



**Trustees' report and financial statements
For the year ended 31 March 2017**

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Foreword

It has been a year of big changes for our country and the sectors the Institute works in. These make the work we do ever more important: the case for learning, skills and employment has never been clearer.

The referendum vote to leave the European Union and subsequent change in Government were highly significant events. If anything, the referendum result has intensified the focus on technical education and lifelong learning – these are essential to promoting social inclusion, active communities, health and wellbeing, and future economic prosperity.

The renewed focus on these topics is welcome, but we have raised important issues regarding the quality of Apprenticeships and other vocational learning – ensuring everyone who can benefit is able to do so. It is crucial too that we expand other forms of learning, work-based, community, family, formal, informal etc. And we need to make sure everyone who can is able to access employment and build fulfilling careers. It is not an understatement to say we need a learning and work revolution if we are to answer the big social and economic questions we face.

That's a big ask, but we have been active in helping to shape policy, testing new ways of working and delivering, and advocating for the power of learning and work.

The funding environment for the work we do continues to be tough. The transition to a new government post-referendum led to a slowdown in commissioning of the research and development work which drives our income and represented a big challenge for us, as income overall was lower than we had budgeted.

However, this report shows the breadth, depth and range of work we do. Our impact can be seen in the shaping of policy debates, range of organisations we work with, and the rollout of new approaches we have helped develop and trial. We truly punch above our weight. This is only possible because of the skills, expertise and sheer hard work of our staff and Trustees.

Ultimately, many of the challenges our country faces are longstanding: we have high employment, but too many on low pay; great opportunities to learn, but too many locked out; a country filled with opportunity, but where life chances still depend too much on your background. So the principles of what is needed are the same, even though the context is different as we prepare for a post-Brexit Britain.

We will continue to argue for more opportunities to learn, better support to find work, and a fair chance for everyone. We are proud of the impact we have had, and look forward to more important work in the year ahead.

Maggie Galliers
Chair of Company Board

Stephen Evans
Chief Executive Office

Impact Report

The following pages summarise the key impacts we have achieved over the course of the year. A more detailed impact report will be published in November 2017, following our Annual General Meeting

Strategic Priorities and Impact

Our Strategic Plan has been in place since 2015. It has been refreshed and revised since, including to reflect the merger that created the Learning and Work Institute in January 2016, but the core principles and focus hold true and have provided the golden thread for our work. The Plan provides focus and purpose, and sets out stretching and ambitious but realistic goals for the impact we are trying to make.

Our vision is for a prosperous and fair society in which learning and work provide opportunities for everyone to realise their potential and ambitions throughout life. This vision will be delivered through the following priorities:

Life and Society

- a. **Citizen's curriculum:** Ensuring all citizens have the core set of capabilities they need in 21st century Britain, including a central focus on English and Maths.
- b. **Life chances:** Increasing access to learning and work, including by extending the reach and impact of family and community learning approaches.

Work and Careers

- a. **Full employment:** Building more integrated support to increase employment, with a particular focus on tackling long-term worklessness and helping people with health problems and disabilities.
- b. **Apprenticeships and progression:** Supporting progression for low paid workers including through Universal Credit, promoting growth in and access to high quality apprenticeships and higher skills alongside wider work-based learning.

Making the system work

- a. **Devolution:** Which services should be devolved and how best to do so.
- b. **Funding:** How to increase employer and individual investment, including through Advanced Learner Loans and personal accounts.
- c. **Personalisation:** How to ensure services are driven by individuals and employers, including through user voice, focus on outcomes, and purchasing power.

Campaigning

- a. **Changing policy and delivery** through our evidence base, research and ideas.
- b. **Promoting learning to individuals** through the Festival of Learning and Adult Learners' Week.

We have helped shape policy nationally and locally

We published proposals in three key areas:

- **Employment for disabled people.** We highlighted the size of the employment gap, lack of progress in tackling this gap, and proposals for doing better. This achieved national coverage, for example in the Guardian and Observer, and has led on to further policy development work;
- **Personal Learning Accounts.** We proposed a new system of accounts for people and employers to take control of and co-invest in their learning. We have done further policy development and influencing work in partnership with a number of organisations; and
- **Apprenticeships.** We put forward proposals for the Apprenticeship Levy, funding and wider policy, focused on ensuring world class quality and access for all who could benefit from an apprenticeship. We were pleased changes were made to the funding system in line with our recommendations, targeting more money at supporting young people, but more remains to be done.

We organised fringe events at the annual party conferences. At Labour's conference, with the Association of Colleges (AoC) and Association of Employment and Learning Providers (AELP), we discussed what a post-Brexit skills system should look like with the Shadow Skills Minister. At the Conservative conference, we held a joint fringe with FE Week, AoC and AELP on how to deliver three million high quality apprenticeships. At both events, learners were included on the panel.

We submitted evidence to a number of Parliamentary committees and consultations, including: to the Work and Pensions Committee on the future of Jobcentre Plus and halving the disability employment rate gap; to the Business, Innovation and Skills Committee on introducing Further Education Maintenance Loans; to the Department of Health on its Carers Strategy; to the London Assembly on the impact of Brexit; and on the introduction of the Institute of Apprenticeships and Technical Education.

The Technical and Further Education Bill was introduced to enact reforms to apprenticeships and technical education. We provided written and oral evidence to the Public Bill Committee scrutinising the Bill and argued for a greater focus on quality, reporting of outcomes and financial support for apprentices. We were pleased to see a new entitlement to free digital skills training in the Digital Economy Bill, something we have long advocated, but continue to argue for more investment to resource this.

There is an increasing drive for cities and local areas to play a leadership role in the learning, skills and employment systems. This is something we have argued for, and we have helped explore how these powers can be most effectively exercised.

In the run up to the London Mayoral election, we published *Close the gap: How London's Mayor can extend opportunity*. This set out proposals for how the new Mayor could increase employment, boost careers and living standards, and promote high quality apprenticeships. We're pleased that, in line with one of our recommendations, a Skills for Londoners Taskforce has been established to boost skills and opportunity.

A new government was elected in Wales in May 2016. We have worked with the Welsh Government to influence the emerging all-age Employability Strategy, including through participation in an expert stakeholder group, highlighting successful service integration models, and the importance of a focus on health outcomes. In addition, we have influenced the options for change for adult and community learning provision in Wales and assessment of potential impacts.

We inspired more adults to take up learning for life

The Festival of Learning, building on Adult Learners' Week, has been celebrating the best in adult learning and inspiring people to learn for a quarter of a century. It is now the template for successful initiatives in 55 countries. It is all about showing the power of learning to change lives, celebrating what people from all backgrounds have achieved, and inspiring more adults to take up learning.

Our Festival of Learning Awards and the Inspire! Awards in Wales achieved more than 700 award nominations. Overall, 40 award winners were recognised at award ceremonies in England and Wales. This year we partnered with organisations such as Open University, Workers' Educational Association, CityLit College, and Campaign for Learning. As a result, thousands of adults were inspired to attend a learning event and try learning something new in more than 2,000 learning opportunities.

More than 100 guests attended our annual Festival of Learning Parliamentary reception. It was sponsored by Dan Jarvis MP, whose constituent Lee Hughes won an award the previous year, and was one of the first public engagements for the new Skills Minister Robert Halfon MP. The campaign gained celebrity endorsement from Gregg Foot, who presented the awards ceremony for the second time. Press coverage was achieved in the Daily Express, The Sun, New Day, and BBC Radio Leicester.

Our campaign hashtag #lovetolearn earned just over 14 million impressions, which peaked during our June 2016 Thunderclap which reached 900,000 accounts and made more than two million impressions (the number of followers who could potentially receive a tweet).

We developed solutions to meet the big challenges

This section provides a snapshot of our research and development work over the past 12 months.

- **Improving literacy, numeracy and life skills.** Good English, maths and digital skills are fundamental – for finding work, helping children at school, dealing with everyday problems and learning throughout life. But current approaches to tackling our nation's skills challenges have fallen short. Our *Citizens' Curriculum* takes a different and innovative approach. We've shown that a flexible programme tailored to what people need and want, and where content is co-developed with learners themselves, can motivate and engage people. Rochdale Borough Council found that, for every £1 invested in their pilot, £3.68 was saved. The benefits of integrated working across public services were clear, with savings for the Department for Work and Pensions, local authority, criminal justice services, and

health services. Learning was shown to have huge power in promoting wellbeing, inclusion and a range of other benefits. We've also helped to refresh the national standards for adult literacy and numeracy, and contributed to new Functional Skills English and maths curricula, to ensure the new qualifications from 2019 are well suited to the needs of adult learners.

- **Increasing access to apprenticeships for under-represented groups.** In 2014/15, just 10% of those starting an Apprenticeship came from a Black, Asian or Minority Ethnic (BAME) background – a significant under-representation compared to the working age population. Our research found that disparities by sector and geography, along with a lack of role models and advice, are key reasons for this gap and we researched approaches to tackle them. We also found that just 600 of 17,500 people starting an engineering apprenticeship in 2014/15 were women, with low representation at initial application stage and a lower number of applications per person. Our research is informing apprenticeship policy and shaping future work to ensure fair access to apprenticeships.
- **The challenge of an older workforce.** Through our work with Welsh Government we have been part of the campaign to help businesses better understand the impact of an ageing workforce. With one in three workers expected to be over 50 in the next five years we have worked with government and business organisations to challenge existing patterns of skills investment.
- **Flexible and inclusive Apprenticeships.** We research the best ways to open up Apprenticeships to people with learning difficulties and disabilities, building on the recommendations of the Maynard Review. This included looking at recruitment routes, and identifying and spreading best practice. We also looked at how to increase apprenticeships in the public sector (helping to meet a government target) and how apprenticeships could help improve delivery of public services, including local authorities, the police and the National Health Service.
- **Improving employment services for disabled people.** The employment rate of disabled people remains 30 percentage points below that of non-disabled people, with disabled people less likely to receive employment support. Our *Halving the Gap* report set out proposals to do more and do it better. The subsequent Work and Health Programme reflected some of our recommendations, but did not address significant funding cuts. We are working with others to make a success of the programme – including through two major conferences – and undertaking research to improve the evidence base on what works. Most notably, we are evaluating new Work and Health Unit trials of health-led employment innovations; and evaluating major devolved employment programmes for disabled people in Greater Manchester, London and the Solent City Deal area.
- **Helping people on low pay to progress and build skills.** There are six million low paid people in the UK, more than the OECD average. We have a number of projects aimed at supporting people on low pay to progress. These include *Ambition London*, supported by the JP Morgan Chase Foundation, which has seven pilots looking at how skills and Advanced Learner Loans can boost progression in retail and social care. We are also evaluating Glasgow City Council's project to boost progression and business growth in social care, and Step

Up in London looking at how third sector organisations can improve progression.

- **Ensuring everyone can get the help they need.** We launched *Positive Career Choices*, a Department of Health funded project to improve careers support for young adult carers. We worked with 20 young adult carers to co-create resources tailored to their needs and piloted them with six providers. We also extended our work with young people in local authority care / care leavers. In England we worked with Department for Education to launch the new *care leaver covenant* and developed new resources for employers and care leavers; in Wales we worked with seven colleges to develop a whole organisation approach to supporting care leavers, and trained groups of care leavers to be 'mystery shoppers'.
- **Learning has a positive impact on health & wellbeing.** In Wales we have continued to highlight the impact of learning on health and wellbeing. Building on our work last year with Public Health Wales, we worked with health boards to understand the scope for integrated services in their areas. We are bringing Welsh Government officials and NHS staff together with individuals and organisations from exemplar services in England to influence service provision and delivery.
- **UK National Coordinator for the European Agenda for Adult Learning (EAAL).** In this role we work alongside 31 other countries. We have established Impact Forums in England, Scotland, Wales and Northern Ireland. We feed in updates on the UK work-programme through attendance at the meetings of National Coordinators in Brussels, through our UK role on the EU Working Group on Adult Learning, Board membership and Vice Presidency of the European Association for the Education of Adults (EAEA) and the European Basic Skills Network (EBSN).

We increased the breadth and depth of our impact

We received 550 pieces of media coverage in 2016-17. This included multiple pieces of coverage in FE Week, TES, and FE News, as well as regional media. In addition, we had coverage in national media such as BBC Online, the Independent, Guardian, and the Daily Mirror. This included for our research on closing the disability employment gap, the Festival of Learning, and Apprenticeships.

Over the year our website had 312,490 page views (approximately 123,230 unique views). There were particular spikes around blogs marking International Women's Day. Compared to 2015/16, social media activity is bringing more traffic to the website (82% increase in the number of sessions).

The number of Twitter followers for our @LearnWorkUK account increased by more than 1,000 over the year, from 11,800 to 12,952. Our tweets continue to reach around 4,500 Twitter feeds each day, up almost 50% from last year.

During 2016-17, our YouTube channel had more than 27,000 views with an estimated 33,000 minutes of footage viewed. Video shares increased 48% to 308, and the number of subscribers increased by 8%.

Report of the Trustees

The Company Board who are the Directors of the Company and Trustees of the Charity present their report together with the audited financial statements for the year ended 31 March 2017. This report constitutes the Trustees' Annual Report for the purposes of charity law, and both the Directors' report and Strategic Report for the purposes of company law.

The Strategic (Impact) Report is on pages 4-8.

Results

The statement of financial activities is set out on page 24 and shows the net movement in funds for the year.

Tax status

The Company is a registered charity, number 1002775, and is exempt from corporation tax and income tax.

Principal activity

Learning and Work Institute is established for the advancement of all forms of adult education and the relief and prevention of unemployment and poverty.

Objectives

Our objectives

Learning and Work Institute is established for the advancement of all forms of adult education and the relief and prevention of unemployment and poverty.

Our vision

A prosperous and fair society in which learning and work provide opportunities for everyone to realise their potential and ambitions through life.

Our mission

- We are an independent research and development organisation dedicated to promoting lifelong learning, full employment and inclusion.
- We research what works, influence policy, develop new ways of thinking and help implement new approaches.
- Working with partners, we inspire people to learn and help transform people's experiences of learning and employment.
- What we do benefits individuals, families, communities and the wider economy.

Our values

Learning and Work Institute's work is informed by core values, notably:

- **Ambition:** the leading and powerful voice for the benefits of lifelong learning and economic inclusion;
- **Independence:** the highest standards and an unshakeable commitment to being open-minded, honest and fair;

- **Collaboration:** partnership and networking at the heart of what we do and how we operate;
- **Expertise:** evidence-based thinking delivering real-world change in learning, skills and employment.

Public benefit

The Trustees confirm that they have complied with the duty in section 17 of the Charities Act 2011 to have due regard to public benefit guidance published by the Charity Commission in determining the activities undertaken by the charity.

The Trustees review the activities of the charity against its aims on an ongoing basis and are satisfied that all activities continue to be related to the aims.

Learning and Work Institute seeks to benefit all members of the public in England and Wales, with no exclusions. Its focus is on those adults who have benefited least from initial education and training.

Structure, governance & management

Constitution

The Company is incorporated as a company limited by guarantee (Registered No. 2603322). It is governed according to the provisions contained in the Memorandum and Articles of Association. The liability of the members in the event of a winding up is limited to £1.

Governance structure

The Company Board consists of a maximum of 10 members, including the L&W President as specified in the Articles of Association. The Board membership comprises:

- President
- Chair of Company Board
- Honorary Treasurer
- Chair of Audit Committee
- Chair of Learning and Work Institute Wales Strategy Group
- Four co-opted members, chosen to secure a proper balance of members in terms of skills, experience and diversity including the Chair of the Audit Committee.

Currently the Company Board has eight members.

All members of the Company Board exercise their authority in their capacity as Trustees under the relevant companies' legislation and as Trustees of the charity.

The **Company Board** acts on behalf of the Company in all respects, and has overall responsibility to the General Meeting for the direction of National Learning and Work Institute (L&W), providing the accountable link between the Company

members and L&W operations. The Company Board maintains a strategic overview of the work of the Organisation and its annual work programme.

The Company Board is responsible for all National Learning and Work Institute governance, regulatory and accountable functions, including financial and legal matters, and may establish standing committees with delegated authority to carry out specific and detailed work on its behalf. Whilst delegating the detailed consideration of policies and work programmes to standing committees, of which the designated Board members may be ex-officio members, the Board members may call in any matter for their determination.

However, the Company Board establishes as standing committees:

- The Audit Committee is responsible for advising the Board on the effectiveness of risk management, internal control and governance arrangements within the organisation.
- The Remuneration Committee oversees the principles and process of the remuneration relationship with staff and unions. It also oversees the process of determining annual awards. Remuneration of the CEO is also determined by the Remuneration Committee.
- Learning and Work Institute Wales Strategy Group is the Committee established to oversee all the Institute's operations in Wales and has devolved responsibility for Learning and Work Institute activities in Wales.

Each Committee's constitution includes designated representatives of the Company Board ex-officio, plus a balance of elected and co-opted members, with specific terms of reference. The members of the Committees are listed on pages 40 and 41.

The Chief Executive of L&W is appointed by the Company Board, which is responsible for all the arrangements relating to this appointment. The Chief Executive is the Company Secretary. It is the responsibility of the Chief Executive to carry forward the agreed policies and work programmes of L&W and to ensure continuity of action and policy between meetings of the governing bodies. The Chief Executive is the accounting officer of L&W and is responsible, with the senior management team, for the establishment and supervision of suitable systems of financial and resource management and control in respect of all its activities.

Recruitment, induction and training of Trustees

A Search Committee is established to identify nominations to the Company Board, including the post of President, which are proposed to the membership by the Board. Members can also nominate Trustees.

In any election by the Company in a General Meeting or voting process relating to office on the Company Board, each full fee-paying corporate member representative exercises 15 votes. Corporate members paying the 50% reduced rate exercise 10 votes, and those paying the 25% rate have 5 votes. Each

Individual and Honorary Life member has one vote. Most Trustees are already familiar with the work of L&W when appointed, having served on other committees or been involved in its work, and many also serve on other charity boards.

The members' handbook details the responsibilities of Directors and Trustees as well as procedures for meetings and elections and an up-to-date breakdown of the members of each Committee.

A skills audit is undertaken of committee members and induction sessions are offered to develop members' understanding of L&W and to develop their skills and expertise as appropriate.

L&W also hosts an annual 24-hour residential meeting for all members of the Board to discuss various issues of policy and practice.

Financial review for the year ended 31 March 2016

L&W's Trustees are confident that the Organisation continues to operate on a going concern basis.

2016/17 was the first full year as a newly merged organisation, the prior year had nine months as NIACE and three months as the merged organisation. As for many organisations in the third sector the Charity continued to experience funding pressures. Invitations to tender were generally scarcer and for lower value.

Despite this, the Charity has benefited from its merger on 1 January 2016 with the Centre for Economic and Social Inclusion. The resulting widening of the scope of the Charity's interests and offerings enabled a five percent increase in income year on year. The Charity continues to have a positive impact and uses its funds carefully to deliver on all contracts and grant agreements.

Our major funders include the Department for Business, Innovation and Skills and now the Department for Education who provide a core grant. The Welsh Government provides ongoing funding under a grant arrangement, supporting a range of work as well as Adult Learners' Week activities in Wales. Whilst the European Social Fund seven-year contract came to an end during the prior year, L&W was successful in securing a new, albeit smaller contract to deliver the Festival of Learning in England. Other significant funders, including the Department for Work and Pensions and the Ministry of Defence, for which we are grateful are set out in note 5 to the accounts.

L&W also raises income from conference activities, sponsorship and membership subscriptions. Any surplus generated from these and other sources is used to fund L&W's advocacy and information work, to fund initiatives of importance to our mission which cannot be funded elsewhere, and to strengthen the reserves as specified in the Reserves Policy.

Expenditure supporting each activity is a combination of direct costs, salary costs for staff directly employed on that activity and support costs which are allocated to

all activities. Direct costs are incurred as part of contracts, or are specific to event organisation, campaigns and such like.

Financial performance

Summary

Year on year income increased by £269,000 or 5% and our operational result (before unrealised investment movements and changes in assumptions on the LPFA valuations) improved by £188,000 over the same period. This was achieved by continuing to prioritise our resources towards frontline income generation and delivery and control of overheads.

In addition to the improved operational result, the value of investments rose by £890,000 (prior year £262,000 loss) taking the net income for the year to £375,000 surplus.

Unfortunately, the annual valuation by the pension schemes actuaries using a methodology and assumptions compliant with FRS102 resulted in a deterioration of the calculated valuation of the deficit of £3,278,000 (prior year improvement £1,887,000). This led to a net reduction in Charity funds of £2,903,000 for the year.

Income

The £269,000 year on year increase in income from £5,458,000 to £5,727,000 predominantly arose from two causes:

- An increase in non-core project income. This is despite experiencing fewer tenders being issued and generally at a lower value.
- An increase in income from organising events that further the Charity's objectives.

Operating expenditure

Unfortunately, the tenders won have generally required a higher level of external expenditure than incurred in the prior year, which meant the contribution to staff costs and overheads from this was lower than the prior year.

However, the Trustees and Management proactively addressed this challenge by continuing to reallocate resource to the front-line income generation and delivery coupled with control of overheads. The overhead control was successful to the point that the Charity almost absorbed the costs of running a London office for a full year compared to only three months in the prior year.

Our organisation continues year on year to be leaner, more efficient and more competitive without diminution in the quality of its work.

Accordingly, L&W's net expenditure before movements in valuations of investments and pension was £515,000. This compares favourably with the £743,000 net expenditure from 2015/16 and to the £1,325,000 net expenditure from 2014/15.

The Trustees are acutely aware of the challenging external funding environment and devote a lot of time to both long and short-term forecasting. They continue to want L&W to have a positive impact but recognise the need to ensure that the organisation can operate with a modest surplus each year. Management are focused on the same goals, and continue to make cost savings across all operating budgets. The Trustees will continually monitor new developments as they arise throughout the year.

Valuation of investments and defined benefit pension scheme

The Charity's investments increased significantly in value during 2016/17 which compared favourably to the prior year loss.

Unfortunately, in common with many organisations the actuaries FRS 102 calculation of the pension deficit has deteriorated significantly. As shown in the notes to the accounts, this is mainly due to a reduction the discount rates applied by the actuaries to value the liabilities of the scheme.

Net income

Before this year's FRS 102 pension scheme valuation the Charity's net income of £375,000 represents an improvement of £1,380,000 year on year. As noted above the deterioration in the pension scheme valuation means the Charity reports an overall negative movement in funds of £2,903,000 although readers of the accounts will recognise that the non-cash movement from the current year pension scheme valuation is the key driver whilst our operations and investment gains were in a surplus position.

Pension schemes

The Charity operates two main pension schemes, the Teachers' Pension scheme and the Local Government Pension Scheme (LGPS) which is administered by the London Pensions Fund Authority (LPFA).

All employees of CESI who transferred into the Charity on 1 January 2016 were auto enrolled in the LGPS. A very small number of transferred employees subsequently chose to opt out and we have agreed to continue to fund their own private defined contribution pension schemes that were in place whilst they were employees of CESI.

The Teachers' Pension scheme is accounted for as a defined contribution scheme, as the Company is unable to identify its share of the underlying assets and liabilities of the scheme. One employee is a member of the Teachers' Pension scheme. Further details of this scheme appear in note 21b of the accounts.

The LGPS scheme is a funded multi-employer defined benefit pension scheme. The March 2017 FRS102 calculation from the scheme's actuaries showed a deficit of £14,468,000 (the March 16 deficit was £10,743,000 and the March 15 deficit was

£12,077,000). The FRS 102 calculation of the deficit is sensitive to the discount rate used by the actuaries, in 2017 this was 2.8% (2016 3.8%). A 1% decrease in the discount rate negatively impacts the March 2017 liability by approximately £8m. The other main effect on the valuation was the improved performance of investments which partially mitigated the impact of the discount rate.

Also, during the year the scheme's administrator (LPFA) performed a triennial valuation as at 31 March 2016. This is calculated using different methodology and assumptions to the FRS102 valuation. The triennial valuation is used by the LPFA to set the contribution rates paid by the charity for three years from 1 April 2017 to fund the pension scheme. The 2016 triennial valuation of the deficit was £1,383,000. Following this valuation, the LPFA significantly reduced both the Charity's service charge and additional capital payments

The Charity has provided the LPFA with a first charge over investments of £1,000,000 and continues to work closely with the LPFA by regularly holding discussions to discuss future funding and financial management.

Although the fund deficit poses a serious issue for L&W, the Trustees recognise that by L&W making additional contributions to the pension fund that the deficit should improve in the long term. However, the risk will be continually managed on a proactive basis in partnership with the LPFA.

Reserves policy

The Trustees determined their desired Reserves policy in March 2015. The overriding principle is that L&W should use its reserves to maintain the financial stability of the organisation and to meet the needs of the Charity's beneficiaries both current and in the future. The Trustees have determined that L&W requires reserves for the following specific purposes.

- To cover statutory obligations and to wind up its own affairs in an orderly way;
- To cover any fixed expenditure commitments in the event of loss of income on a temporary basis and to provide the Company with time to plan its future strategy;
- To provide for the net costs of continued operations of projects and to fund initiatives of importance to the charity which do not meet their costs;
- To meet any potential deficit in the pension scheme;
- To meet any permanent shortfall in the operational cash requirements of the charity;
- To meet the costs of planned major capital expenditure;
- All of these calls on reserves are inter-related, so whilst reserves are ultimately held to cover statutory obligations they may be used as working capital in the short term, where it is known that funding will eventually be received.
- The long-term objective is that separate sums should be designated to meet statutory obligations and for working capital needs.

Required level of reserves

The targeted level of reserves is currently calculated as follows:

- To cover all statutory costs in the event of closure;
- To cover a 25% loss of income;
- To cover 6 months' operational costs of continued operation;
- To cover the known capital expenditure costs for the next 6 months.
- To cover the pension costs using latest actuarial valuation compared against a value of 25% of net pension assets.
- To cap the level of reserves excluding pension deficit to one-year turnover

The reserves target range is between

- £10.2m if using 25% of pension scheme assets
- £18.4m if using FRS102 deficit calculated by the actuaries in March 2017

Reserves at the end of March 2017 before the FRS 102 calculated pension liability were £5,746,000 (March 2016 £4,924,000). This is reduced by the FRS 102 calculated pension liability to a total charity liability of £8,722,000 (March 2016 £5,819,000).

Whilst the Charity does not have sufficient reserves to meet its policy requirement, the Trustees note that the triennial valuation of the pension scheme deficit at 31 March 2016 was £1.3m and that the Charity holds investments of £5.7m. In conjunction with a viable three year plan the Trustees consider the Charity to be a going concern.

Investment policy

Investment performance is overseen by nominated Trustees, the CEO and Assistant Director of Finance and Resources. Regular reviews are held with the Investment Managers and reports are made to the Board of Trustees.

The Trustees have approved an Investment Policy that funds not required as working capital are invested to increase the level of reserves as required by the L&W reserves policy. The Investment Policy was last reviewed in July 2015.

The current investment approach is to achieve a target return in a well-diversified portfolio comprising the appropriate asset classes and individual investments for a UK charity, which are quoted on the most widely used stock exchanges and regulated markets. The risk profile is medium, which will allow for a significant exposure to global equities along with other diversifying investments, such as bonds, that will be held within a balanced portfolio. The objective is to increase the value of the portfolio by targeting total nominal return of 7% over the longer term of 5-10 years predicated on a range on inflation between 2-4%.

Risk management

The Trustees have overall responsibility for ensuring that the Charity has an appropriate system of controls to manage risk and safeguard its assets. A risk management framework and process is in place to assess business risks and implement risk management strategies. This involves identifying the types of risks the Charity faces, prioritising them in terms of potential impact and likelihood of occurrence, and identifying means of mitigating the risks. The identified risks and the consequent risk management activities are reviewed by the Audit Committee at each of their meetings. Any risks that could have a significant impact on the Charity's success in achieving its objectives are considered by the Trustees.

The strategic risk register includes a clear articulation of the specific actions that will be undertaken to mitigate risk.

The major risks and mitigations are summarised as follows:

Risk	Mitigation
Loss of political reputation leading to loss of influence over key decision makers	Evidenced based approach to build trust in political relationships with controls over formal external communication
Loss of reputation with key partners regarding L&W's integrity	Evidence based approach and focus from the strategic plan
Loss of reputation with practitioners and supporters – losing touch with key stakeholders	Our big external events Festival of Learning and Into Work convention demonstrate our commitment. Governance structure involves a wide range of stakeholders. The Strategic plan and position statements on policy areas are set out in our ambition and values.
Failure to secure adequate funding	The Strategic plan is supported by program plans which are underpinned by funding plans which are reviewed weekly by L&W management. The balanced scorecard includes funding and is reviewed by the Board. Diversification is supported by the Strategic plan
Cashflow	Both long and short-term cash flows are used to manage the organisation. Cash drawdown from reserves is possible without impacting investment strategy.
Being competitive	Costs have been considerably reduced over the past few years. We now have a more suitable mix of staff at right levels to deliver work cost effectively. We review unsuccessful bids. Non payroll overheads continue to be reduced.

Pensions – Local Pensions Partnership (the scheme administrator) loses faith in L&W's ability to service future pensions liabilities	Proactive financial management combined with regular and open communication with the LPFA
Organisational culture and morale – failure to build capacity and capability to deliver high quality work	Merger and targeted recruitment has increased capability and capacity to deliver. The Strategic plan developed with staff provides a sense of purpose. People strategy developed. Multiple channels of staff engagement within L&W including staff reference group.

RSM is appointed as internal auditors who advise on risk management, internal control, governance arrangements and review the adequacy of the controls in place. The internal audit programme is approved by the Audit Committee on an annual basis and the findings and conclusions are reported to the Audit Committee. The Audit Committee continues to report to the Board on the overall efficiency of the risk management process and the adequacy of the internal control systems.

Financial risk

L&W uses cash and other liquid resources to fund its operations. Investments are maintained as part of the reserves for funds which are not required as working capital. The Trustees review the levels of investments and working capital required under the reserves policy.

The main risk is from any potential shortfall in funding. The organisation has a strategic plan which is underpinned by programmes of work. These in turn are underpinned by a funding plan. Funding is reviewed weekly by the Management team of L&W and on a quarterly basis by the Trustees.

Grant making

Occasionally L&W manages and distributes grants on behalf of other agencies and government departments. L&W may distribute the grant, provide support to the recipient, and monitor the outcomes as part of the contract with the funder. All such grants will be made in accordance with the contract requirements. Receipt of funding by L&W and payment to the grant recipients are recognised in the accounts at the time of entitlement.

Remuneration policy

Sets out the principles and process of the remuneration relationship with staff and unions. It also includes the process of determining annual awards. Remuneration of the CEO and his direct reports are also determined by the Remuneration Committee in line with this policy.

L&W seeks to offer a competitive salary and benefits package to attract and retain quality staff in the context of:

- Affordability
- Equality – no discrimination
- Simplicity and ease of both understanding and application by everyone in the organisation
- Committing to pay at least the living wage to all staff, including apprentices.

We are in the process of developing and with staff and unions consulting on an improved remuneration policy.

Disability policy

L&W promotes Equality and Diversity throughout its work and this commitment underpins the organisation's staffing policies and recruitment and selection processes. This is clearly articulated through L&W's People Strategy.

L&W has developed processes to support disabilities when disclosed. These include finding ways of supporting staff to remain in the workplace. We work closely with Access to Work on practical adjustments. We also work closely with staff and Leicester's Fit for Work scheme to review working patterns and ways of working. We also annually review equality and diversity in regard to pay.

L&W is an approved user of the Disability "two ticks" Symbol and uses the logo on recruitment information and other documents.

Staff training and continuous professional development

L&W's staff development plan forms part of our wider commitment to continuous quality improvement. Our staff learning and development plan is based on input from our personal development review process and an organisational skill needs analysis.

Learning and development starts with the induction process and continues throughout the lifecycle of employees through role specific development, individual career paths and any other development in pursuit of our strategic aims.

During the year a range of formal and informal learning took place, although some learning and development activities were temporarily reduced due to operational requirements to focus on project work during the peak period.

Within our performance review process, objectives are cascaded from the strategic plan to all staff which in turn ensures all staff understand how their role contributes to the delivery of L&W's strategic aims. It is a continuous living process with regular one to one meetings between the formal half yearly reviews. Additionally, L&W is currently in the process of consulting with staff and unions regarding improvements to the existing Performance Development Review process.

Sharing information with employees

L&W has a number of mechanisms to provide information to employees and to consult staff on matters of significance.

- The Chief Executive holds monthly briefing sessions for all staff.
- The Senior Management Team meets bi-weekly and then cascades information and holds discussions with departmental teams.
- A Staff Reference Group meets periodically with a member of the Senior Management Team to discuss matters of significant change or importance within the organisation. The responsibility of the members of the Staff Reference Group is to feedback information from the meetings but also to seek out and represent the opinions and ideas of all L&W staff.
- Matters of major change such as Appraisal and Remuneration Policy changes and restructuring are discussed with staff and unions.
- L&W staff periodically hold a number of different peer group meetings
- Policies and procedures are available to all staff.
- Information is shared with staff at away days.

Trustees' responsibilities for the financial statements

The Trustees (who are also directors of L&W for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company 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 charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the Trustees are required to:

- Select suitable accounting policies and then apply them consistently.
- Observe the methods and principles in the Charities SORP.
- Make judgments and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Trustees are aware:

- there is no relevant audit information of which the charitable company's auditors are unaware; and
- the Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Trustees' liability insurance

L&W has maintained insurance during the year for Trustees against liabilities in relation to their duties as Trustees.

Creditor payment policy and practice

It is the policy of L&W to follow standard payment terms of 30 days (or as otherwise agreed with the supplier) unless there are reasons to dispute the amounts with suppliers. Trade creditors at the end of the year were £397,000 with creditor days calculated at 27 (2016: £605,000 and 42 days).

Auditors

haysmacintyre offer themselves for reappointment as auditors in accordance with section 485 of the Companies Act 2006.

This report which includes the Strategic Report required by company law, has been approved by the Board both as company directors and charity Trustees.

ON BEHALF OF THE TRUSTEES



Maggie Galliers
Chair of Company Board
4th July 2017



Stephen Evans
Company Secretary
4th July 2017

Report of the independent auditor to the members of National Learning and Work Institute

We have audited the financial statements of National Learning and Work Institute for the year ended 31 March 2017 which comprise the principal accounting policies, the statement of financial activities, the balance sheet, the 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 charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Trustees' responsibilities statement set out on page 15, the Trustees (who are also the directors for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2017 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' Annual Report incorporating the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Annual Report incorporating the Strategic Report has been prepared in accordance with applicable legal requirements.

In light of our knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Richard Weaver
Senior Statutory Auditor
for and on behalf of haysmacintyre
Chartered Accountants and Statutory Auditors

26 Red Lion Square
London
WC1R 4AG

Date: 18th October 2017

Statement of financial activities (incorporating the income and expenditure account)

	Note	Unrestricted funds £'000	Restricted funds £'000	2017 Total funds £'000	2016 Total Funds £'000
Income:					
Members' donations and legacies	2	14	-	14	23
Investment income	3	175	-	175	145
Income from charitable activities – from core projects	4	2,272	2,888	5,160	5,031
Income from other charitable activities	5	378	-	378	183
Income from fair value of merger			-		76
Total income		2,839	2,888	5,727	5,458
Expenditure					
Cost of raising investment funds	6	35	-	35	32
Cost of core charitable activities	6	2,792	2,888	5,680	5,912
Cost of other charitable activities	6	527	-	527	257
Total expenditure		3,354	2,888	6,242	6,201
Net (expenditure) before (losses)/ gains on investment assets		(515)	-	(515)	(743)
Realised gains/(losses) on investment assets		890	-	890	(262)
Net income / (expenditure)		375	-	375	(1,005)
Change in financial assumptions on defined benefit pension scheme		(3,278)	-	(3,278)	1,887
Net movement in funds for the year		(2,903)	-	(2,903)	882
Reconciliation of funds					
Total funds brought forward		(5,819)	-	(5,819)	(6,701)
Total funds carried forward		(8,722)	-	(8,722)	(5,819)

All of the activities of the charitable company are classed as continuing and are in furtherance of the objectives of the charity.

Balance sheet

	Note	2017 £'000	2016 £'000
Fixed assets			
Tangible assets	11	117	203
Investments	12	<u>5,607</u>	<u>4,888</u>
Total fixed assets		<u>5,724</u>	<u>5,091</u>
Current assets			
Debtors	13	1,225	889
Cash at bank and in hand		<u>210</u>	<u>1,272</u>
Total current assets		<u>1,435</u>	<u>2,161</u>
Creditors falling due within one year	14	<u>1,330</u>	<u>2,267</u>
Net current assets / (liabilities)		<u>105</u>	<u>(106)</u>
Total assets less current liabilities		5,829	4,985
Creditors falling due after more than one year	16	<u>83</u>	<u>61</u>
Net assets excluding pension liabilities		5,747	4,924
Defined benefit pension scheme liability	20	<u>(14,468)</u>	<u>(10,743)</u>
Net assets including pension liability		<u><u>(8,722)</u></u>	<u><u>(5,819)</u></u>
The funds of the charity			
Unrestricted funds excluding pension liability		3,601	3,693
Revaluation reserve		2,145	1,231
Pension reserve		<u>(14,468)</u>	<u>(10,743)</u>
Total charity funds		<u><u>(8,722)</u></u>	<u><u>(5,819)</u></u>

The financial statements were approved and authorised for issue by the Board of Trustees on 4th July 2017.



Maggie Galliers



Mike Kapur

Trustees

The accompanying accounting policies and notes form an integral part of these financial statements.

Cash flow statement

Cash flow year end 31st March 2016

	Note	2017 £'000	2016 £'000
Cash used in operating activities	19	(1,395)	471
Cash flows from investing activities			
Interest and dividend income		175	145
Sales of investments		2,152	2,717
Purchase of investments		(1,981)	(2,294)
Purchase of tangible fixed assets		(13)	0
Cash provided by (used in) investing activities		333	568
Cash flows from financing activities			
Repayment of borrowing		0	0
Cash used in financing activities		0	0
Increase (decrease) in cash in the year		(1,062)	1,039
Cash at the beginning of the year		1,272	233
Total cash at the end of the year		<u>210</u>	<u>1,272</u>

The accompanying accounting policies and notes form an integral part of these financial statements.

Notes to the financial statements

1 Accounting policies

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows;

a) Basis of preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK (FRS102) (effective 1 January 2015) -(Charities SORP(FRS102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) and the Companies Act 2006. The principal accounting policies of Learning and Work have remained unchanged from the previous year.

b) Preparation of the accounts on a going concern basis

The Trustees are confident that L&W continues to operate on a going concern basis.

c) Income and expenditure account

The Statement of Financial Activities on page 25 discloses the information required within the Income and Expenditure account and as such no separate Income and Expenditure account has been prepared.

d) Income

All income is accounted for on a receivable basis excepting membership subscriptions as stated below. The recognition of income as receivable varies according to the nature of the income, as follows:

Membership subscriptions are taken into the accounts as they fall due, and not by reference to the subscription period to which they relate. This approach is consistently applied year to year and is considered not to have any material impact on the financial statements.

Donations and general grants are credited to the Statement of Financial Activities as they become due.

Income from contracts and performance related grants is recognised only to the extent that related services have been delivered and contract or performance conditions met. Income received in excess of that recognised as earned is carried forward as deferred income.

e) Expenditure

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. Expenditure is classified under the following activity headings:

- Costs of raising funds comprise the management costs incurred by professional advisors in the management of the charity's investments.
- Expenditure on the charitable activities in furtherance of the Charity's objectives and any associated support costs.
- Costs of carrying out other trading activities namely the provision of publications and conference and event activities
- Other expenditure representing those items not falling into any other heading.

f) Allocation of support costs

Support costs are those functions that assist the work of the charity but do not directly undertake charitable activities. Support costs include back office costs, finance, personnel, payroll and governance costs which all support the charitable objectives. The bases on which support costs have been allocated are set out in note 7.

g) Operating leases

The charity classifies the lease of printing equipment as operating leases. The title to the equipment remains with the lessor and the equipment is replaced every 3-5 years. The charity also has leases for the office buildings from which it operates. Rentals payable under operating leases are charged as an expense on a straight line basis over the term of the lease.

h) Investments

Investments are valued at the market rate prevailing at the balance sheet date.

Net gains and losses on revaluation and disposals during the year are included in the statement of financial activities.

i) Tangible fixed assets

Individual fixed assets costing more than £5,000 are capitalised at cost and are depreciated over the estimated useful economic life on a straight line basis as follows;

Tangible fixed assets are stated at cost net of depreciation.

Computer equipment	-	33% straight line
Office equipment	-	20% straight line
Buildings maintenance	-	6-20% straight line
Leasehold improvements	-	straight line over balance of lease

j) Creditors and provisions

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amounts due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

k) Financial instruments

Financial liabilities are classified according to the substance of their governing contractual arrangements entered into.

Where the contractual obligations of financial instruments are classed as financial liabilities, financial liabilities are presented as such in the balance sheet. Finance costs & gains or losses relating to financial liabilities are included in the Statement of Financial Activities. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

l) Pension costs

Employees are automatically enrolled into the London Pension Fund Authority (LPFA) scheme which is funded by contributions from employee and employer. All employees transferred under TUPE on 1 January 2016 from our merger partner Centre for Economic and Social Inclusion were enrolled into the LPFA Scheme in April 2016. A small number of employees chose to opt out and it was agreed that L&W would continue to contribute to their previously existing private schemes. Alternatively employees may be entitled to join the Teachers Pension scheme.

The LPFA is a multi-employer defined benefit scheme administered for the benefit of local authorities and other bodies and is managed in accordance with the Local Government Pension Scheme Regulations 1997 (as amended). Past and present employees are covered by the provisions of the County Pension Scheme.

The scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method on the basis of triennial valuations, and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit is presented separately from other net assets on the balance sheet. A net surplus is recognised only to the extent it is recoverable by the charity.

2. Income from membership

The charity is a member's organisation and is supported by both individual and corporate membership. The income raised from membership was £14,000 in 2017 and £23,000 in 2016.

3. Investment income

The income derived from dividends and interest received from the charities investments held and managed in the UK, and interest arising from money held in interest bearing accounts.

	2017 Total £'000	2016 Total £'000
Dividends	161	138
Interest on investments	13	2
Interest on Bank accounts	1	5
Total Investment Income	175	145

4. Income from charitable activities – core projects

	Contract & sales	Recurr- ent grant	2017 Total	2016 Total
L&W Wales	81	450	531	575
Research and development	2,517	1,593	4,110	3,543
Campaigns, promotions and advocacy	26	493	519	913
Total charitable activities income	2,624	2,536	5,160	5,031

	Unrestricted	Restricted	2017 Total	2016 Total
L&W Wales	476	55	531	575
Research and development	1,770	2,340	4,110	3,543
Campaigns, promotions and advocacy	26	493	519	913
Total charitable activities income	2,272	2,888	5,160	5,031

Income analysed by funding source

	2017 Total	2016 Total
Departments for Education and Business Innovation and Skills	2,399	2,136
The Skills Funding Agency	51	544
Welsh Government	514	521
Department of Communities and Local Government	158	10
Department of Work and Pensions	177	85
Department of Health	52	52
Ministry of Defence	182	188
Other Government	90	0
European Funding	248	425
Public sector	473	468
Charitable trusts	126	179
Business sponsorship	0	60
Other project funding	690	363
	5,160	5,031

5. Income from other charitable activities

	2017 Total £'000	2016 Total £'000
Conference and events income	258	56
Publications income	11	54
Other income	109	73
Total income from other charitable activities	378	183

6. Analysis of total expenditure

	L&W Wales £'000	Research & Dev £'000	Campaigns £'000	2017 Total £'000	2016 Total £'000
Direct project costs	142	1,555	89	1,786	1,650
Direct salary costs associated with projects	208	1,780	216	2,204	2,300
Allocation of support costs	181	1,148	164	1,493	1,711
Allocation of governance costs	19	160	18	197	251
Total costs of core charitable activities	550	4,643	487	5,680	5,912
Commercial activity direct costs				278	75
Commercial activity direct salary costs				125	86
Allocation of support costs				115	83
Allocation of governance costs				9	13
Total costs of other charitable activities				527	257
Investment management fees				35	32

7. Analysis of support and governance costs

	2017 Total £'000	2016 Total £'000
Support costs		
FRS 102 Cost of Defined Benefit Pension Scheme	447	553
Support Staff Salaries	321	420
Additional Defined Benefit Pension contribution	150	143
Accommodation	304	280
Computer	49	113
Depreciation	99	100
HR Costs	71	55
Travel	49	47
Policy and publicity	24	35
Telephone	51	25
Printing and stationery	20	25
Finance costs Recoverable VAT	23	(2)
Total support costs	1,608	1,794

Governance costs

Salaries	113	118
Audit and accountancy services	49	46
Legal and insurances	36	26
Annual report	0	7
Meeting costs	7	6
Merger costs of Inclusion	0	60
Total governance costs	205	263

Notes on basis of allocation

Support and governance cost are identified and then allocated on a combination of income earned and on numbers of staff employed, according to the nature of the cost being allocated.

8. Net income /(expenditure) for the year

This is stated after charging:	2017	2016
	£'000	£'000
Operating leases		
Land and buildings	171	115
Others	18	14
Depreciation	99	100
Auditors remuneration		
External audit fees	22	22
Other accountancy services	27	14
Trustee's indemnity insurance	11	10

9. Analysis of staff costs, trustee expenses and the cost of key management personnel

	2017	2016
	£'000	£'000
Salaries and wages	2,120	2,245
Redundancy and termination costs	6	146
Social security costs	229	196
Pension costs		
LPFA Defined benefit scheme	477	553
LPFA charge for early termination charge	8	0
Teachers' Pension scheme	10	15
Defined contribution schemes	7	8
	2,857	3,163

National Learning and Work Institute Company No:2603322
Trustees' report and financial statements for the year ended 31 March 2017

The number of employees where emoluments (including salary and taxable benefits) exceeded £60,000 was:

	2017 Number	2016 Number
£ 60,001 - £ 70,000	4	2
£ 80,001 - £ 90,000	0	1
£ 90,000 - £100,000	1	0
£130,001 - £140,000	0	1
	<u>5</u>	<u>4</u>

The key management personnel of the charity comprise the trustees, the Chief Executive Officer and the Senior Management Team. The Charity Trustees were not paid any remuneration for their services. Eight Trustees were reimbursed expenses for travel and subsistence of £2,898 (2016: 8 Trustees - £2,753). The total employment benefits for the senior management team, including the CEO, was £481,153 (2016: £610,638) with a pension contribution of £79,335 (2016: £99,893),

10. Staff numbers

The average annual headcount of employees, employed by L&W, during the year was as follows:

	2017	2016
Employees	<u>61</u>	<u>65</u>

L&W employs a significant number of part-time employees. The average number of full-time equivalents employed during the year was as follows:

	2017	2016
Employees – full time equivalents	<u>57</u>	<u>62</u>

11. Tangible fixed assets

	Computer equipment £'000	Office equipment £'000	Buildings Maintenance £'000	Total £'000
Cost				
At 1 April 2016	286	64	116	466
Additions	13	-	-	13
At 31 March 2017	<u>299</u>	<u>64</u>	<u>116</u>	<u>479</u>
Depreciation				
At 1 April 2016	138	33	92	263
Charge for the year	78	9	12	99
At 31 March 2017	<u>216</u>	<u>42</u>	<u>104</u>	<u>362</u>
Net book value				
At 31 March 2017	<u>83</u>	<u>22</u>	<u>12</u>	<u>117</u>
At 31 March 2016	<u>148</u>	<u>31</u>	<u>24</u>	<u>203</u>

12. Investments (all held and managed in the UK)

	£'000
At 1 April 2016	4,888
Additions at cost	1,981
Disposal at proceeds	(2,152)
Realised and unrealised gains	890
At 31 March 2017	<u>5,607</u>

The fixed asset investments were held as follows:	2017	2016
	£'000	£'000
Listed stocks and shares	5,505	4,823
Cash	58	29
Deposit accounts	44	36
Market value at 31 March	<u>5,607</u>	<u>4,888</u>

At 31 March 2017 no investment represented more than 5% of the portfolio by market value.

At 31 March 2017 the historic cost of listed stock and shares was £4,649,420.

13. Debtors

	2017	2016
	£'000	£'000
Trade debtors	589	380
Other debtors	636	509
	<u>1,225</u>	<u>889</u>

14. Creditors: amounts falling due within one year

	2017	2016
	£'000	£'000
Trade creditors	397	605
Other creditors	12	73
Tax and social security	155	240
Accruals	213	319
Deferred income (see note 16)	553	1,030
	<u>1,330</u>	<u>2,267</u>

15. Deferred income

	Balance at	Movement	Balance at
	1 April 2016	In year	31 March
	£'000	£'000	2017
			£'000
Restricted funds charitable activities	659	(236)	423
Unrestricted funds charitable activities	299	(206)	93
Unrestricted funds other trading activities	72	(35)	37
	<u>1,030</u>	<u>(477)</u>	<u>553</u>

16. Creditors: amounts falling due after more than one year

	2017 £'000	2016 £'000
Provision for dilapidation costs on leased premises	<u>83</u>	<u>61</u>

17. Analysis of charitable funds

Analysis of movement in restricted fund

	Total funds £'000
At 1 April 2016	0
Incoming resources in the year	2,888
Resources expended and transfers	(2,888)
At 31 March 2017	<u>0</u>

L&W acknowledge the following grant income recovered and receivable.

Funder and project details	Net incoming resources £'000	Total resources expended £'000	Surplus / (deficit) £'000	Transfer from/(to) unrestricted funds £'000
DFE / DBIS – core funding for agreed projects	1,644	1,644	-	-
European Social Fund – Festival of Learning England	233	233	-	-
DFE / DBIS Festival of Learning England	260	260	-	-
DFE – specific projects agreed, incremental to core funding	246	246	-	-
WG – specific projects agreed, incremental to core funding	46	46	-	-
Department of Health – Positive Career Choices	52	52	-	-
Other European Programmes- Various	249	249	-	-
Charitable Trusts Bell Foundation	65	65	-	-
Other consultancy/research Action on Access	93	93	-	-
	<u>2,888</u>	<u>2,888</u>	<u>-</u>	<u>-</u>

18. Analysis of net assets between funds

	Restricted funds £'000	Unrestricted funds £'000	Total funds £'000
Fund balances at 31 March 2016 are represented by:			
Tangible fixed assets		117	117
Investments	-	5,607	5,607
Cash at bank	-	210	210
Current assets	424	801	1,225
Current liabilities	(424)	(906)	(1,330)
Creditors of more than one year		(83)	(83)
Defined benefit pension scheme liability		(14,468)	(14,468)
Total net assets	-	(8,722)	(8,722)

19. Reconciliation of net movements in funds to net cash flow from operating activities

	2017 £'000	2016 £'000
Net movement in funds – annual position	(2,903)	(1,441)
FRS 102 Non cash adjustment	3,724	989
Add back depreciation charge	99	100
Deduct interest income shown in investing activities	(175)	(145)
Decrease (increase) in debtors	(336)	785
Increase (decrease) in creditors	(936)	(95)
Increase (decrease) in creditor long term	22	16
Investments (gains)	(890)	262
Net cash used in operating activities	(1,395)	471

20. Pension costs

The Charity contributes to two defined benefit pension schemes, the London Pensions Fund Authority (part of the Local Government Pension Scheme) and the Teachers' Pension Scheme, on behalf of its employees. The assets of these schemes are held in independently administered funds. Contributions are paid based on the recommendations of the qualified actuaries. As explained in note 1L payments had been made to various defined contribution pensions for the employees who joined from the Centre for Economic and Social Inclusion on 1 January 2016 who were auto enrolled into the LPFA scheme but chose to opt out. The charges for the year were as follows:

	2017 £'000	2016 £'000
Various defined contribution schemes (contributions)	7	8
Teachers' Pension Scheme	10	15
London Pension Fund Authority	477	553
	494	576

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Note 20 cont.

(a) The London Pensions Fund Authority

Although this is a multi-employer scheme the actuaries have advised the Trustees that they are able to identify L&W's share of the scheme's underlying assets and liabilities, accordingly in accordance with the requirements of Financial Reporting Standard (FRS 102), for the year ended 31 March 2016 FRS17 applied.

The following assumptions were made in reaching the valuation at:

	31 March	31 March
	2017	2016
RPI Rate of inflation	3.6%	3.4%
Rate of increase in pensions and CPI rate of inflation	2.7%	2.5%
Rate of increase in salaries	4.2%	3.8%
Rate used to discount scheme liabilities	2.8%	3.8%

To assess the value of the Employer's liabilities at 31 March 2017, the actuaries have rolled forward the value of the liabilities calculated for the funding valuation as at 31 March 2016, using financial assumptions that comply with FRS102. To calculate the asset share the actuaries have rolled forward the assets allocated to the Employer at 31 March 2016 allowing for investment returns (estimated where necessary), contributions paid into, and estimated benefits paid from, the Fund by and in respect of the Employer and its employees. L&W have adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2016. The post retirement mortality tables have been constructed based on Club Vita analysis. These base tables are then projected using the CMI 2015 Model, allowing for a long-term rate of improvement of 1.5% p.a.

The amounts recognised in the balance sheet are determined as follows:

	31 March	31 March
	2017	2016
	£'000	£'000
Fair value of employer assets:		
Equities	15,033	9,871
LDI/Cashflow matching	0	2,154
Target return funds/Bonds	5,361	4,520
Infrastructure	1,336	1,164
Commodities	0	95
Property	1,294	758
Cash	2,348	2,687
Total	<u>25,372</u>	<u>21,249</u>
Present value of funded liabilities	<u>(39,840)</u>	<u>(31,992)</u>
Net pension liability	<u><u>(14,468)</u></u>	<u><u>(10,743)</u></u>

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Note 20 cont.

The movement in the defined benefit obligation over the year was as follows:

	2017	2016
	£'000	£'000
Opening defined benefit obligation	31,992	33,761
Current service cost	478	553
Interest cost	1,198	1,136
Contributions paid by members	138	140
Changes in financial assumptions	8,462	(2,783)
Changes in demographic assumptions	(651)	0
Estimated benefits paid net of transfers in	(1,097)	(815)
Experience loss / (gain) on defined benefit obligation	(680)	0
Closing defined benefit obligation	39,840	31,992

The movement in the fair value of employer assets over the year was as follows:

	2017	2016
	£'000	£'000
Opening fair value of employer assets	21,249	21,684
Interest on assets	798	733
Return on assets less interest	3,519	(900)
Other actuarial gains/(losses)	334	0
Administration expenses	(28)	(33)
Contributions paid by members	138	140
Contributions paid by the employer	459	440
Estimated benefits paid	(1,097)	(815)
Closing fair value of employer assets	25,372	21,249

The amounts recognised in the statement of financial activities are as follows:

	2017	2016
	£'000	£'000
Administration expenses	28	33
Current service cost	477	553
Net interest on the defined liability (asset)	400	403
	905	989

Amounts for the current and previous accounting periods ended 31 March:

	2017	2016
	£'000	£'000
Fair value of employer assets	25,372	21,249
Present value of defined benefit obligation	(39,840)	(31,992)
Surplus/(deficit)	(14,468)	(10,743)
Return on fund assets in excess of interest	4,317	(900)
Change in financial assumptions	8,462	2,783
Remeasurement of the net assets/(defined liability)	(3,278)	1,887

(b) Teachers' Pension Scheme

The Teachers' Pension Scheme is an unfunded defined benefit scheme. Contributions on a pay as you go basis are credited to the Exchequer under arrangements governed by the Superannuation Act 1972.

Under the definition set out in FRS102 (Retirement Benefits), the scheme is a multi-employer pension scheme. The Company is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the Company has accounted for its contribution as if it were a defined contribution scheme.

21. Commitments

Operating lease payments amounted to £128,000 during 2015/16. The leases to which these amounts relate expire as follows:

	2017		2016	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire in:				
Less than one year	0	12	0	3
One to five years	170	13	170	9
	<u>170</u>	<u>25</u>	<u>170</u>	<u>12</u>

22. Connected charities and related parties

On 1 January 2016 the assets, undertakings and employees of Centre for Economic and Social Inclusion (CESI) were transferred into the Charity. CESI owned 43.3% of a private limited company Publicco (Company Number 07793888). Stephen Evans the Charity's CEO has been appointed to the Board of Publicco. The net assets of Publicco at 31 December 2015 were £5,149 and no dividend has been paid in the last two years and none are expected in the foreseeable future. The charity is holding the shares at a value of £39.

23. Action on Access

During the 2015/16 financial year the Charity provided back office support costs to Action on Access, who undertake project work that complements the activities of L&W. Following discussions in early 2016 which continued into 2016/17, the two organisations agreed to come together to gain mutual benefit from closer integration. During the year ended 31 March 2017 Action on Access had income of £93k which was included in the total for the Charity.

24. Trustees and other bodies

Certain trustees of L&W are trustees of other bodies who in turn provide funding to L&W. These trustees declare their interests in line with the policies of L&W and the funding bodies and do not participate in decisions affecting L&W.

During the year, the member of the Senior Management Team responsible for leading the Charity's Welsh operation resigned and there was a two-month gap until a successor was appointed. During the two month gap a Trustee of the Charity led our Welsh operation for which they received remuneration of £6,100 plus reimbursement for expenses incurred of £580.

25. Financial derivatives

There were no financial derivatives at 31 March 2017 or 31 March 2016

Legal and administrative details

Company registration number: 2603322

Charity registration number: 1002775

Registered office: 21 De Montfort Street
LEICESTER
LE1 7GE

Patron: HRH The Princess Royal

Chief Executive and Company Secretary: David Hughes to 31st August 2016
Stephen Evans from 1st September 2016

Trustees: Nick Stuart (President)
Margaret Galliers (Chair)
Michael Davis (from January 2017)
Jeffrey Greenidge
Arvind Michael Kapur
Mike Langhorn
Haf Merrifield
Jane Slowey

Committees

Learning and Work has established a number of committees. The members of the principal committees during the relevant period are as follows:

Audit Committee

Justin Dankenbring (Resigned October 2016)
Jeff Greenidge
Jamie Hutchinson

Mike Langhorn (Chair)
Haf Merrifield
Andrew Weatherill

Learning and Work Institute Wales Strategy Group

Jeff Greenidge (Chair)	Kathryn Robson (from February 2017)
Rachel Bowen	Mark Isherwood (resigned November 2017)
Ann Brain (retired June 2016)	Michelle Matheron
Sian Cartwright	Jeff Protheroe
Iestyn Davies (November 2016 – February 2017)	Kelly Reynolds (from February 2017)
Alan Felstead	Martin Walker (from November 2016)
Deri ap Hywel (resigned February 2017)	Greg Walker (resigned June 2016)
Penny Lewis	

Remuneration Committee

Maggie Galliers	Nick Stuart
Arvind Michael Kapur	

Senior Management:

David Hughes	Chief Executive to 31 st August 2016
Stephen Evans	Deputy Chief Executive Officer to 31 st August 2016
	Chief Executive from 1 st September 2016
Tony Wilson	Director

Solicitors: Shakespeare Martineau
Two Colton Square
Leicester, LE1 1QH

**External auditor, accountants
and business advisors:** haysmacintyre
Fairfax House
26 Red Lion Square
London, WC1R 4AG

Internal auditor: RSM
The Poynt
45 Wollaton Street
Nottingham, NG1 5FW

Bankers: Bank of Scotland
8 Humberstone Gate
Leicester, LE1 3PH

Investment advisors: Brewin Dolphin
12 Smithfield Street
London, EC1A 9BD