity of the financial statements contained therein.

## Appointment of auditors

A resolution proposing the re-appointment of auditors and authorising the Board of Trustees to fix their remuneration will be put to the Annual General Meeting.



# Independent auditor's report to the Trustees of CMI

We have audited the financial statements of the Chartered Management Institute for the year ended 31 March 2012 which comprise the Group Statement of Financial Activities, the Group and Parent Charity Balance Sheets, the Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity's trustees, as a body, in accordance with the Charities Act 2011 and the Charities and Trustee Investment (Scotland) Act 2005. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of trustees and auditor

As explained more fully in the Trustees' Responsibilities Statement (set out on page 22), the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under section 144 of the Charities Act 2011 and report in accordance with regulations made under those Acts. Our responsibility is to audit and express an opinion on the financial statements in accordance

with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charity's affairs as at 31 March 2012 and of the group's incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Charities Act 2011, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- the information given in the Trustees' Annual Report is inconsistent in any material respect with the financial statements; or

- proper and sufficient accounting records have not been kept; or
- the parent charitable company's financial statements are not in agreement with the accounting records or returns; or
- we have not received all the information and explanations we require for our audit.

## BDO LLP

Statutory Auditor  
Epsom  
United Kingdom

25 July 2012

BDO LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

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

# Consolidated statement of financial activities

for the year ended 31 March 2012

	Note No	General Funds 2012 £000	Designated Funds 2012 £000	Total Funds 2012 £000	Total Funds 2011 £000
<b>INCOMING RESOURCES</b>					
<b>Charitable activities</b>					
Membership	2	4,926	–	4,926	5,017
Standards and qualifications		3,569	–	3,569	3,973
Institute of Consulting		696	–	696	749
Information and advisory services		13	–	13	2
<b>Activities for generating funds</b>					
Management development	10	1,687	–	1,687	1,575
Publications	10	291	–	291	240
Rental income		86	–	86	65
Other operational income		372	–	372	280
<b>Investment income</b>					
Interest receivable		–	–	–	–
Investment income	14	48	–	48	55
		<u>11,688</u>	<u>–</u>	<u>11,688</u>	<u>11,956</u>
<b>RESOURCES EXPENDED</b>					
<b>Costs of generating funds</b>					
Management development		1,617	–	1,617	1,566
Publications		271	–	271	234
<b>Charitable expenditure</b>					
Membership		2,061	–	2,061	1,803
Standards and qualifications		1,994	–	1,994	2,151
Institute of Consulting		347	–	347	438
Information and advisory services		502	–	502	541
Branches, regions and support		824	–	824	1,101
Journals		650	–	650	541
Representational role and public relations	11, 12	3,406	–	3,406	2,920
Research and development		–	109	109	180
<b>Governance</b>		220	–	220	184
		<u>11,892</u>	<u>109</u>	<u>12,001</u>	<u>11,659</u>
		(204)	(109)	(313)	297
		(9)	9	–	–
<b>Transfers between funds</b>					
	18				
<b>NET (OUTGOING) / INCOMING RESOURCES</b>					
		(213)	(100)	(313)	297
<b>Gains / (losses) on investment assets</b>					
Realised		8	–	8	(1)
Unrealised	14	(9)	–	(9)	135
<b>Defined benefits pension scheme</b>					
Actuarial (loss) / gain		(3,162)	–	(3,162)	38
<b>NET MOVEMENT IN FUNDS</b>					
		(3,376)	(100)	(3,476)	469
<b>FUND BALANCES AT 1 APRIL 2011</b>					
		(1,867)	330	(1,537)	(2,006)
<b>FUND BALANCES AT 31 MARCH 2012</b>					
		<u>(5,243)</u>	<u>230</u>	<u>(5,013)</u>	<u>(1,537)</u>

All activities relate to unrestricted continuing operations.

There is no difference between the net incoming resources for the year stated above and its historical cost equivalent.

# Consolidated balance sheet

as at 31 March 2012

	Note No	Group 2012 £000	Charity 2012 £000	Group 2011 £000	Charity 2011 £000
<b>FIXED ASSETS</b>					
Tangible assets	13	2,200	2,200	2,010	2,010
Investments	14	4,659	4,659	5,336	5,336
		<u>6,859</u>	<u>6,859</u>	<u>7,346</u>	<u>7,346</u>
<b>CURRENT ASSETS</b>					
Debtors	15	1,763	1,197	1,651	1,317
Cash at bank and in hand		400	365	399	237
		<u>2,163</u>	<u>1,562</u>	<u>2,050</u>	<u>1,554</u>
<b>CREDITORS – amounts falling due within one year</b>					
Other creditors	16	(3,741)	(3,140)	(3,134)	(2,638)
Deferred subscription income	2	(1,966)	(1,966)	(2,161)	(2,161)
		<u>(5,707)</u>	<u>(5,106)</u>	<u>(5,295)</u>	<u>(4,799)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(3,544)</u>	<u>(3,544)</u>	<u>(3,245)</u>	<u>(3,245)</u>
<b>TOTAL ASSETS less CURRENT LIABILITIES</b>		3,315	3,315	4,101	4,101
<b>TOTAL NET ASSETS before PENSION DEFICIT</b>		3,315	3,315	4,101	4,101
<b>PENSION SCHEME FUNDING DEFICIT</b>	19	(8,328)	(8,328)	(5,638)	(5,638)
<b>NET (LIABILITIES)/ASSETS after PENSION DEFICIT</b>		<u>(5,013)</u>	<u>(5,013)</u>	<u>(1,537)</u>	<u>(1,537)</u>
<b>UNRESTRICTED FUNDS</b>					
<b>General fund</b>					
Tangible assets	13	2,200	2,200	2,010	2,010
Free reserves		885	885	1,761	1,761
		<u>3,085</u>	<u>3,085</u>	<u>3,771</u>	<u>3,771</u>
<b>Designated funds</b>	18	230	230	330	330
<b>TOTAL FUNDS excluding PENSION RESERVE</b>		3,315	3,315	4,101	4,101
<b>PENSION RESERVE</b>		(8,328)	(8,328)	(5,638)	(5,638)
<b>TOTAL FUNDS</b>		<u>(5,013)</u>	<u>(5,013)</u>	<u>(1,537)</u>	<u>(1,537)</u>
Free reserves		885	885	1,761	1,761
Deferred subscription income		1,966	1,966	2,161	2,161
<b>TOTAL PER RESERVES POLICY</b>		<u>2,851</u>	<u>2,851</u>	<u>3,922</u>	<u>3,922</u>

Approved by the Board of Trustees on 25 July 2012 and signed on their behalf by:

**Terry Morgan**  
President

**Ann Francke**  
Chief Executive and Member of Board of Trustees

# Consolidated cash flow statement

for the year ended 31 March 2012

	2012 £000	2011 £000
<b>NET CASH (OUTFLOW) / INFLOW FROM OPERATING ACTIVITIES</b>	(999)	345
<b>RETURNS ON INVESTMENT AND SERVICING OF FINANCE</b>		
Investment income	48	55
Interest receivable	–	–
	48	55
<b>CAPITAL EXPENDITURE</b>		
Purchase of tangible fixed assets	(329)	(383)
Net additions and disposals of fixed asset investments	668	105
	339	(278)
<b>(DECREASE) / INCREASE IN CASH</b>	(612)	122

## NOTES TO THE CASH FLOW STATEMENT

### RECONCILIATION OF NET (OUTGOING) / INCOMING RESOURCES TO NET CASH (OUTFLOW) / INFLOW FROM OPERATING ACTIVITIES

	2012 £000	2011 £000
Net (outgoing) / incoming resources	(313)	297
Depreciation charges	139	84
Investment income	(48)	(55)
Interest receivable	–	–
(Increase) in net movement in funds due to FRS17	(472)	(111)
Realised gain / (loss) on investment assets	8	(1)
(Increase) / decrease in debtors	(112)	424
(Decrease) in other creditors excluding bank overdraft	(6)	(282)
(Decrease) in value of subscriptions received relating to a future period	(195)	(11)
<b>NET CASH (OUTFLOW) / INFLOW FROM OPERATING ACTIVITIES</b>	(999)	345

### RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET (DEBT) / FUNDS

(Decrease) / increase in cash and change in net funds	(612)	122
Net funds at 1 April 2011	399	277
<b>Net (debt) / funds at 31 March 2012</b>	(213)	399

### ANALYSIS OF CHANGES IN NET (DEBT) / FUNDS

	1 April 2011 £000	Cash Flow £000	31 March 2012 £000
Cash at bank and in hand	399	1	400
Bank overdraft	–	(613)	(613)
	399	(612)	(213)

# Notes to the accounts

## Accounting policies

### 1 BASIS OF ACCOUNTING

The accounts have been prepared in accordance with the Statement of Recommended Practice (SORP) 2005 – Accounting by Charities, applicable accounting standards, and under the historical cost convention. The statement of financial activities, balance sheet and cash flow statement consolidate the financial statements of the charity and its subsidiary undertaking, CMI Enterprises Limited. The results of the subsidiary are consolidated on a line by line basis.

### 2 INCOME

Income represents the invoice value of sales excluding value added tax. It is the practice of the Institute to carry forward to the following year the unexpired portion of all subscriptions where the contribution year does not coincide with the financial year. All other income is recognised when the charity earns the right to consideration by its performance.

### 3 RESOURCES EXPENDED

Expenditure is recognised on an accruals basis as a liability is incurred. Expenditure includes any VAT which cannot be fully recovered, and which is reported as part of the expenditure to which it relates.

Costs of generating funds comprise the costs associated with management development and publications. Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities and services for its beneficiaries. Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charity and include the audit fees and costs linked to the strategic management of the charity.

All costs are allocated between the expenditure categories of the statement of financial activities on a basis designed to reflect the use of the resource. Costs relating to a particular activity are allocated directly, and other costs are apportioned on an appropriate basis as set out in note 11.

### 4 FIXED ASSETS

Freehold land and buildings are subject to a full valuation every 5 years, with an interim valuation carried out in the third year of this cycle. All other fixed assets are carried at cost.

Depreciation is provided so as to write off the cost or valuation of fixed assets less any residual value of all tangible fixed assets, except freehold land, evenly over their expected useful lives. It is calculated at the following rates:

- Freehold property – straight line over 50 years
- ICT and other equipment – straight line over 3, 5 and 10 years as appropriate

Expenditure under £500 is written off in the year of purchase (2011 – £500).

### 5 INVESTMENTS

Investments are stated in the accounts at market value in accordance with the SORP. Realised and unrealised gains and losses in the year based on market value or cost in the year are recognised in the statement of financial activities.

# Notes to the accounts

## Accounting policies continued

### 6 LEASED ASSETS

Rentals payable under operating leases are charged on a straight line basis over the lease term. There are no assets held under finance leases.

### 7 FUNDS

The general and designated funds of the Institute are unrestricted income funds. The use of the designated funds is outlined in note 18.

### 8 PENSION COSTS

The Institute's defined benefits pension scheme is accounted for in accordance with FRS17 'Retirement Benefits'. The service cost of pension provision relating to the year, together with the cost of any benefits relating to past service if the benefits have vested, is charged to the statement of financial activities. A charge equal to the increase in the present value of the scheme liabilities (because the benefits are closer to settlement) and a credit equivalent to the Group's long term expected return on assets (based on the market value of the scheme assets at the start of the year), are also included in the statement of financial activities. The difference between the market value of the assets of the scheme and the present value of the accrued pension liabilities is shown as an asset or liability on the balance sheet. Any differences between the actual and expected return on assets during the year are recognised in the statement of financial activities along with differences arising from experience or assumption changes.

The Institute operates a stakeholders, defined contribution, pension scheme for staff who are not eligible to join the defined benefits scheme. Contributions to the Institute's stakeholder pension scheme are charged to the general fund in the year in which they become payable.

Details can be found in note 19.

# Notes to the accounts

## Statement of financial activities

	2012 £000	2011 £000
<b>9 CHARTERED MANAGEMENT INSTITUTE</b>		
Included in the consolidated statement of financial activities are the following amounts in respect of the charity.		
Incoming resources	9,787	10,141
Resources expended	(10,113)	(9,859)
Net (outgoing) / incoming resources	(326)	282
(Losses) / gains on investment assets	(1)	134
Defined benefits pension scheme – Actuarial (loss) / gains	(3,162)	38
Net movement in funds	(3,489)	454
<b>10 CMI ENTERPRISES LIMITED</b>		
<b>For the year to 31 March 2012</b>		
Income	1,978	1,815
Expenditure	(1,965)	(1,800)
Operating profit	13	15
Amount transferred to Institute under gift aid	(13)	(15)
	–	–
<b>As at 31 March 2012</b>		
Assets	615	625
Liabilities	(615)	(625)
	–	–

### Share Capital

1 ordinary share of £1, authorised, allotted, called up and fully paid.

CMI Enterprises Limited, registered in England, company number 4373145, is a wholly owned trading subsidiary of the Institute, offering commercial services in support of the Institute.

# Notes to the accounts

## Statement of financial activities continued

	Direct Costs £000	Management & Administration £000	2012 £000	2011 £000
<b>11 EXPENDITURE</b>				
<b>Costs of generating funds</b>				
Management development	1,617	–	1,617	1,566
Publications	271	–	271	234
<b>Charitable expenditure</b>				
Membership	1,718	343	2,061	1,803
Standards and qualifications	1,669	325	1,994	2,151
Institute of Consulting	347	–	347	438
Information and advisory services	377	125	502	541
Branches, regions and support	715	109	824	1,101
Journals	556	94	650	541
Representational role and public relations*	2,822	584	3,406	2,920
Research and development	109	–	109	180
<b>Governance</b>	220	–	220	184
	<u>10,421</u>	<u>1,580</u>	<u>12,001</u>	<u>11,659</u>

\* Includes £346,000 of non-recurring staff and related costs, of which £288,959 are disclosed in Note 12.

Management and administration costs have been re-allocated using an appropriate basis, including staff numbers, space occupied and IT resources applied.

### Remuneration of auditors

– audit work	23	22
– tax advice	6	2
	<u>29</u>	<u>24</u>

The Group remuneration of auditors for audit work was £31,200 (2011 – £30,000).

## 12 STAFF EMPLOYMENT COSTS

Wages and salaries	4,453	4,242
Social security costs	464	456
Pensions and other post retirement benefits (Note 19)	1,077	860
Benefits in kind	132	131
	<u>6,126</u>	<u>5,689</u>

The average number of staff employed during the year was 133 (2011 – 134).



The number of staff who received emoluments (salary plus taxable benefits) over £60,000 during the year was:

	2012	2011
£ 60,000 – £ 69,999	3	5
£ 70,000 – £ 79,999	2	2
£ 80,000 – £ 89,999	1	1
£ 90,000 – £ 99,999	1	–
£100,000 – £109,999	1	–
£110,000 – £119,999	1	2
£120,000 – £129,999	1	2
£220,000 – £229,999	–	1
£340,000 – £349,999	1	–

3 of the above staff (2011 – 3) have retirement benefits accruing under the Institute's defined benefits pension scheme.

8 of the above staff (2011 – 10) have retirement benefits accruing under defined contribution pension schemes, at a cost to the Institute of £92,081 (2011 – £76,444).

The Remuneration Committee determines the terms and conditions, including annual remuneration, of the Chief Executive and Executive Directors of the Institute. In doing so, it takes account of market forces, individual performance, and pay and conditions of the Institute's other employees. The members of the committee are:

- The President
- The Immediate Past President
- The President Elect
- 2 members co-opted by the Board

Ruth Spellman served as a Trustee between 2 June 2008 and 27 July 2011 and, in accordance with the Royal Charter, was remunerated in her capacity as Chief Executive of the Institute as disclosed in the highest band above. The amount disclosed includes non-recurring costs of £198,400 in respect of compensation for loss of office, and remuneration for the period after 27 July 2011 of £55,183. In addition, contributions by the Institute in the year of £44,811, including £28,300 as compensation for loss of office, and £7,076 in respect of the period after 27 July 2011, were made to the defined contribution pension scheme in respect of Ruth Spellman, details of which can be found in notes 8 and 19.

Christopher Kinsella resigned as a co-opted trustee on 27 July 2011 and was appointed Acting Chief Executive on the same date. The appointment has been notified to the Charities Commission. Christopher Kinsella Limited received gross fees for services of £226,875 and expenses of £5,178 in the year for this role in accordance with the Royal Charter. Included in this figure was an amount owed to Christopher Kinsella Limited at 31 March 2012 of £22,500. These payments are excluded from the table above of staff receiving emoluments over £60,000.

No other Trustee received emoluments during the year.

During the year a total of £8,064 (2011 – £6,192) was reimbursed to 8 (2011 – 7) Trustees in respect of travel and subsistence expenses incurred.

# Notes to the accounts

## Balance sheet

	Enhancements to Leased Property £000	Freehold Property £000	ICT and Other Equipment £000	Total £000
<b>13 TANGIBLE FIXED ASSETS</b>				
Cost to 1 April 2011	29	1,450	1,080	2,559
Additions during the year	–	–	329	329
Disposals during the year	–	–	(343)	(343)
Cost at 31 March 2012	29	1,450	1,066	2,545
Depreciation:				
To 1 April 2011	10	19	520	549
Disposals during the year	–	–	(343)	(343)
For the year	5	19	115	139
To 31 March 2012	15	38	292	345
Book value at 31 March 2012	14	1,412	774	2,200
Book value at 31 March 2011	19	1,431	560	2,010

The Institute's freehold property was valued by Budworth Hardcastle, property consultants, at an open market value of £1,450,000 as at 31 March 2010.

Included in the cost of freehold property is freehold land valued at £500,000 which is not being depreciated.

	<b>Group 2012 £000</b>	<b>Charity 2012 £000</b>	<b>Group 2011 £000</b>	<b>Charity 2011 £000</b>
<b>14 INVESTMENTS</b>				
Market value at 1 April 2011	5,336	5,336	5,306	5,306
Net additions and disposals in the period	(668)	(668)	(105)	(105)
Net (loss) / gain on revaluation at 31 March 2012	(9)	(9)	135	135
Market value at 31 March 2012	<u>4,659</u>	<u>4,659</u>	<u>5,336</u>	<u>5,336</u>
Represented by:				
Investment assets in the UK	<u>4,659</u>	<u>4,659</u>	<u>5,336</u>	<u>5,336</u>
Historical cost at 31 March 2012	<u>4,796</u>	<u>4,796</u>	<u>5,479</u>	<u>5,479</u>

Of the value of investment assets in the UK, £4,629,000 (2011 – £4,802,000) is invested in UK investment assets which include investments overseas.

At 31 March 2012 the following investments represented more than 5% of the total investment assets:

Barclays PTF Balanced pfolio	2,963	2,963	2,700	2,700
Barclays Capital ELS 038 Call	–	–	1,085	1,085
Barclays SN203 4 Yr Gilt Warrant	776	776	–	–
BARCAP SN228-10 Call	298	298	310	310
Cazenove AB Tst Account	465	465	492	492

All of the investments are listed on a recognised stock exchange or are unit trusts valued by reference to such investments, with the exception of £31,000 (2011 – £534,000) held in cash.

The investment income recognised in the statement of financial activities is derived from these investments as follows:

Investment assets in the UK	<u>48</u>	<u>48</u>	<u>55</u>	<u>55</u>
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Of the income received from investments in the UK, £48,000 (2011 – £55,000) is in respect of UK investment assets which include investments overseas.

## 15 DEBTORS – amounts falling due within one year

Trade debtors	1,174	766	1,238	894
Prepayments and accrued income	589	417	413	290
Amount due by CMI Enterprises Limited	–	14	–	133
	<u>1,763</u>	<u>1,197</u>	<u>1,651</u>	<u>1,317</u>

# Notes to the accounts

## Balance sheet continued

	Group 2012 £000	Charity 2012 £000	Group 2011 £000	Charity 2011 £000
<b>16 CREDITORS – amounts falling due within one year</b>				
Bank overdraft	613	613	–	–
Trade creditors	606	487	357	294
Accruals	910	704	949	760
Deferred income	1,612	1,336	1,828	1,584
	<u>3,741</u>	<u>3,140</u>	<u>3,134</u>	<u>2,638</u>

In November 2011, CMI agreed a £2m banking facility secured against the value of its investment portfolio (see note 14). The overdraft balance carries an interest rate charge at 1.75% above the Bank of England base rate.

## 17 ANNUAL COMMITMENTS UNDER OPERATING LEASES

Land and buildings leases which expire

– within one year

– in the second to fifth years inclusive

–	–	–	–
247	247	247	247
<u>247</u>	<u>247</u>	<u>247</u>	<u>247</u>

Car operating leases which expire

– within one year

– in the second to fifth years inclusive

13	13	20	20
60	60	64	64
<u>73</u>	<u>73</u>	<u>84</u>	<u>84</u>

	Property Reserve £000	Development Reserve £000	Total 2012 £000	Total 2011 £000
<b>18 DESIGNATED FUNDS</b>				
Balance at 1 April 2011	130	200	330	430
Resources expended	–	(109)	(109)	(180)
	130	91	221	250
Transfer from general fund	–	9	9	80
Balance at 31 March 2012	<u>130</u>	<u>100</u>	<u>230</u>	<u>330</u>

The Property Reserve has been set aside to provide for the ongoing maintenance of the freehold premises.

The Development Reserve is to fund significant future projects, including the development of the Institute's products and information systems.

The funds are represented by current assets.

Charity 2012 £000	Charity 2011 £000
-------------------------	-------------------------

## 19 PENSION BENEFITS

### Defined benefits pension scheme

The Institute operates a defined benefits pension scheme which is controlled by 5 trustees and the assets of which are held separately from those of the Institute.

From 1 April 2003 the scheme was closed to new entrants. From 1 May 2004 the scheme changed to the career average revalued earnings basis. As a consequence of the scheme being closed the age profile of active members will increase. Under the projected unit method, the current service cost, as a proportion of the active members' pensionable salaries, is expected to increase as the members of the scheme approach retirement. Despite the scheme being closed to new entrants, the projected payment profile extends over more than 50 years.

The defined benefits pension scheme is subject to triennial valuation by independent actuaries, the last valuation being carried out as at 1 April 2010. The following actuarial assumptions were applied:

Investment returns	6.50%
Pension increase	5.00%
Rate of inflation	3.60%

At the valuation date the market value of the assets was £17.2 million and the actuarial value was sufficient to cover 68% of the benefits which have accrued to members after allowing for future increases in earnings. The Institute's contribution rate takes account of the deficit disclosed by the valuation. For the year ended 31 March 2012 the total pension contributions by the Institute to the defined benefits scheme was £933,000 (2011 – £688,000).

The scheme assets are invested in funds managed by Scottish Widows.

The actuary has computed the following information regarding the financial position of the scheme as at 31 March 2012:

Fair value of scheme assets	24,520	23,715
Value of funded obligations	(32,848)	(29,353)
Net deficit	(8,328)	(5,638)

Changes in fair value of scheme assets during the year:

At 1 April 2011	23,715	23,029
Expected return on assets	1,487	1,491
Actuarial (losses)	(1,022)	(442)
Contributions	979	716
Benefits paid	(639)	(1,079)
At 31 March 2012	24,520	23,715

Changes in value of funded obligations during the year:

At 1 April 2011	(29,353)	(28,816)
Current service costs	(292)	(396)
Interest on obligation	(1,702)	(1,700)
Actuarial gain from adoption of CPI	1,889	–
Other actuarial (losses)/gains	(4,029)	480
Benefits paid	639	1,079
At 31 March 2011	(32,848)	(29,353)

The obligations at 31 March 2012 reflect an actuarial gain of £1,889,000 in respect of a change to adopt CPI in the calculations of deferred pension revaluation and inflation linked pension increases.

The contributions to the defined benefit pension scheme in the year to 31 March 2013 are expected to be £1,077,000.

# Notes to the accounts

## Balance sheet continued

	Charity 2012 £000		Charity 2011 £000
<b>19 PENSION BENEFITS continued</b>			
Analysis of the scheme assets at 31 March 2012:			
Equities	11,238	46%	11,100 47%
Bonds	7,618	31%	6,487 27%
Property	393	2%	368 2%
Cash	291	1%	579 2%
Insured pensioners	4,980	20%	5,181 22%
	<u>24,520</u>	<u>100%</u>	<u>23,715</u> <u>100%</u>
Principal actuarial assumptions at 31 March 2012:			
Expected return on scheme assets			
Equities	6.30%		7.40%
Bonds	4.90%		5.00%
Property	6.30%		7.40%
Cash	0.50%		0.50%
Insured pensioners	4.90%		5.80%
Discount rate	4.90%		5.80%
Retail price inflation	3.10%		3.40%
Consumer price inflation	2.10%		
Pension increases (Limited price index)	2.00%		3.40%
Deferred pension revaluation	2.10%		3.40%
Mortality follows the standard table known as S1PA with medium cohort mortality improvements subject to a 1% minimum to the annual improvements.			
Assuming retirement at age 65, the life expectancy in years are as follows:			
For a male aged 65 now	21.5		21.4
At 65 for a male member aged 45 now	23.4		23.3
For a female aged 65 now	24.1		24.0
At 65 for a female member aged 45 now	26.0		25.9
The following components of the pension charge have been recognised in the statement of financial activities in accordance with FRS17:			
Expected return on assets	1,487		1,491
Interest on obligation	<u>(1,702)</u>		<u>(1,700)</u>
Net finance charge	(215)		(209)
Current service cost	(292)		(396)
Total operating charge	<u>(507)</u>		<u>(605)</u>
Actual return on assets	<u>465</u>		<u>1,049</u>

	Charity 2012 £000	Charity 2011 £000	Charity 2010 £000	Charity 2009 £000	Charity 2008 £000
Fair value of scheme assets	24,520	23,715	23,029	17,244	19,781
Value of funded obligations	(32,848)	(29,353)	(28,816)	(21,026)	(21,689)
Net deficit	<u>(8,328)</u>	<u>(5,638)</u>	<u>(5,787)</u>	<u>(3,782)</u>	<u>(1,908)</u>
Experience adjustments on scheme assets	<u>(1,022)</u>	<u>(442)</u>	<u>5,116</u>	<u>(3,563)</u>	<u>(2,022)</u>
Experience adjustments on scheme liabilities	<u>(2,140)</u>	<u>480</u>	<u>(7,218)</u>	<u>1,327</u>	<u>2,498</u>

#### Defined contribution pension schemes

For the year ended 31 March 2012, the total contribution by the Institute to defined contribution schemes was £168,000 (2011 – £172,000).

# Honorary officers

## Patron

His Royal Highness The Prince Philip,  
Duke of Edinburgh KG KT

## President

Terry Morgan CBE CMgr CCMI

## President Elect

Peter Ayliffe CCMI

## Immediate Past President

Sir David Howard CCMI

## Board of Trustees

(as at 31 March 2012 and 12 July 2012)

(The number of Board meetings attended during the period April 2011 to March 2012 is indicated alongside the name of each member.)

Terry Morgan CBE CMgr CCMI	6/6
Suzanne Andrade CMgr FCMI	4/6
Peter Ayliffe CCMI	3/3
John Burgess FCMI	5/6
Judy Craske CMC CMgr FCMI MIC	6/6
Ann Francke CMgr CCMI (from 12 June 2012)	n/a
Dr Lorna Gibson FCMI	2/2
Christopher Kinsella CMgr CCMI (to 12 June 2012)	6/6
Ian MacEachern OBE CMgr FCMI	6/6
Phillippa Williamson CMgr CCMI	3/6

The following served as a member of the Board, and therefore a Trustee of the Institute, during the year:

Sir David Howard CCMI (to 2 November 2011)	1/4
Adrian Godfrey FIC (to 27 July 2011)	1/2
Dr Derek Little CMgr FCMI (to 6 September 2011)	1/3
Ruth Spellman OBE CMgr CCMI (to 27 July 2011)	1/2

The following candidates were successful in being elected or appointed to the Board of Trustees as from the AGM held on 20 October 2011 (or as otherwise indicated):

## Elected members

Judy Craske CMC CMgr FCMI MIC

Ian MacEachern OBE CMgr FCMI

## Co-opted member

Dr Lorna Gibson FCMI  
(from 15 February 2012)

## Ex-officio members

Peter Ayliffe CCMI  
(from 2 November 2011)

Christopher Kinsella CMgr CCMI  
(from 27 July 2011)

Ann Francke CMgr CCMI  
(from 12 June 2012)

## Members of the Board of CMI Enterprises Ltd

(as at 31 March 2012)

Huw Hilditch-Roberts FCMI  
(from 24 August 2011)

Tricia Williamson CMgr FCMI



# Members of Committees of the Board

as at 31 March 2012

## Finance and Audit Committee

Phillippa Williamson CMgr CCMI  
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Paul Garrity CMgr MCMI  
Pauline Hobson FCMI  
Kris Murali CMgr FCMI  
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Des Benjamin CCMI  
Bridget Blow CCMI  
Patrick Dunne CCMI  
Sir Stuart Etherington CCMI  
Robin Field-Smith CCMI  
David Frost CBE CCMI  
Terry Morgan CBE CMgr CCMI  
Ian Reynolds CCMI  
Professor Peter Tomkins FIC CMC CCMI

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Ian Burgess CMC FIC  
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Karen Dancy CMgr FCMI MIC  
Graham Hales MCMI MIC  
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Ian Watson FIC FCMI  
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Ian Owen CMgr MCMI  
Paula Ward CMgr MCMI  
Tricia Williamson CMgr FCMI

## Marketing and Policy Development Committee

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Dr Anne Craven CMgr MCMI  
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Sam Toolan  
Antony Willenbruch FCMI  
Petra Wilton FCMI

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John Burgess FCMI  
Judy Craske CMC CMgr FCMI MIC  
Tim Power CMgr FCMI  
John Scruton FCMI  
Professor Peter Tomkins FIC CMC CCMI

## Professional Standards Committee

Robin Colby FCMI – Chairman  
Keith Dabbs FCMI  
Ray Ferris FCMI  
Janette Gulleford FCMI  
Simon Keel-Diffey FCMI  
Laliek Nasmyth MCMI  
Barrie Sinclair-Kemp CMC FCMI MIC  
Katy Turff CMgr MCMI  
Jeremy Webster CMC FIC  
Dr Aniko Zagon FCMI

## Qualifications Committee

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– Chairman  
Milo Crummie (Affiliate)  
Bryan Davies  
Julie Delahoy  
Jacqui Fairbrass MCMI  
Tony Fazaeli FCMI  
Carl Lygo CCMI  
Elisabeth Newman FCMI  
Narinder Uppal CMgr FCMI  
Jeremy Webster CMC FIC  
Robert Wilson MBE FCMI

## Remuneration Committee

Terry Morgan CBE CMgr CCMI  
– Chairman  
Peter Ayliffe CCMI

# Legal Status

## Legal status

The Chartered Management Institute was incorporated by Royal Charter on 12 February 2002. The Institute is a charity, with registration number 1091035. The Institute is also a charity registered in Scotland (SCO38105).

The members of the Institute's Board of Trustees, other than the Chief Executive, serve as unpaid trustees. Its members are listed on page 38. The Institute insures the trustees in respect of their duties to the Institute.

**CMI Enterprises Limited** is a wholly owned trading subsidiary of the Institute, company number 4373145, offering commercial services in support of the Institute.

## Auditors

### **BDO LLP**

Emerald House  
East Street  
Epsom  
Surrey  
KT17 1HS

## Bankers

### **Barclays Bank plc**

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1 Churchill Place  
London  
E14 5HP

### **Charities Official Investment Fund (COIF)**

80 Cheapside  
London  
EC2V 6DZ

## Solicitors

### **Royds LLP**

65 Carter Lane  
London  
EC4V 5HF

## Investment fund agents

### **Barclays Private Bank Ltd**

12th Floor  
Churchill Place  
Canary Wharf  
London  
E14 5HP

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