



**Trustees' report and financial statements
For the year ended 31 March 2016**

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The organisation changed its name to National Learning and Work Institute on 1st January 2016. All references to National Learning and Work Institute (L&W) also include the period 1st April 2015 – 31st December 2015.

Foreword

This was a busy year for the Institute, with important changes externally as well as far-reaching internal changes.

On the external front, the general election was a big focus of our efforts to promote adult learning and better policies, funding and support for people to learn and gain good employment. The general election was followed by an emergency Summer Budget which made further public funding cuts affecting all of our policy areas as well as the Institute directly. This and the Autumn Statement both led to a slow-down 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.

Nonetheless, as this report shows, our work remains far-reaching, respected and of high quality. The impact we make extends far-beyond what might be expected from the resources we have in large part because of the skills, expertise and sheer hard work of the staff and Trustees we are blessed with.

The income challenges we faced led to further cost-cutting and sadly to the loss of more experienced and dedicated staff. The re-structuring, we have undergone in the last few years has helped maintain the Institute as a viable organisation which can continue to make a big impact, but it has come with the cost of good staff being lost.

This year also saw the merger with the Centre for Economic and Social Inclusion and the subsequent name change to Learning and Work Institute. Both the merger and the new name have been well-received. We have maintained strong relationships with funders, supporters and with policy-makers and our reputation is very positive.

All of this bodes well for the future as we seek to influence national and local policy and practice in learning, skills and employment. Our key challenge is to maintain the influencing capacity and capability at national level in England, Wales, Scotland, Northern Ireland and across Europe as well as extend our reach and influence within the newly devolved authorities and cities in England and Wales.

And it is clear that our influencing remains critical at a time of enormous social, economic and political changes. We know that learning, skills and employment help people to understand and adapt to the changes happening around them and we maintain the ambition that everyone is able to help shape those changes rather than being subject to them. More opportunities to learn, better support to find work and progress are vital in so many ways and the Institute will continue to fight for those chances being available to more and more people.

Maggie Galliers and Stephen Evans

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 2016, following our Annual Public Meeting

Strategic Priorities and Impact

The Board agreed a new Strategic Plan in 2015 in order to maximise the potential from the merger. The new 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 lifelong learning society in which all citizens have opportunities to learn and be supported to achieve their ambitions in life, community and work. This vision will be delivered through the following priorities:

Life and Society

- a. **Citizen's curriculum:** Ensuring all citizens have the core set of skills they need in 21st century Britain
- b. **Family and community learning:** Promoting the use of family learning and supporting a universal community learning offer

Work and Careers

- a. **Increasing employment:** Building more effective support to help people find and maintain work
- b. **Building careers:** Progression for low paid workers, world-class Apprenticeships
- c. **Higher level skills:** Higher level skills for further progression & productivity

Making the system work

- a. **Localism:** What services should be devolved and how this might work best
- b. **Funding:** How to increase employer and individual investment, including tackling market failure in the loans system
- c. **Personalisation:** The role of Personal Accounts, transition support/advice and user voice in integrating services around an individual's needs

Campaigning

- a. **To opinion formers:** Using our evidence base, research and ideas to challenge thinking and stimulate debate about how learning, skills and employment can work better and what it can help achieve.
- b. **To the general public:** Using a range of vehicles including Adult Learners' Week to promote awareness of and interest in learning and skills for and with a broader set of consumer groups on whose behalf we campaign.

We have driven policy change at the heart of Government

The 2015 General Election provided an important focal point to both influence policy and further grow our credibility across the political sphere.

In late April, in advance of the General Election, we published, in conjunction with Inclusion, *Ten Policies for Ten People* to set out a range of fiscally-neutral policies that the next Government could rapidly implement in its first 100 days. This successfully achieved traction with the new administration and our proposals on improving quality of apprenticeships, tackling disability employment, a new work programme, and better routes for young people have become central themes of the new Government's policy programme. As well as achieving solid impact, this became the most downloaded publication hosted on the L&W website,

The Government published the findings of their *Comprehensive Spending Review* in November 2015, setting out their budgets for the remainder of this parliament, up to 2020. The following table outlines the influence we secured within the CSR through our engagement with politicians and officials.

Our CSR Asks	Result
Prioritise funding to upskill and reskill the nation's workforce.	Achieved – Confirmation that core adult skills funding will be protected in cash terms for the course of this Parliament - providing colleges and training providers with the stability and certainty they will need to invest.
Radical refocusing of employment support for disabled people	Achieved – the CSR announced the new Work and Health Programme to replace Work Programme and Work Choice for people health conditions
Single funding regime for all post 19 loans	Achieved – 24+ Advanced Learning Loans will become 19+ learning loans up to level 6 through the Student Loans Company. Government will also consult on new student maintenance loans for students on specialist, higher-level provision.

We inspired more adults to take up learning for life

For 24 years we've been promoting lifelong learning with our innovative campaign, now the template for successful initiatives in 55 countries. Adult Learners' Week demonstrates the power of learning to change lives and celebrates what people from all backgrounds have achieved, inspiring more adults to take up learning.

Our Adult Learners' Week Awards and the Inspire! Awards in Wales achieved more than 1,500 award nominations Overall, 65 award winners were recognised at 4 regional and 2 national awards ceremonies, and over 160,000 learners took part in more than 3,000 learning opportunities. This year we partnered with other campaigns such as Learning at Work Week, Museums at Night and VQ Day and as a result, thousands of adults were inspired to attend a learning event and try learning something new.

Our annual Adult Learner's Week Parliamentary reception was attended by 34 Politicians, over double the number who attended in 2014. Across the country, more than 50 Parliamentarians took part in a series of visits to local Adult Learners' Week events in their constituencies. In Wales, 30 politicians were engaged in the Campaign, 6 Westminster MPs at the Parliamentary Reception and 24 Welsh AMs at local events, ceremonies and meetings with winners.

The campaign gained celebrity endorsement from Joe Pasquale and Rachel Khoo, and press coverage was achieved in the Daily Mail, BBC Online, NNC Radio 4 and Press Association. Celebrities Gemma Merna and Stefan Gates encouraged people to have a go at learning by taking part in our digital campaign film. The 3-part film where Stefan taught Gemma how to cook pasta had more than 2 million impressions and engaged with more than 11,000 people.

Our Adult Learners' Week hashtag peaked on Thursday 18 June 2015 during the L&W/Microsoft digital conference with 113,357 accounts reached and 160,192 impressions made (number of followers who could potentially receive a tweet). The #lovetolearn hashtag peaked at 90k accounts reached and over 175,000 impressions made.

We developed solutions to meet critical societal challenges

This section provides a snapshot of the innovative research solutions we have we have undertaken over the past 12 months.

- **Tackling literacy and numeracy need to deliver holistic benefits** - 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 shortfalls have fallen short. Our '*Citizens' Curriculum*' takes a different and innovative approach. We've shown that a flexible programme that taps into what learners need and want, and where content is co-developed with the learners themselves, can motivate and engage disadvantaged learners. Rochdale Borough Council, in collaboration with Manchester Metropolitan University, undertook a full, validated cost-benefit analysis of their Phase 1 Citizens' Curriculum pilot. This found that their pilot generated £3,117,502.23 in public value, equating to a £19.65 return on every £1 invested. In addition, only 49% of the fiscal cost savings went to the local authority; 34% went to the Department for Work and Pensions and 11% to the National Health Service. Other beneficiaries included the police (2%), courts and legal aid (2%), HMRC (1%) and other criminal justice system organisations (1%).
- **Improving access to apprenticeships for under-represented groups** - In 2014/15, just 10.6% of those starting an Apprenticeship came from a Black, Asian or Minority Ethnic (BAME) background – a significant under-representation compared to the general working age population. In response to this challenge, the Prime Minister has made a commitment to increase the proportion of apprentices from BAME backgrounds by 20% during this Parliament. In partnership with the Behavioural Insights Team, L&W conducted research to increase the proportion of successful apprenticeship applicants from BAME backgrounds. Our intelligence is

informing apprenticeship policy and shaping future work to address structural and behavioural barriers to successful applications from potential BAME apprentices.

- **Rethinking the Work Programme in Wales** – We published work for the Public Policy Institute for Wales that outlined how the Work Programme might be delivered differently in Wales in the future. Our work recommends that Welsh Government take the lead on analysis, design and commissioning to ensure the programme is tailored to needs in Wales.
- **Improving outcomes for young people** - Our Trainee and Employer Insights research projects developed clear and concise marketing messages for Government to use in their traineeship campaigns, improving demand from business. To drive take-up further, we mapped the potential referral agencies in every Local Enterprise Partnership area in England and sent a briefing on traineeships to almost 1,000 organisations. We built on our work from last year to explore the benefits of sector-focussed traineeships in more depth. Our research found examples of this approach being adopted in a wide range of sectors and demonstrated the success of sector-focussed traineeships in addressing local skills gaps. Together, this activity helped Government almost double their traineeship starts to 19,400 and is contributing to the 3 million Apprenticeship target.
- **Improving employment outcomes for offenders** - Over the last year, we have worked with three women's prisons to develop, pilot and evaluate a personal social development (PSD) curriculum. This was in response to a request from the Minister of State for Justice and Civil Liberties. Taking part in *Get Set for Success* led to an overall improvement in learners' attitudes towards learning, work, themselves and others. The evaluation findings will inform the further development and roll out of *Get Set for Success* to the male estate and Youth Offender Institutes. The pilots informed Dame Sally Coates' review of prison education, which strongly supported the provision of personal social development courses.
- **Developing innovative routes to progression** - Despite London's global success, many people are unable to share in the city's prosperity, with one in five employed Londoners paid below the London living wage. In 2015, we were funded by the JP Morgan Chase Foundation to deliver *Ambition London*, our flagship programme supporting employers and individuals to meet their skills needs and close the London skills gap. Making use of Advanced Learner Loans to support the costs of learning, *Ambition London* seeks to demonstrate the benefits of learning, increasing both take up and progression in learning and employment.
- **Supporting some of our most vulnerable citizens to get the help they need** - This year marked the end of our Department of Health-funded *WE Care* project, which aimed to improve young adult carers' access to education and work. The impact of *WE Care* was evident at our end of project conference in March 2016. Attended by our patron, HRH The Princess Royal, the conference featured inspirational talks from young adult carers, practitioners and policy makers and demonstrated how support for young adult carers has improved at both policy and practice levels over the course of *WE Care*.

- **Learning has a positive impact on health & wellbeing:** We know that learning has a positive and long-lasting impact on individual's health and wellbeing. This year we continued to develop our links with the NHS in Wales and were accepted by Public Health Wales to present a poster at their annual Public Health Wales conference, attended by over 400 people. The interactive poster presentation reviewed the evidence demonstrating the health benefits of adult learning.

We continued to increase our brand recognition

NIACE and Learning and Work Institute together received 1548 items of media coverage in 2015-16, slightly up on 2014-15. This included 841 print media, 649 online articles and 58 mentions in broadcast media (Radio and TV). We appeared in FE Week 33 times, the South Wales Journal 17 times, BBC Online 10 times, The Daily Telegraph 8 times and Guardian 7 times during the year.

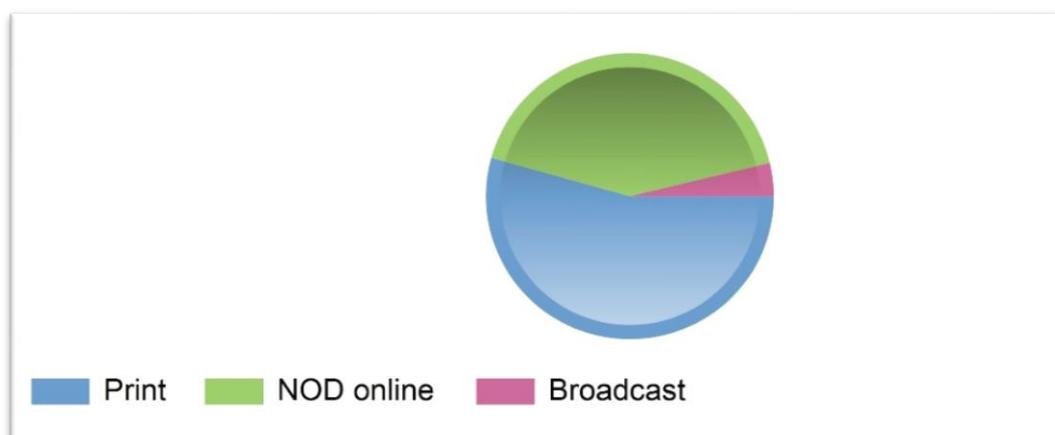


Table taken from Vocus Analysis

Notable examples of key media opportunities achieved during the year include:

- Our Chief Executive, David Hughes, was interviewed live on BBC Breakfast about Apprenticeships on the day of our Adult Learners' Week National Awards Ceremony in London. This interview was followed by another for BBC News which was repeated throughout the day.
- For International Literacy Day on 8 September 2015, ITV's [Loose Women](#), which launched on The launch included results from a survey designed in conjunction with L&W, an interview with our Head of Research, Emily Jones, and special guest Karen Woods, former Adult Learners' Week award winner.

We grew our digital footprint

Over the course of the year our website had 289,760 page views (approx. 223,115 unique views). The merger between NIACE and CESI saw a peak of over 40k visitors in January. Publicising our blogs on LinkedIn also drew a larger audience to the site, with around 25% of blog visitors and a spike in our LinkedIn engagement, reaching around 12,000 accounts in February.

Twitter followers for @NIACEhq / @LearnWorkUK have increased by almost 31% in the last financial year, from 9,000 to 11,800. Our tweets continue to reach around 3,200 Twitter feeds each day.

During 2014-15 NIACE / L&W's YouTube channel had a near three-time increase on views (around 45,000 views) with an estimated 60,000 minutes of footage watched (double from the previous period).

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 2016. This report constitutes the Trustees' Annual Report for the purposes of charity law, and also 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 18 and shows the net outgoing resources 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.

Restricted funds

The Trustees confirm that, on a fund by fund basis, the assets are available and are adequate to fulfil the obligations of the Charity.

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 particular 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
- Learning and Work Institute Wales Strategy Group– elected by the membership in Wales.
- Two 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 there are three vacancies on the Company Board.

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, providing the accountable link between the Company members and National Learning and Work Institute 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 and Deputy CEOs are 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 28 and 29.

During 2015 the Board reviewed its governance arrangements to ensure it is effective, efficient, proportionate and fit for purpose.

The number of Board members was reduced from 14 to 10 (currently 7 appointed members with 3 vacancies).

In addition, the Policy Committee ceased as a standing Committee of the Board. The remit of the Policy Committee was to provide expert, external advice and scrutiny to L&W's work in policy and public affairs. However, a newly formed Policy Strategy Group is used by the organisation to externally gather policy input. The outcomes of this group are reported to the Board.

The Resources Committee also ceased during the year, it was responsible for the general management of the organisation, in particular finances, personnel, IT and accommodation. This is now covered by the Company Board as there was considerable overlap of both content and members.

Additionally, the activities of the Investment Committee have transferred to the Company Board. Each financial quarter the Treasurer and the Assistant Director of Finance and Resources review the investments with the external Investment Manager.

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

Nominations for Trustees are sought from the membership. Additionally, 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. This Committee is drawn from, and reports to, the Company Board.

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.

All new members receive an induction and handbook to ensure they are aware of constitutional and operational matters relating to L&W. 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.

The year 2015-16 was another financially tough year for the Organisation and many others in the third sector. Opportunities to bid for research and development work were reduced or stalled following the General Election and subsequent Comprehensive Spending Review. L&W also experienced an unprecedented in year reduction in core funding from Department for Business, Innovation and Skills. Responding to the funding pressures the organisation restructured twice in the year to remain viable, efficient and lean. Despite these challenges, L&W continued to have a positive impact, using its funds to carefully deliver on all of its contracts and grant agreements.

On 1 January 2016 the assets, undertakings and employees of the Centre for Economic and Social Inclusion (CESI) were transferred into the statutory entity of NIACE. The newly combined or 'merged' organisation changed its name to National Learning and Work Institute (L&W) to reflect the scope of its wider interests and offering. During this process, twenty employees were transferred into L&W. The lease on the ex CESI offices in Vauxhall, London was assigned to L&W. The 2016/17 accounts contain £197,000 income less associated direct costs, payroll and other overheads relating to CESI legacy projects for the period 1 January 2016 to 31 March 2016. They also include £76,000 for the fair value of net assets transferred in from CESI, which was predominantly working capital.

L&W receives income from a range of activities and funders. The merger has increased diversification of income streams as the funders of NIACE and CESI were 80% different. This provides increased financial resilience for the organisation in addition to the £4,888,000 of investments it holds and its improving underlying financial performance.

Our major funders include the Department for Business, Innovation and Skills, who provide a core grant under a three year rolling Compact agreement. The Welsh Government provides ongoing funding under a grant arrangement, supporting a range of work as well as Festival of Learning activities in Wales. The European Social Fund seven-year contract came to an end during the year, however L&W was successful in securing a new, albeit smaller contract to deliver the Festival of Learning in England. Other significant funders, 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

Despite a year on year £737,000 fall in income the underlying operational result (before unrealised investment movements and changes in assumptions on the LPFA valuations) improved by £582,000 over the same period. This was due to restructuring activity and continuing focus on efficiency. Whilst the valuation of investments fell year on year, the valuation of the pension deficit improved significantly. As a result, net income in 2015/16 was £882,000 which compares favourably to the prior year net deficit of £4,688,000.

Income

The £737,000 year on year reduction of income from £6,195,000 to £5,458,000 predominantly arises from two causes:

- Firstly, L&W experienced an unprecedented in-year reduction of £200,000 in the Core BIS grant. However, L&W is pleased to confirm that for the forthcoming 2016/17 year, BIS have awarded core funding at the same level as that received in 2015/16.
- Secondly L&W's seven-year contract with the European Social Fund to deliver Adult Learners Week came to an end in the year. This activity was 100% match funded by BIS as part of the core grant noted above. L&W has been successful in bidding for a new, but smaller, ESF contract for the Festival of Learning. This contributed to a £406,000 year on year reduction in European funding.

Operating Expenditure

The Trustees and Management proactively addressed the reduction in income, which was in line with wider public sector funding cuts and similar changes across the third sector. Two restructures were undertaken during the financial year, these enabled a year on year improvement in financial performance. L&W achieved this with no diminution in the quality of its work. The resulting organisation is leaner, more efficient and more competitive.

Accordingly, L&W's net expenditure improved by £582,000 or 11% of income year on year from a £1,325,000 deficit in 2014/15 to a £743,000 deficit in 2015/16.

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

Unfortunately, in common with the experience of many organisations, L&W's investments reduced in value during 2015/16. In 2014/15, L&W had benefited from a significant gain.

Conversely, the FRS 102 calculation of the pension deficit has improved the actuaries' calculation year on year. As shown in the notes to the accounts, this is mainly due to a 0.4% increase in the discount rates applied by the actuaries to the liabilities of the scheme.

Net Income

Given the significant improvement in underlying trading and the net improvement in the valuation of investments and pension scheme, for 2015/16 L&W reported a net income of £882,000 which compares favourably to the net expenditure of £4,688,000 reported for 2014/15.

Pension schemes

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

All employees of CESI who transferred into L&W 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 when 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. 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 2016 FRS102 calculation from the scheme's actuaries showed a deficit of £10,743,000 (prior year deficit of £12,077,000). Under FRS102 the discount rate applied to liabilities is the same as the fund earning rate on assets at 3.8%. The most recent triennial valuation of this scheme, as at 31 March 2013, calculated the scheme deficit to be £7,545,000 (2010: £898,000).

L&W works closely and openly with the LPFA. In order to address the deficit, during 2014 a new employer contribution rate and a capital payment of £430,000 towards the deficit were agreed. In addition, L&W is providing the LPFA with a first

charge on investments of £1,000,000 and regularly hold discussions with the LPFA 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 Charities 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

- £9.3m if using 25% of pension scheme assets
- £14.7m if using FRS102 deficit calculated by the actuaries in March 2016

Reserves at the end of March 2016 before the FRS 102 calculated pension liability were £4,924,000 (2015-16 under FRS 17 £5,376,000.) This is reduced by the FRS

102 calculated pension liability to a total charity liability of £5,819,000 (2015-16: £6,701,000).

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 wide

	range of stakeholders. Strategic plan and position statements on policy areas are set out in our ambition and values.
UK voted to leave EU – funding	EU funding in place for current year. Negotiation of any Brexit will take time during which alternatives will be pursued.
Failure to secure adequate funding	Strategic plan is supported by program plans which are underpinned by funding plans which are reviewed weekly by L&W management. 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. Overdraft facility is possible if required
Being competitive	Recent restructures have cut costs considerably. We now have a more suitable mix of staff at right levels to deliver work cost effectively. We review unsuccessful bids. Non payroll overheads have been further reduced.
Pensions – LPFA lose 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 in June 2016 has increased capability and capacity to deliver. Strategic plan developed with staff provides a sense of purpose. 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 reviewing 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 Deputy CEOs 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.

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.

L&W has a Disability Disclosure Policy and reviews this in line with the policy review cycle. Procedure has also been introduced to support staff who disclose a disability.

L&W aims to adapt a best practice approach to disability in respect of the individual and their working environment. This includes 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 regards 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 was 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 the restructures.

The new Performance Development Review process implemented in the prior year has been further embedded. Within this, 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.

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 meet weekly and then cascades information and hold 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 Remuneration Policy changes and restructuring are discussed with 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 at £605,000 were abnormally high (prior year 384,000). Within the trade creditors there were two invoices of high value that accounted for £178,000 of the £605,000 balance.

This abnormally high year end creditor balance is reflected in the calculation of 42 creditor days at the year-end (2015: 22 days). All year end creditors were paid by the end of April 2016, and by the end of May 2016 the trade creditor balance stood at a more typical £141,000.

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



Stephen Evans
Company Secretary
22nd September 2016

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 2016 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 2016 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 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.

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

26th September 2016

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

	Note	Unrestricted funds £'000	Restricted funds £'000	2016 Total funds £'000	2015 Total Funds £'000
Income:					
Members' donations and legacies	3	23	-	23	23
Investment income	4	145	-	145	117
Income from charitable activities – from core projects	5	2,554	2,477	5,031	5,911
Income from other charitable activities	6	183	-	183	144
Income from fair value of merger		76	-	76	-
Total income		2,981	2,477	5,458	6,195
Expenditure					
Cost of raising investment funds	7	32	-	32	33
Cost of core charitable activities	7	3,435	2,477	5,912	7,090
Cost of other charitable activities	7	257	-	257	397
Total Expenditure		3,724	2,477	6,201	7,520
Net (expenditure) before (losses)/ gains on investment assets		(743)	-	(743)	(1,325)
Realised (losses)/gains on investment assets		(262)	-	(262)	679
Net (expenditure)		(1,005)	-	(1,005)	(646)
Change in financial assumptions on defined benefit pension scheme		1,887	-	1,887	(4,042)
Net movement in funds for the year		882	-	882	(4,688)
Reconciliation of funds					
Total funds brought forward		(6,701)	-	(6,701)	(2,013)
Total funds carried forward		(5,819)	-	(5,819)	(6,701)

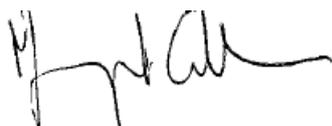
All of the activities of the charitable company are classed as continuing and are in furtherance of the objectives of the charity.

Balance Sheet

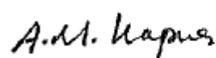
	Note	2016 £'000	2015 £'000
Fixed assets			
Tangible assets	12	203	303
Investments	13	<u>4,888</u>	<u>5,573</u>
Total fixed assets		<u>5,091</u>	<u>5,876</u>
Current assets			
Debtors	14	889	1,674
Cash at bank and in hand		<u>1,272</u>	<u>233</u>
Total current assets		<u>2,161</u>	<u>1,907</u>
Creditors falling due within one year	15	<u>2,267</u>	<u>2,362</u>
Net current assets		<u>(106)</u>	<u>(455)</u>
Total assets less current liabilities		4,985	5,421
Creditors falling due after more than one year	17	<u>61</u>	<u>45</u>
Net assets excluding pension liabilities		4,924	5,376
Defined benefit pension scheme liability	21	<u>(10,743)</u>	<u>(12,077)</u>
Net assets including pension liability		<u>(5,819)</u>	<u>(6,701)</u>
The funds of the charity			
Unrestricted funds excluding pension liability		3,693	3,950
Revaluation reserve		1,231	1,426
Pension reserve		<u>(10,743)</u>	<u>(12,077)</u>
Total charity funds		<u>(5,819)</u>	<u>(6,701)</u>

The financial statements were approved by the Board of Trustees on 22nd September 2016.

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	2016 £'000	2015 £'000
Cash used in operating activities	20	209	(1,303)
Cash flows from investing activities			
Interest and dividend income		145	117
Transfer of funds from KSF		24	20
Net transfer from investments		661	92
Purchase of tangible fixed assets		0	(280)
Cash provided by (used in) investing activities		830	(51)
Cash flows from financing activities			
Repayment of borrowing		0	0
Cash used in financing activities		0	0
Increase (decrease) in cash in the year		1,039	(1,354)
Cash at the beginning of the year		233	1,587
Total cash at the end of the year		<u>1,272</u>	<u>233</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) Reconciliation of previously Generally Accepted Accounting Practice

In preparing the accounts, the trustees have considered whether in applying the accounting policies required by FRS102 and the charities SORP FRS 102 the restatement of comparative items was required to the statement of financial activities.

The movement in the liability in respect of the LPFA pension is split between an amount included in expenditure, and an amount arising from changes in actuarial assumptions which is shown separately on the SOFA. FR102 splits this movement differently to previous UK GAAP and the figures shown in the 2015 comparatives in the current SOFA have been restated on a consistent with the effect of increasing the charge to expenditure and decreasing the actuarial loss.

c) Preparation of the accounts on a going concern basis

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

d) 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.

e) 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.

f) Expended costs

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.

g) 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 8.

h) 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.

i) 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.

j) 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

k) 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.

l) 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.

m) Pension costs

Employees are automatically enrolled into the London Pension Fund Authority scheme which is funded by contributions from employee and employer or alternatively employees may be entitled to join the Teachers Pension scheme.

The LPFA is a multi-employer defined benefit scheme administered 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.

n) Transition to FRS102

L&W has adopted FRS102 for the year ended 31st March 2016.

2. Exceptional costs

Impairment losses on investments

Early in October 2008 the Icelandic bank Kaupthing collapsed and the UK subsidiary of the bank, Kaupthing, Singer and Friedlander (KSF) went into administration. The Charity had £1.9m deposited with this bank at an interest rate of 5.97% and a maturity date of 14 November 2008. All monies within KSF are currently subject to the administration process, and the amount(s) and timing of payments to the Charity are determined by the administrators, who at the end of March 2016 have paid distributions totalling 83.75p in the pound.

Based on the latest available information the Charity has reviewed its impairment adjustment for the deposits, and has taken the action as outlined below. As the available information is not definitive as to the amounts and timing of payments to be made by the administrators, it is possible that further adjustments will be made to the accounts in coming years.

The creditor progress report issued by the administrators of KSF, Ernst & Young, dated October 2015 outlined that the return to creditors was projected to be in the range of 85p to 86.5p in the pound. The Charity has reviewed its impairment provision to recognise an impairment based on it recovering 85.75p in the pound based on the midpoint of the administrator's expectations.

In calculating the impairment, the Charity has therefore made the assumption that the remaining 2.0% recovery will be received in instalments commencing, March 2017 and June 2018.

Recoveries are expressed as a percentage of the Charity's claim in the administration, which includes interest accrued up to June 2018.

3. 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 £23,000 in both 2016 and 2015.

4. 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.

	2016 Total £'000	2015 Total £'000
Dividends	138	111
Interest on investments	2	2
Interest on Bank accounts	5	4
Total Investment Income	145	117

5. Income from charitable activities – core projects

	Contract & sales	Recurr- ent grant	2016 Total	2015 Total
L&W Wales	100	475	575	1,081
Research and development	2,474	1,069	3,543	3,454
Campaigns, promotions and advocacy	78	835	913	1,376
Total charitable activities income	2,652	2,379	5,031	5,911

	Unrestricted	Restricted	2016 Total	2015 Total
L&W Wales	528	47	575	1,081
Research and development	1,948	1,595	3,543	3,454
Campaigns, promotions and advocacy	78	835	913	1,376
Total charitable activities income	2,554	2,477	5,031	5,911

Income analysed by funding source

	2016 Total	2015 Total
Department of Business Innovation and Skills	2,136	2,367
The Skills Funding Agency	544	566
Welsh Government	521	479
Department of Community and local government	10	0
Department of Work and Pensions	85	0
Department of Health	52	30
Ministry of Defence	188	182
European Funding	425	831
Public sector	468	973
Charitable trusts	179	187
Business sponsorship	60	95
Other project funding	363	139
Products and services	0	62
	5,031	5,911

6. Income from other charitable activities

	2016 Total £'000	2015 Total £'000
Conference and events income	56	88
Publications income	54	56
Other income	73	0
Total income from other charitable activities	183	144

7. Analysis of Total expenditure

	L&W Wales £'000	Research & Dev £'000	Campaigns £'000	2016 Total £'000	2015 Total £'000
Direct project costs	170	1,094	386	1,650	2,393
Direct salary costs associated with projects	270	1,647	383	2,300	2,426
Allocation of Support costs	220	1,098	393	1,711	2,094
Allocation of Governance costs	28	163	60	251	177
Total costs of core charitable activities	688	4,002	1,222	5,912	7,090
Commercial activity direct costs				75	149
Commercial activity direct salary costs				86	167
Allocation of support costs				83	73
Allocation of Governance costs				13	9
Total costs of other charitable activities				257	397
Investment Management Fees				32	33

8. Analysis of Support and Governance costs

	2016 Total £'000	2015 Total £'000
Support Costs		
FRS 102 Cost of Defined Benefit Pension Scheme	553	765
Support Staff Salaries	420	452
Additional Defined Benefit Pension contribution	143	137
Accommodation	280	342
Computer	113	87
Depreciation	100	38
HR Costs	55	129
Travel	47	68
Policy and publicity	35	54
Telephone	25	26
Printing and stationery	25	92
Finance costs Recoverable VAT	(2)	(23)
Total Support Costs	1,794	2,167

Governance costs

Salaries	118	132
Audit and Accountancy Services	46	30
Legal and insurances	26	18
Annual Report	7	4
Meeting Costs	6	9
Merger Costs of Inclusion	60	0
Total Governance Costs	263	193

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.

9. Net income /(expenditure) for the year

This is stated after charging:	2016	2015
	£'000	£'000
Operating Leases		
Land and Buildings	115	93
Others	14	14
Depreciation	100	31
Auditors Remuneration		
External Audit Fees	22	17
Other Accountancy services	14	0
Trustee's indemnity insurance	10	9

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

	2016	2015
	£'000	£'000
Salaries and wages	2,245	2,542
Redundancy and termination costs	146	80
Social security costs	196	226
Pension costs		
LPFA service charge contributions – cash payments	293	380
LPFA additional contributions - cash payments	143	137
Difference between FRS 102 service cost and cash paid	117	394
Teachers' Pension Scheme	15	35
Defined Contribution Schemes	8	0
Early termination charges LPFA	0	125
	3,163	3,919

National Learning and Work Institute Company No:2603322
Trustees' report and financial statements for the year ended 31 March 2016

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

	2016 Number	2015 Number
£ 60,001 - £ 70,000	2	1
£ 80,001 - £ 90,000	1	1
£130,001 - £140,000	1	1
	<u>4</u>	<u>3</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 £2,753 (2014: 11 Trustees - £2,733). The total employment benefits for the senior management team, including the CEO, was £610,638 (2014: £593,509) with a pension contribution of £99,893 (2015: £91,652),

11. Staff Numbers

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

	2016	2015
Employees	<u>65</u>	<u>83</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:

	2016	2015
Employees – full time equivalents	<u>62</u>	<u>69</u>

12. Tangible Fixed assets

	Computer equipment £'000	Office equipment £'000	Buildings Maintenance £'000	Total £'000
Cost				
At 1 April 2015	287	64	115	466
Additions	-	-	-	-
At 31 March 2016	<u>287</u>	<u>64</u>	<u>115</u>	<u>466</u>
Depreciation				
At 1 April 2015	58	25	80	163
Charge for the year	79	9	12	100
At 31 March 2016	<u>137</u>	<u>34</u>	<u>92</u>	<u>263</u>
Net book value				
At 31 March 2016	<u>150</u>	<u>30</u>	<u>23</u>	<u>203</u>
At 31 March 2015	<u>229</u>	<u>39</u>	<u>35</u>	<u>303</u>

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

	£'000
At 1 April 2015	5,573
Purchases	1,932
Sales (and net settlements)	(1,761)
Unrealised losses	70
Realised gains	(510)
Management charges	(33)
Withdrawal / repayment of funds	(524)
Dividend and interest	140
Other income	1
At 31 March 2016	<u>4,888</u>

The fixed asset investments were held as follows:	2016	2015
	£'000	£'000
Listed stocks and shares	4,823	5,429
Cash	29	83
Deposit accounts	36	61
Market value at 31 March	<u>4,888</u>	<u>5,573</u>

At 31 March 2016 no investment represented more than 5% of the portfolio by market value.

At 31 March 2016 the historic cost of listed stock and shares was £4,399,467.

14. Debtors

	2016	2015
	£'000	£'000
Trade debtors	380	1,103
Other debtors	509	571
	<u>889</u>	<u>1,674</u>

15. Creditors: amounts falling due within one year

	2016	2015
	£'000	£'000
Trade creditors	605	384
Other creditors	73	29
Tax and social security	240	156
Accruals	319	241
Deferred income (see note 16)	1,030	1,552
	<u>2,267</u>	<u>2,362</u>

16. Deferred income

	Balance at 1 April 2015	Movement In year	Balance at 31 March 2016
	£'000	£'000	£'000
Restricted funds charitable activities	1,155	(496)	659
Unrestricted funds charitable activities	376	(77)	299
Unrestricted funds other trading activities	21	51	72
	<u>1,552</u>	<u>(522)</u>	<u>1,030</u>

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

	2016 £'000	2015 £'000
Provision for dilapidation costs on leased premises	<u>61</u>	<u>45</u>

18. Analysis of charitable funds

Analysis of movement in restricted fund

	Total funds £'000
At 1 April 2015	0
Incoming resources in the year	2,477
Resources expended and transfers	(2,477)
At 31 March 2016	<u>0</u>

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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
Department for Business, Innovation and Skills				
Core funding	1,241	1,241	-	-
European Social Fund – ALW	417	417	-	-
England				
DBIS – ALW England	417	417	-	-
Total Adult Learners' Week	<u>834</u>	<u>834</u>	<u>-</u>	<u>-</u>
The Skills funding agency	7	7	-	-
Department of Health – We Care	52	52	-	-
Other European Programmes-				
Various	198	198	-	-
Charitable Trusts				
Bell Foundation	10	10	-	-
Barrow Cadbury Trust	2	2	-	-
Paul Hamlyn Foundation	91	91	-	-
WCVA	3	3	-	-
Local Trust	1	1	-	-
Other consultancy/research				
The Big Lottery	35	35	-	-
Others	3	2	-	-
	<u>2,477</u>	<u>2,477</u>	<u>-</u>	<u>-</u>

19. Analysis of net assets between funds

	Restricted funds £'000	Unrestricted funds £'000	Total funds £'000
Fund balances at 31 March 2015 are represented by:			
Tangible fixed assets	-	5,091	5,091
Cash at bank	-	1,272	1,272
Current assets	659	230	889
Current liabilities	(659)	(1,608)	(2,267)
Creditors of more than one year	-	(61)	(61)
Defined benefit pension scheme liability	-	(10,743)	(10,743)
Total net assets	<u>-</u>	<u>(5,819)</u>	<u>(5,819)</u>

Included within unrestricted funds is an amount of £1,231,477 relating to unrealised gains on investment assets.

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

	2016 £'000	2015 £'000
Net movement in funds – annual position	(1,441)	51
FRS 102 Non cash adjustment	989	143
Add back depreciation charge	100	31
Deduct interest income shown in investing activities	(145)	(117)
Decrease (increase) in debtors	785	(683)
Increase (decrease) in creditors	(95)	(715)
Increase (decrease) in creditor long term	16	(13)
Net cash used in operating activities	209	(1,303)

21. 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. For part of the year payments had been made to various defined contribution pensions for the employees joining from the Centre for Economic and Social Inclusion. The charges for the year were as follows:

	2016 £'000	2015 £'000
Various defined contribution schemes (contributions)	8	0
Teachers' Pension Scheme	15	31
London Pension Fund Authority	553	726
	576	757

(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 2016	31 March 2015
Rate of inflation & rate of increase in pensions	2.5%	3.3%
Rate of increase in salaries	3.8%	3.8%
Net interest cost (2016) / expected return on assets (2015)	3.8%	6.4%
Rate used to discount scheme liabilities	3.8%	3.4%

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Note 21 cont.

We 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 2013. The post retirement mortality tables have been constructed based on Club Vita analysis. These base tables are then projected using the CMI 2012 Model, allowing for a long-term rate of improvement of 1.5% p.a.

The fund has replaced the expected return and the interest cost with a single net interest cost which effectively sets the expected return equal to the discount rate.

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

	31 March 2016 £'000	31 March 2015 £'000
Fair value of employer assets:		
Equities	9,871	9,408
LDI/Cashflow matching	2,154	1,628
Target return funds/Bonds	4,520	6,268
Infrastructure	1,164	1,074
Commodities	95	202
Property	758	614
Cash	2,687	2,490
Total	21,249	21,684
Present value of funded liabilities	(31,992)	(33,761)
Net pension liability	(10,743)	(12,077)

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

	2016 £'000	2015 £'000
Opening defined benefit obligation	33,761	27,704
Current service cost	553	553
Interest cost	1,136	1,254
Contributions paid by members	140	179
Changes in financial assumptions	(2,783)	4,494
Estimated benefits paid net of transfers in	(815)	(781)
Past service costs, including curtailments*	0	358
Closing defined benefit obligation	31,992	33,761

* Cost of curtailment calculated as a result of the payment of unreduced pensions on early retirement.

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

	2016 £'000	2015 £'000
Opening fair value of employer assets	21,684	20,225
Interest on assets	733	913
Return on assets less interest	(900)	452
Administration expenses	(33)	(30)
Contributions paid by members	140	179
Contributions paid by the employer	440	726
Estimated benefits paid	(815)	(781)
Closing fair value of employer assets	21,249	21,684

Note 21 cont.

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

	2016	2015
	£'000	£'000
Administration expenses	33	30
Current service cost	553	911
Net interest on the defined liability (asset)	403	341
	<u>989</u>	<u>1,282</u>

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

	2016	2015
	£'000	£'000
Fair value of employer assets	21,249	21,684
Present value of defined benefit obligation	(31,992)	(33,761)
Surplus/(deficit)	(10,743)	(12,077)
Return on fund assets in excess of interest	(900)	452
Change in financial assumptions	2,783	(4,494)
Remeasurement of the net assets/(defined liability)	1,887	(4,042)

(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.

22. Commitments

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

	2016		2015	
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
Operating leases which expire in:				
Less than one year	0	3	0	0
One to five years	170	9	89	18
	<u>170</u>	<u>12</u>	<u>89</u>	<u>18</u>

23. Connected charities

The Haldane Trust is a separate registered charity (registered number 314222) with objects similar to L&W. The trustees of The Haldane Trust are also trustees of L&W.

24. Action on Access

During the 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 early in 2016, and continued post year end, the two organisations have agreed to come together to gain mutual benefit from closer integration. During the year ended 31 March 2016 Action on Access had income of £111k.

25. 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.

26. Financial derivatives

There were no financial derivatives at 31 March 2016 or 31 March 2015

27. Restatement of SOFA for 2014-15 showing changes due to FRS102

	Unrestricted funds £'000	Restricted funds £'000	2015 Total funds £'000
Income:			
Members' Donations and Legacies	23	-	23
Investment income	117	-	117
Income from Charitable activities	2,179	3,732	5,911
Income from other charitable activities	144	-	144
Total income	<u>2,463</u>	<u>3,732</u>	<u>6,195</u>
Expenditure:			
Cost of raising investment funds	33	-	33
Cost of charitable activities	3,358	3,732	7,090
Cost of other charitable activities	397	-	397
Total expenditure	<u>3,788</u>	<u>3,732</u>	<u>7,520</u>
Net income/(expenditure) and net movement in funds for the year	(1,325)	-	(1,325)
Realised gains / (losses) on investment assets	679	-	679
Net incoming resources and surplus of income over expenditure	(646)	-	(646)
Change in Financial Assumptions on defined benefit pension scheme	(4,042)	-	(4,042)
Net income / (expenditure) and net movement in funds for the year	<u>(4,688)</u>	-	<u>(4,688)</u>
Total funds brought forward	(2,013)	-	(2,013)
Total funds carried forward	<u><u>(6,701)</u></u>	<u><u>-</u></u>	<u><u>(6,701)</u></u>

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)
Robert Fryer (Retired November 2015)
Jeffrey Greenidge
Robert Harrison (Retired November 2015)
Marie-Elise Howells (Retired November 2015)
Arvind Michael Kapur
Mike Langhorn
Patrick McAllister (Retired November 2015)
Mark Malcomson (Retired November 2015)
Haf Merrifield
Jane Slowey
Irene Ruth Spellman (Retired November 2015)
Thomas Wilson (Retired November 2015)

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 (from June 2015)	Mike Langhorn (Chair)
Jeff Greenidge	Haf Merrifield
Jamie Hutchinson (from June 2015)	Andrew Weatherill (from October 2015)

Learning and Work Institute Wales Strategy Group

Chris Birch (resigned October 2015)	Jeff Greenidge (Chair)
Rachel Bowen (from February 2016)	Deri ap Hywel (January 2016)
Ann Brain (from November 2015)	Mark Isherwood (from July 2015)
Sian Cartwright	Liam Kealy
Maggi Dawson (retired July 2015)	Phil Lloyd (resigned May 2015)
Bryn Davies (resigned June 2015)	Michelle Matheron
Alan Felstead	Jeff Protheroe

Resources Committee

As part of the governance restructure the Resources Committee ceased to operate in November 2015. Prior to this, during the year the following had served on the committee.

Peter Elcock	Patrick McAllister
Margaret Galliers	Mark Malcomson
Robert Harrison	Mohammed Sharief
Shabir Ismail	Nick Stuart
	Geoffrey Wolfson

Policy Committee

As part of the governance restructure the Policy Committee ceased to operate in November 2015. Prior to this, during the year the following had served on the committee.

Joanna Cain	Joanne Roney
Jim Dickinson	Gillian Reay
Bob Fryer	Katie Shaw
Margaret Galliers	Jane Slowey
Jeff Greenidge	Nick Stuart
Sebastian Hanley	Lynne Stubbings
Graham Hasting-Evans	Sarah Teague
Marie-Elise Howells	Robin Tuddenham
Jasbir Jhas	Dawn Ward
Kirsty McHugh	Jill Whittaker
Angela Nartey	Tom Wilson

Investment Committee

As part of the governance restructure the Investment Committee ceased to operate in November 2015. Prior to this, during the year the following had served on the committee.

Margaret Galliers	Mike Langhorn
Mike Kapur (Chair)	Patrick McAllister

Remuneration Committee

Maggie Galliers
Patrick McAllister

Nick Stuart

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
Thomas Stannard	Deputy Chief Executive Officer (to October 2015)
Tony Wilson	Director (from January 2016)

Solicitors:

Shakespeares
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 (previously named Baker Tilly)
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