

Charity Number: 1001041
Company Number: 2557730

PEOPLE 1ST
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016



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PEOPLE 1ST

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016

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PEOPLE 1ST

REFERENCE AND ADMINISTRATIVE INFORMATION

FOR THE YEAR ENDED 31 MARCH 2016

BOARD OF TRUSTEES

The following are Trustees at the date of this report:

David Fairhurst (Chair)
Natalie Bickford (Vice-Chair)
John McEwan (Vice-Chair)
Lesley Allan
Russell Barnes
Amanda Brady
Liz Chandler
Sara Edwards
Geoffrey Harrison
Peter Harvey
Charles Prew
Therese Procter
Fiona Ryland
Andrew Swaffield

MEMBERS

The current Memorandum and Articles of Association were adopted on 5 September 2011 and provide for two Council of Members (Council of Members for Hospitality and Leisure and Council of Members for Passenger Transport, Travel and Tourism) and two classes of Members:

Voting Members

- a. Maximum of 40 Voting Members, for the Hospitality and Leisure industries of which no less than 67% must be nominees or representative of the employers within the sector; and
- b. Maximum of 30 Voting Members, for the Passenger Transport, Travel and Tourism industries of which no less than 67% must be nominees or representative of the employers within the sector.

All Voting Member appointments must be approved by the nominations committee as having sufficient knowledge or experience of the sector and / or nation they are representing to advance the objects of the Company.

Non-Voting Members

Maximum of 10 Non-Voting Members on each Members Council. Non-Voting Members being individuals who are considered by the Trustees as having any relevant knowledge or experience to be able to advance the objects of the Company in any manner whatsoever.

A full list of Members can be obtained by visiting www.people1st.co.uk/about-us/our-people/council-of-members or writing to the Company Secretary, People 1st, Hospitality House, 11-59 High Road, London N2 8AB.

NOMINATIONS COMMITTEE

The Nominations Committee is established by the Voting Members and comprises the Chairman of the Trustees, two Voting Members of the Hospitality Leisure Members Council (who are not themselves Trustees) and one Voting Member of the Passenger Transport, Travel and Tourism Members Council (who is themselves not a trustee).

The role of the Nominations Committee is to:

- Advise Trustees on the appointment of a new Trustee. A Trustee appointed during the year must retire and stand for re-election by the Members at the AGM.
- Approve appointment of Voting Members.
- Ratify a resolution of the Trustees that removes any member from Membership of the Charity.

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REFERENCE AND ADMINISTRATIVE INFORMATION

FOR THE YEAR ENDED 31 MARCH 2016

REGISTERED OFFICE

Hospitality House
11-59 High Road
London
N2 8AB

AUDITORS

haysmacintyre
26 Red Lion Square
London WC1R 4AG

BANKERS

Barclays Bank Plc
Park Royal Business Centre
36-38 Park Royal Road
London NW10 7JA

SOLICITORS

Knights
The Brampton
Newcastle-under-Lyme
Staffordshire
ST5 0QW

COMPANY SECRETARY

Simon C V Tarr ACA

EXECUTIVE MANAGEMENT TEAM

| | |
|-----------------------|---|
| David Fairhurst | Non-Executive Chairman |
| Simon C V Tarr | Chief Executive Officer |
| Nish Chikhliia | Finance Director |
| Martin-Christian Kent | Executive Director, Research, Innovation and Marketing and Communications |
| Jane Rexworthy | Executive Director, Business development |

CONSTITUTION

People 1st is a registered charity and a company Limited by Guarantee and registered in England. It is governed by its Memorandum and Articles of Association.

CHARITY REGISTRATION NUMBER 1001041

COMPANY REGISTRATION NUMBER 2557730

PEOPLE 1ST

TRUSTEES' REPORT

FOR THE YEAR ENDED 31 MARCH 2016

The Trustees present their annual report and the audited financial statements for the year ended 31 March 2016. The financial statements comply with all statutory requirements and the requirements of the Charity's governing document. The Trustees Report incorporates the requirements of the Strategic Report.

STRUCTURE, GOVERNANCE AND MANAGEMENT

People 1st is a charitable company Limited by Guarantee with the following structure:

Two **Council of Members** one representative of the industries and 4 nations within the Hospitality and Leisure footprint, namely; Restaurants, Hospitality Services, Pubs, Bars and Nightclubs, Hotels, Food and Service Management, Gambling, Self-catering Accommodation, Holiday Parks and Hostels and Events.

The second representative of the industries and 4 nations within the Passenger Transport, Travel and Tourism footprint namely; Aviation, Bus, Coach, Taxi and Private Hire, Community Transport, Rail, Light Rail/Tram, Driver, Training, Transport Planning, UK Waterways, Visitor attractions, Tourism Services, Travel Services.

A **Trustee Board** with the ultimate responsibility for directing the affairs of People 1st and ensuring that it is solvent, well-run and delivering in line with its Objects.

An **Executive Board** responsible for the day-to-day work and management of the Company.

Council of Members

The Council of Members is charged with representing the interests of employers and employees from across the People 1st sectors and thereby ensuring that People 1st delivers what industry demands. Maintaining industry involvement is crucial in ensuring that the Company's work remains truly employer-led. People 1st is committed to the on-going engagement of employers through its research, industry advisory panels and regular communications.

Responsibility of voting and non-voting Members

- To represent the four nations and the industries within the sector and in the case of each individual voting member to represent their own nation/region and industry.
- To be "ambassadors" for the Company and promote its good interests.
- To encourage the Stakeholders, they represent to support People 1st.
- To constitute an advisory Board and make non-binding representations to the Trustees. They are to guide the Trustees on what they consider to be the Employers' requirements (whose interests they represent) for training and skills in accordance with the company's Objects.

Board of Trustees

Experienced executives elected by the Council of Members, responsible for overseeing the overall performance of the business and ensuring that the Charity's governance is of the highest possible standard.

Responsibility

- To ensure the Company complies with its statutory obligations under the Companies Act and Charities Act.
- To ensure that the Company fulfils its objectives as set out in its Memorandum.
- To review and set corporate governance.
- To advise and oversee the Executive.
- To decide on any delegation of power to sub-committees.
- To set the limits of authority for the Executive.

PEOPLE 1ST

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 MARCH 2016

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Executive Board

The Executive Board is empowered by the Trustees to make day-to-day decisions.

Responsibility

- Day to day running of the business.
- To advise the Trustees of any failure to comply with corporate governance or statutory requirements.
- To advise the Trustees of the financial position of the business at quarterly meetings with the Trustees.
- To deliver the corporate strategy as determined and approved by the Trustees.

Governance Review

During the summer of 2014 the Chairman commissioned an independent review in order to comment on the nature of the Board's responsibilities and its composition, membership and structure. The review considered the context of People 1st, its status and current Board structure alongside, wherever possible, organisations of a similar size and scope. It explored the current constitution and the extent to which this was satisfied by the present arrangements and considered the robustness of current governance arrangements. A number of recommendations were made however in relation to some structural and practical improvements that would more firmly establish and enable the Board to reflect current priorities. These recommendations have now been implemented.

TRUSTEE APPOINTMENTS

Trustees are appointed independently of any other organisation and based on the needs of the Charity. The Charity undertakes a review of the skills and knowledge of Trustees on a regular basis to identify any gaps against the requirements of the Charity. This information is used to target the recruitment of new Trustees as needs arise. Recruitment is planned either to fill vacancies which arise through Trustees retiring or to appoint new Trustees with particular skill sets.

During the year, the following were appointed as trustees:

Lesley Allan (21/09/15)

During the year there were no trustees that resigned.

The People 1st Articles of Association lay down that 1/3 of the Board, along with any Directors appointed during the year must retire at each Annual General Meeting, offering themselves up for re-election as appropriate. In line with this at the AGM on 24 February 2016 the following trustees, resigned, and offering themselves up for re-election were duly reappointed:

Lesley Allen
Russell Barnes
Liz Chandler
Sara Edwards
Geoffrey Harrison
Peter Harvey
Andrew Swaffield

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TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 MARCH 2016

TRUSTEE TRAINING – INDUCTION AND UPDATING KNOWLEDGE

All new Trustees undertake an induction program shortly after becoming a Trustee. The aim of this induction is to introduce the new Trustees to the People 1st business, its operation and its governance arrangements. It also includes briefings on both company and charity law to the extent required by the individual Trustee. Prior to appointment, new Trustees are issued with copies of all key documentation. Periodically Trustees are asked to review their knowledge and experience and a training and development programme is devised for the relevant Trustees based on their particular needs.

'Board champions' have been allocated to each key strategic area of work - including Women 1st, communications, apprenticeships, finance and People 1st's commercial product range – with a board member providing project sponsorship for one of these areas.

EQUAL OPPORTUNITIES

People 1st is an equal opportunities employer and will ensure that no job applicant or employee receives less favourable treatment on grounds of sex, marital status, sexual orientation, disability, age, race, religion, colour, ethnic or national origin, or convictions which have been spent under the Rehabilitation of Offenders Act.

Selection criteria and procedures are regularly reviewed to ensure that individuals are selected, inducted, developed, promoted, communicated with and treated on their relevant merits and abilities.

HEALTH AND SAFETY AT WORK

It is the policy of the Charity that its operations are executed at all times in such a way as to ensure, as far as is reasonable, safe and healthy working conditions, equipment and systems of work for all employees and visitors to People 1st's premises. People 1st's health and safety procedures have been updated to reflect staff that have either office based with home working agreement or remote worker contracts.

INVESTMENT POWERS AND POLICY

The Trustees are empowered to invest any monies authorised by law for the investment of trust monies as they see fit.

The Board has taken the prudent approach of depositing cash reserves on long term deposit rather than investing in bonds or in shares.

As at 31 March 2016 monies on deposit were £nil.

OBJECTS AND PRINCIPAL ACTIVITIES

Following the Company's acquisition of the National Skills Academy for Retail and Skillsmart Retail UK Limited in October 2014, People 1st added to its objects and principal activities the Sector Skills Body and Apprenticeship Certification Body for the Retail sector.

The objects of the Charity, as stated in its Memorandum of Association, are to promote and advance for the public benefit the education and training of persons employed or intending to be employed in the hospitality, leisure, passenger transport, travel and tourism industries, as well as to undertake and promote useful research into any matters relating to training for employment in the sector and to publish and disseminate any useful results of such research for the public benefit.

The Trustees continue to have regard to the guidance of the Charity Commission in ensuring that the charity's objectives continue to be for the public benefit.

People 1st is the leading skills and workforce development expert in the visitor economy sector. The Company has:

1. Unparalleled expertise that combines in-depth knowledge of the challenges and benefits surrounding workforce development;
2. A proven track record of delivering trusted advice and solutions that drive business performance; and
3. A well-established reputation as a leader that brings the sector together to consider future labour force requirements, articulate concerns and drive policy debate.

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TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 MARCH 2016

Vision

To inspire skills and development across the visitor economy

What the Company does

Delivers specialist products and services that enable our clients to develop employees' skills and expertise with a view to improving retention, productivity and profitability. We are focused on delivering performance through people.

Products and services

On a day-to-day basis, our products and services are:

1. Delivering skills and training solutions and identifying future skills needs;
2. Shaping and influencing the future development of qualifications;
3. Providing labour market information that helps businesses with their long-term plans;
4. Improving the quality of training provision;
5. Encouraging greater investment in training.

STRATEGIC REPORT

In August 2014, the UK Parliament approved The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2014. These regulations introduce into the Companies Act 2006 a requirement for all large and medium-sized companies to prepare a separate Strategic Report. This consists of the sections on Achievements and Performance, Financial Review, The Year Ahead and Risk Management which follow.

ACHIEVEMENTS AND PERFORMANCE

The last twenty-four or so months have been a time of significant change for People 1st. Following the end of government funding (both in terms of core and project funding) the company has had to rely on its reserves whilst transforming itself.

Our financial performance in the year was challenging given the uncertain environment. However, strategically, we have made extremely positive progress to make sure we can manage our own sustainable future.

At the same time, we continued to maintain support for industry in skills-related research, professional standard-setting, quality assurance and careers – thereby ensuring that People 1st remains the 'go-to expert' on all skills-related issues.

During this year, the executive prioritised three strands to drive the business forward, namely

1. Market intelligence and insight – independent expert insight into the labour market and government policy which can be used to plan for future business requirements;
2. Creation and management of frameworks for education, development and training – key focus being apprenticeships;
3. Delivering practical people development solutions.

KEY HIGHLIGHTS FROM THE YEAR

1. Market Intelligence and Insight

The Skills and Productivity Problem - Hospitality and Tourism Sector

This research looked at the challenge of low productivity from a skills perspective. It outlined how productivity is being undermined by high labour turnover which in turn is driving up skill gaps and recruitment demand.

The hospitality and tourism sector continues to be a large employer and to experience significant growth. It currently employs a workforce of 2.4m, a rise of 493,000 since 2009. However, its productivity is undermining its economic performance and overall profitability. Hospitality and tourism GVA is £46.5bn, significantly less than comparable sectors such as construction (£79.9bn), manufacturing (£157.0bn) and retailing (£135.4bn).

The skills base of the sector plays a critical and important role in undermining productivity given the number of businesses reporting that their staff lack sufficient skills to meet business needs. 21% of hospitality and tourism businesses report that their existing staff lack essential skills compared to only 15% across the UK economy as a whole.

In large part this is caused by high levels of labour turnover, which costs the sector £274m annually and also makes the sector's current recruitment needs extremely challenging as 870,000 of the 993,000 staff the sector needs by 2022 are to replace existing staff. Labour turnover also diverts existing investment in training and development away from where it is needed most by addressing critical skill gaps.

Considerable attention has been given to the recruitment challenges in the sector, but evidence suggests that paying more attention to staff retention would help not only to tackle our recruitment problems, but also increase the competency of the hospitality and tourism workforce. The recruitment of transient staff is largely driving the high rates of turnover, however, few businesses are looking at diversifying their recruitment pools, which could help address their recruitment problems as well as aid retention.

Linked to this, the lack of visible career pathways is having a detrimental impact in attracting sufficient numbers of skilled applicants. Employers are finding this to have an adverse effect on finding candidates with the required customer service behaviours, but also sufficient numbers of chef and management applicants.

As a result of these challenges there needs to be greater focus on:

- Employee engagement to help staff retention;
- Promotion of career progression pathways to the existing workforce, aligned to succession planning and training and development opportunities;
- Promotion of career progression pathways to attract candidates to fill skilled front-of-house, chef and management roles;
- Recruitment targeting sustainable, but flexible labour pools, such as older workers and women returning to work;
- More systematic training and development planning being integrated within an organisation's people strategy.

Chef Shortages

This research looked at the ongoing chef shortage.

By 2022, the hospitality industry needs to recruit a further 11,000 chefs. Recruiting for chef roles continues to be a major challenge for the industry, with the number of reported hard-to-fill vacancies increasing by 2% between 2008 and 2013. The latest figures suggest that 26% of hospitality and tourism businesses have hard-to-fill vacancies for chefs. To illustrate this change, in 2008, the proportion of hard-to-fill vacancies that were for chef roles was 33% and by 2013, this had risen to 38%. Anecdotally, hospitality employers highlight that chef recruitment continues to be a significant problem, with some businesses being forced to deskill their operations.

As the hospitality industry has expanded and become more diverse, so the types of chefs working in the sector and the skills they require has also changed. Whilst there is a considerable demand for traditional 'professional' chefs, who have a broad range and depth of culinary skills, there has been a considerable growth in 'production chefs, who produce meals to tight specifications, typically with lower levels of culinary skill. The range of skills required by production chefs varies enormously depending on the establishment in which they work. Further research is currently being carried out by People 1st to better understand the different types of chef and the skills they require. Traditional ways of looking at different chef skills by specific-industry are no longer appropriate on the back of large-scale disruption in recent years and in particular the growth of casual dining, which spans the pubs, bars and nightclub and restaurant industries.

One of the reasons why hospitality businesses are finding it harder to recruit is the drop in chef students and apprenticeships. A recent survey with further education colleges offering hospitality provision found that of the 95 colleges responding, over half of colleges had seen numbers fall. Similarly, over a three-year period a quarter of colleges responding who have been delivering the City & Guilds Professional Cookery Diploma have been forced to stop delivering the programme, owing to low student numbers or restrictions on hours and funding. This is concerning, given the work undertaken to develop a suitable robust college programme with a practical end test that reflects the needs of hospitality employers.

Numbers on the chef apprenticeship have also fallen in recent years, but a considerable focus has been given by hospitality employers, through the Hospitality Trailblazer, to develop robust apprenticeship standards for professional and production chefs.

Restrictions on bringing in chefs from outside of the European Economic Area is also thought to have had an impact for some businesses and People 1st is currently undertaking research in this area.

Women Working in Hospitality

This research was ongoing at the end of the year. It is building on research done by People 1st in 2010 into progression opportunities for women in the sector and the barriers in place preventing more women progressing into management and senior roles.

In January 2016 People 1st signed a Partnership agreement with the Travel Weekly Group (TWG) – aim of this partnership being to provide a strong media platform to profile the research culminating in the Shine Awards in September 2016.

2. Creation and management of frameworks for education, development and training

In November 2012 US entrepreneur, Doug Richard, published his independent report on the future of apprenticeships, commissioned by government. His recommendations were accepted in full and as a result there have been four guiding principles to the apprenticeship reform in England:

- **Put employers in the driving seat** – apprenticeship standards designed by employers, making them more relevant and attractive to other employers;
- **Simplify the system** – employer-designed standards that are short and easy to understand, and describe the skills, knowledge and behaviour that individuals need to be fully competent in an occupation;
- **Increase the quality of apprenticeships** - through rigorous assessment at the end of the apprenticeships to ensure that apprentices are ready to progress;
- **Give employers purchasing power** – to have control of government funding for the external training [instead of it being routed via providers].

The government asked groups of employers to form 'trailblazers' and started a phased approach to implementing the principles of the reform. Phase 1 included mainly STEM occupations, and it was only in Phase 2 from March 2014 that the visitor economy took part in the process.

People 1st was asked by groups of employers to manage the development of new apprenticeship standards and subsequently the related assessment plans, and its Board of Trustees agreed to apply the requisite resources to do so.

As such, during the year, People 1st acted on behalf of trailblazers for: retail, hospitality, travel, aviation and bus and coach to achieve 18 government approved apprenticeship standards and supporting assessment plans of which 16 are now live. The process included wider consultations with non-trailblazer employers and apprenticeship partners such as training providers and awarding organisations.

People 1st communicated with government on behalf of the sector's trailblazers, particularly where there were differences between employers' proposals and the government's expectations. For example:

- Securing government approval of apprenticeship standards with a core and option model avoiding unnecessary duplication, contrary to the original criteria for standards;
- Facilitated government's agreement for employers in the sector to conduct both training and end point assessment within their businesses, as long as clear lines of separation are evidenced, which was originally rejected. This was a significant issue for large businesses that have traditionally operated both functions;
- Negotiating funding bands for apprenticeships which have on most occasions been set at least one band under the expected rate - i.e. negotiating commis chef up from a £5,000 to £9,000.

More recently People 1st has worked with employers to ensure that the outcome of the sector's apprenticeships deliver quality results. As a result, hospitality and retail are the first industries to secure a truly employer led model, recognised by

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TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 MARCH 2016

government, to oversee the external quality assurance of apprenticeship assessment. The process is overseen by industry apprenticeship boards of which the first for hospitality was formed in November 2016. The external quality assurance function will be managed and conducted by People 1st.

In the summer of 2015, the announcement of the apprenticeship levy (effective April 2017) shifted the focus from the reform to how employers will pay for apprenticeships. People 1st has worked with employers to support the transition to the new funding system via a range of methods including social media campaigns, a new employer network, meetings and webinars with key government representatives, via public speaking engagements and one to one consultancy with a wide range of sector businesses.

The future holds wider reforms on the post-16 structure of technical education and People 1st will work with employers to encourage the government to build on the good work of the trailblazers, aiming to form strong links with the new Institute for Apprenticeships and Technical Education.

3. Delivering practical people development solutions

Training Products and Services

Key training products over the past year have been

- WorldHost customer service training;
- Management 1st
- Women 1st Step Up and training programmes;
- Train the trainer programmes (Group and Practical Training Certificate).

Clients during the year included Elizabeth Arden, Stage Coach, Royal Bank of Scotland, Siemens Rail, Rugby Ambassadors (Rugby World Cup), London Overground, British Land, Zero Waste Scotland, CAMRA, Wetherspoons, Continuum Group; McArthur Glen, Monarch, Bourne Leisure, Red Carnation Hotels and UK Skills.

Membership and Accreditation

The People 1st membership offer combines the National Skills Academy for Retail (NSAR) Skill Shop network and the People 1st accredited learning providers.

Skills shop network

As at the 31 March 2016 there were 32 skills shops in England. Focus continues to be the transition to the apprenticeship accreditation model. Feedback from skill shops has been positive, but we are currently assessing the latest information emerging about the Skills Funding Agency's Register of Training Organisations to ensure the offer complements and adds value to the Register for both providers and employers.

Accreditation

Current membership (colleges and training providers):

Hospitality - 23

Aviation - 4

Taxi and Private Hire - 3

In hospitality, we continue to grow the network with a growing pipeline of colleges starting to go through the process, but Area Reviews and uncertainty over funding means that colleges are taking longer to go through the process than previously.

Employers on the hospitality accreditation board, chaired by Sean Wheeler from Starwood Capital, continue to promote and champion accredited providers to raise their awareness with employers and demonstrate the value of becoming accredited to other learning providers.

We have launched the AA College Restaurant of the Year Award to recognise accredited colleges within the AA College Rosette Scheme that have shown outstanding achievements in a realistic working environment. The winner was to be announced at the AA Hospitality Awards held on 26 September at the Grosvenor House Hotel. This has also provided a

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TRUSTEES' REPORT (continued)

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platform to disseminate our chefs research and ensure that accredited colleges are seen as a positive solution to addressing the chef shortage.

Quality marks

Applications for quality marks continue to be submitted, both within the UK and internationally (on the back of our International work). The apprenticeship reforms provide opportunities in this area.

Devolved Nations

We continue to maintain a presence in all three devolved nations.

Northern Ireland

As part of the reforms to apprenticeships and youth training, we secured government-funded support for People 1st to set up and lead a hospitality sectoral partnership to bring together employers, learning providers and others to steer the future development of apprenticeships in hospitality.

We also secured a further contract from government to undertake the curriculum review exercise with industry to develop the new provision in hospitality. We are one of two sectors chosen to act as pathfinders for this curriculum reform work. As part of the Universal Services contract funded by UKCES, we delivered consultation activities to update the national occupational standards for hospitality.

We secured a strategic partnership grant from Tourism NI in conjunction with the Department for the Economy to deliver a programme of consultation with industry and key stakeholders to develop a tourism skills plan to support the new tourism strategy to 2025. A sustainable funded role for People 1st is being positioned within the action plan to co-ordinate key activities on behalf of the sector post March 2017.

As part of the NI Year of Food 2016, we partnered with Tourism NI in the delivery of a specially designed WorldHost Food Ambassador programme for the hospitality industry as a pilot initiative to 80 businesses. A co-investment model is now in place with local councils to support its wider roll-out to industry.

We secured government support for an inaugural sector Jobs fair in Belfast in March 16 in conjunction with the Big Hospitality Conversation and the NI Hotels Federation. The event engaged 40 employers with over 500 jobs on offer and attracted 600 attendees.

We also secured funding from Belfast City Council to support the set up a hospitality employment academy to train jobseekers to take up new employment opportunities across the city. This is a demonstrator project to inform government mainstream back-to-work provision with a sector-specific work academy model, within which we are seeking to secure a role and ongoing income stream for People 1st.

Scotland

2015/16 was a year of notable growth and stability within the Scottish operation. People 1st's heightened profile coupled with an expanded programme of funded project work and existing modern apprenticeship income contributed, collectively, to an overall increase in both revenue and net contribution.

The WorldHost Regional Destination Project (established by People 1st in 2014 to directly address the variable and inconsistent provision of high-quality visitor experiences across Scotland's tourism product) during 2015/16 established itself as the lead sectoral programme addressing customer service skills in the sector and was fully adopted by 12 regions across Scotland. Over 21,500 individuals in Scotland, approx. 9% of the sectors workforce, have been trained in WorldHost since it was launched in 2011.

During the year People 1st secured a two-year contract to support the delivery of WorldHost supervisory training across 100 second-hand shops operating under Zero Waste's Revolve and Recycling Initiative.

Modern Apprenticeships (MA) - during the year 2,985 candidates registered for hospitality frameworks, 1,000 for retail and 150 for passenger transport. People 1st has, thanks to some additional funding support from Skills Development Scotland during 2015/16, started to explore new, innovative and alternative ways in which businesses and individuals

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TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 MARCH 2016

operating within our sectoral footprint in Scotland can access apprenticeships. This work, which centered on Shared MA pilots and Foundation MA reviews, forms part of People 1st's overall commitment to addressing and supporting the key priorities set out in the 2013 Tourism Skills Investment Plan - specifically skills and training accessibility.

Wales

During the year People 1st completed delivery of its Welsh Government funded projects (Sector Priorities Programme SPP) as follows: -

Shared Apprenticeships – successfully delivered a pilot shared apprenticeship programme in 3 regions of Wales involving 24 young people and 12 employers. As part of the project we also developed a shared apprenticeship 'how to' guide.

Level 4 Professional Cuisine – working with Cambrian Training and an Employer Expert Working Group (EWG), we developed and piloted with 16 chefs from across Wales, the first level 4 chef qualification in the UK. At present we are now looking for an Awarding Organisation to accredit the qualification, which will then be put in to a level 4 apprenticeship framework. This fits nicely with the current government strategy of offering higher level apprenticeships in Wales and will ensure a career progression route from basic entry level to the top jobs in the industry.

On line learning programmes – three on line learning programmes were developed and are now available commercially. These are: Taxi 1st – this is an 'app' driven programme aligned to the Btec level 2 driver qualification which enables individuals to download the app to their smartphones or devices and takes them through a variety of learning situations aligned to the qualification. Think 1st – Aimed at young people in the hospitality/tourism industry, this app gets them thinking about the wider business within and outside their job role. Cook 1st – an interactive app for chefs which shows various dishes and cooking techniques that can be easily accessed at their workstation.

International

Our international work is based on a simple model of consultancy, building on the UK's reputation of creating robust industry-led vocational educational training and high quality provision but also People 1st's reputation for developing innovations like our national skills academy model which builds capacity for delivery in the service industries.

People 1st can support the development of an academy/skills shop model in shopping centres, high streets and within businesses.

This academy model delivers tried and tested, industry-led training programmes and learning solutions, delivered by high quality licensed training providers.

We also work with organisations to develop tailored solutions to meet the unique needs of the businesses and people. We offer high-quality research and consultancy services that provide practical results in the development of industry-specific solutions.

Our reputation internationally continues to grow and we have worked with a variety of stakeholders including employers, training providers, schools, international sector skills organisations, shopping centre owners, international government departments with a remit for skills and business support and visitor economy Investment organisations.

Partners during the year have included British Council; UK Trade and Industry; European Bank for Reconstruction and Redevelopment; Arabian Centres; Majid Al Futtaim Charity Foundation; Kings Group Panama; Panamanian Embassy; Usbek Tourism and ESCO (European Skills/Competences, Qualifications and Occupations).

FINANCIAL REVIEW

The consolidated statement of financial activities shows net expenditure for the financial year of £1,028,000 compared to net expenditure of £778,000 for 2015.

Income, including investment income, was lower than the previous year at £4,002,000 (2015: £5,346,000). This reduction is predominantly explained by:

- i) planned transformation from a predominantly project-funded organisation into a self-funding organisation;
- ii) uncertain environment particularly around Apprenticeship framework and Levy;
- iii) local authority spending cuts leading to reluctance to commit;

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iv) extending a presence within the Corporate market and building long term relationships which all takes longer to realise into income but secures long term sustainability.

Expenditure fell from £6.1 million to £5.0 million, principally due to lower staff costs.

Total consolidated funds at 31 March 2016 were £2.16 million (2015: £3.19 million).

RESERVES POLICY

At 31 March 2016, the group held total reserves of £3.19m. Of the total, £658,000 are held in restricted funds representing tangible fixed assets. In addition, a further £207,000 of fixed assets are held in unrestricted funds.

As at 31 March 2016, the group had free reserves, defined as unrestricted funds less tangible fixed assets, of £1.30 million (2015: £2.21 million).

People 1st has legal and moral responsibility to maintain a sufficient level of reserves to reasonably ensure business continuity without holding excessive reserves which could be used for the betterment of the education and learning needs of businesses and individuals in our sectors. To this end the Charity undertakes: -

- That reserves are maintained at a level, which at the yearend is at least equivalent to three month's operational expenditure. This preserves a level of reserves being a minimum to meet the costs likely to be incurred during a major downsizing of the Company;
- To build reserves to a level where this provides sufficient funds to enable People 1st to invest in initiatives which will seed fund the services it offers or address key issues of concern within the sector;
- To not hold excessive reserves. Excessive reserves would be considered to be any free reserves materially in excess of 50% of the planned annual expenditure budget.

Under the requirements of Charity Law, the Trustees of the Board are obliged to define People 1st policy for holding reserves. The intention in establishing this reserves policy is to secure the continuation of the Charity's activities and:

- a) help to properly manage its resources;
- b) help to plan and formally report its approach to stakeholders;
- c) help to match its reserves to its requirements and no more, otherwise the Charity would hold reserves that are too high or too low for its needs.

THE YEAR AHEAD

People 1st is strongly positioned going forward –

- we have unparalleled insight and expertise in the visitor economy;
- we have an independent view - facilitating the views of employers and influencing policy to achieve the best results for our sector;
- we are the industry leader and advocate in relation to skills and people development - we have extensive reach with an unrivalled network of partners and contacts across the visitor economy;
- we have a proven track record of adding value to employers' businesses;
- we are innovative, developing, adapting and evolving solutions for a range of workplace development issues affecting the visitor economy;
- we have been formally named to manage the external quality assurance of apprenticeship end assessment. This process will be established over the next six months and implemented in early 2017;
- we have a portfolio of strong products and services;
- we have a growing sales pipeline both within UK and internationally;
- we have been formally named to manage the external quality assurance of apprenticeship end assessment. This process will be established over the next six months and implemented at the end of 2016.

Objectives for the year ahead are

PEOPLE 1ST

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 MARCH 2016

1. Expand our reputation as the authoritative and independent experts on apprenticeships;
2. Expand our reputation of supporting employers to enhance retention, improve productivity and thereby increase their profitability;
3. Achieve revenue in excess of £4.5million and achieve break even for the 12 months ending 31 March 2017;
4. Develop a robust three-year business plan (for the period 1 April 2017 to 31 March 2020) which replenishes our reserves by generating a net surplus of £500,000 over the next three years.

RISK MANAGEMENT

People 1st regularly (at least once a year) review its exposure to risk by performing a risk assessment exercise in the following areas: Business, IT, Emergencies, Human Resources, Quality Compliance and Finance. The Trustees have taken steps to ensure that any major risks identified through the risk assessment are mitigated by having the appropriate systems, processes and controls in place.

The principal risks and uncertainties identified by the Trustees are:

- Spend on People 1st core products and services does not increase at the assumed 5% growth level;
- New commercial income streams fail to materialise or do so at rates slower than anticipated.

The following actions have been taken to mitigate the principal risks:

- Communications and marketing plan developed and aligned to sales;
- Weekly monitoring of sales and pipeline data and underlying performance;
- Product development plan currently being progressed.

REMUNERATION OF SENIOR STAFF

The trustees are considered the board of trustees and the executive management team comprise the key management personnel of the charity in charge of directing and controlling, running and operating the Charity on a day to day basis. All trustees except the non-executive chairman give of their time freely without remuneration in the year. Details of directors' expenses and related party transactions are disclosed in note 18 to the accounts.

The pay of the executive management team and all staff are reviewed annually and normally increased in accordance with average earnings to reflect a cost of living adjustment. In view of the nature of the charity, the Trustees benchmark against pay levels in other charities. There is a remuneration committee comprising of executive and non-executive directors who regularly review levels of pay.

HUMAN RESOURCES

A skills audit is carried out on a regular basis to identify skills matches and gaps and to ensure that People 1st has the appropriate personnel required to deliver its corporate strategy and goals.

QUALITY COMPLIANCE

Investors in People: Our (IIP) accreditation was assessed in February 2015 and we were re-awarded IIP status for all the People 1st group companies.

STATEMENT OF TRUSTEES' RESPONSIBILITIES

PEOPLE 1ST

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 MARCH 2016

The Trustees are responsible for preparing their Trustees' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Trustees to prepare financial statements for each financial year. Under that law the Trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of the affairs of the charitable company and the group and of the surplus or deficit of the group for that period. In preparing these financial statements the Trustees are required to:

- Select suitable accounting policies and apply them consistently;
- Observe methods and principles in the Charities SORP;
- Make judgements 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 assume that the charitable company will continue in operation.

The Trustees are also 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as each of the Trustees are aware at the time the report is approved:

- There is no relevant audit information of which the Charity'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.

AUDITORS

A resolution proposing the re-appointment of haysmacintyre as auditors to the Charity will be put to the annual general meeting.

EMPLOYEES

The Trustees continue to be grateful for the support of the management and employees of People 1st and for their enthusiasm and commitment to the improvement of learning and training in the sector. This has been promoted through their professionalism and leadership and with the help and support of like-minded people in business, learning providers and government departments.

The Trustees' Report, incorporating the Strategic Report, was approved by the Board of Trustees on 24th November and signed on their behalf by:



Simon C V Tarr
Company Secretary

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PEOPLE 1ST

We have audited the consolidated financial statements of People 1st for the year ended 31 March 2016 which comprise the Consolidated Statement of Financial Activities, the Group & Charity Balance Sheets, the Consolidated 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 auditors' 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 its members, as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of trustees and auditors

As explained more fully in the Statement of Trustees' Responsibilities, the trustees (who are also the directors of the charitable company 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 consolidated financial statements:

- give a true and fair view of the state of affairs of the charitable company and the group as at 31 March 2016 and of the net movement in funds, including the income and expenditure, of the group 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 matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated 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 consolidated financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Bernie Watson
Senior Statutory Auditor
for and on behalf of haysmacintyre
Statutory Auditors

24 Nov 2016

26 Red Lion Square
London
WC1R 4AG

PEOPLE 1ST

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
(including Income and Expenditure account)

FOR THE YEAR ENDED 31 MARCH 2016

| | Note | Unrestricted Funds £'000 | Restricted Funds £'000 | Total 2016 £'000 | Total 2015 £'000 |
|-------------------------------------|------|--------------------------------|------------------------------|------------------------|------------------------|
| INCOME FROM: | | | | | |
| <i>Charitable activities:</i> | 3 | | | | |
| SSC | | 2,501 | - | 2,501 | 2,817 |
| Training | | 1,355 | - | 1,355 | 1,480 |
| National Skills Academy for Retail | | 142 | - | 142 | 859 |
| Hospitality Guild | | - | - | - | 82 |
| <i>Investments</i> | | | | | |
| Investment income | 2 | 4 | - | 4 | 70 |
| <i>Other income</i> | | | | | |
| Shared services | | - | - | - | 38 |
| Total income | | <u>4,002</u> | <u>-</u> | <u>4,002</u> | <u>5,346</u> |
| EXPENDITURE ON: | | | | | |
| <i>Raising funds</i> | | | | | |
| Marketing, publicity and promotions | 4 | 179 | - | 179 | 168 |
| <i>Charitable activities</i> | 4 | 4,218 | 143 | 4,361 | 3,844 |
| SSC | | 490 | - | 490 | 1,369 |
| Training | | - | - | - | 685 |
| National Skills Academy for Retail | | - | - | - | 58 |
| Hospitality Guild | | - | - | - | - |
| Total expenditure | | <u>4,887</u> | <u>143</u> | <u>5,030</u> | <u>6,124</u> |
| NET (EXPENDITURE) | | (885) | (143) | (1,028) | (778) |
| Total funds brought forward | | <u>2,389</u> | <u>801</u> | <u>3,190</u> | <u>3,968</u> |
| TOTAL FUNDS CARRIED FORWARD | | <u><u>1,504</u></u> | <u><u>658</u></u> | <u><u>2,162</u></u> | <u><u>3,190</u></u> |

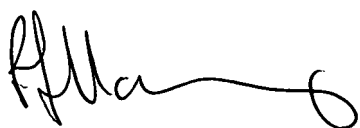
All activities of the charitable company are continuing.

There are no other gains or losses other than those included above.

A full comparative Statement of Financial Activities is shown at note 20.

| | | Group | | Charity | |
|---|-------|---------------|---------------|---------------|---------------|
| | Notes | 2016 £'000 | 2015 £'000 | 2016 £'000 | 2015 £'000 |
| FIXED ASSETS | | | | | |
| Tangible assets | 7 | 865 | 980 | 865 | 980 |
| CURRENT ASSETS | | | | | |
| Stock | 8 | 62 | 66 | 62 | 66 |
| Debtors | 9 | 1,139 | 1,372 | 1,097 | 1,396 |
| Short term deposits | | - | - | - | - |
| Cash at bank and in hand | | 1,045 | 1,922 | 1,045 | 1,584 |
| | | <u>2,246</u> | <u>3,360</u> | <u>2,204</u> | <u>3,046</u> |
| CREDITORS: amounts falling due within one year | 10 | (949) | (1,146) | (1,474) | (1,234) |
| NET CURRENT ASSETS | | <u>1,297</u> | <u>2,214</u> | <u>734</u> | <u>1,812</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>2,162</u> | <u>3,194</u> | <u>1,595</u> | <u>2,792</u> |
| Provisions | 11 | - | (4) | - | (4) |
| NET ASSETS | | <u>2,162</u> | <u>3,190</u> | <u>1,595</u> | <u>2,788</u> |
| FUNDS | | | | | |
| Unrestricted funds | | 1,504 | 2,389 | 937 | 1,987 |
| Restricted funds | | 658 | 801 | 658 | 801 |
| TOTAL FUNDS | 13 | <u>2,162</u> | <u>3,190</u> | <u>1,595</u> | <u>2,788</u> |

The financial statements were approved and authorised for issue by the Board of Trustees on 24th November 2016 and were signed below on its behalf by:



Peter Harvey
Trustee

PEOPLE 1ST**CONSOLIDATED CASH FLOW STATEMENT****FOR THE YEAR ENDED 31 MARCH 2016**

| | Note | 2016 £'000 | 2015 £'000 |
|---|-------------|-----------------------|-----------------------|
| Net cash used in operating activities | 19 | (736) | (919) |
| Cash flows from investment activities | | | |
| Interest from investments | | 4 | 70 |
| Purchase of tangible fixed assets | | (145) | (35) |
| Proceeds from sale of tangible fixed assets | | - | 18 |
| | | <u> </u> | <u> </u> |
| Net cash (used in) / provided by investing activities | | (141) | 53 |
| | | <u> </u> | <u> </u> |
| Change in cash and cash equivalents in the reporting period | | (877) | (866) |
| | | <u> </u> | <u> </u> |
| Cash and cash equivalents at the beginning of the period | | 1,922 | 2,788 |
| | | <u> </u> | <u> </u> |
| Cash and cash equivalents at the end of the reporting period | | 1,045 | 1,922 |
| | | <u> </u> | <u> </u> |
| Analysis of cash and cash equivalents | | | |
| Cash at bank and in hand | | 1,045 | 1,922 |
| | | <u> </u> | <u> </u> |
| Cash and cash equivalents | | 1,045 | 1,922 |
| | | <u> </u> | <u> </u> |

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:

Basis of accounting

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 and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

People 1st meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

Consolidated financial statements ("group accounts") have been prepared in respect of People 1st and its wholly owned subsidiaries, the Hospitality Guild, GoSkills Limited, National Skills Academy for Retail and Skillsmart Retail UK Limited for the year to 31 March 2016. In accordance with Section 408 of the Companies Act 2006 a separate statement of financial activities for the charity has not been presented. The results of the charity for the year ended 31 March 2016 were a deficit of £1,170,000 (2015: deficit of £976,000).

People 1st is the sole member of Joint Approvals Unit for Periodic Training (JAUPT) however control is very much retained by the funding body being the Secretary of State for the Transport and the Department of the Environment acting through Driving Standards Agency and the Driver & Vehicle Agency (DVSA) under comprehensive service agreement. The results of JAUPT have not been consolidated into the People 1st financial statements as People 1st does not control JAUPT. Transactions with JAUPT are disclosed in note 18.

Reconciliation with previous Generally Accepted Accounting Practice

In preparing the accounts, the trustees have considered whether in applying the accounting policies required by FRS 102 and the Charities SORP FRS 102 the restatement of comparative items was required.

No restatement has been required in making the transition to FRS 102 and the Charities SORP FRS 102

Preparation of accounts on a going concern basis

The trustees consider there are no material uncertainties about the Charity's ability to continue as a going concern. The review of our financial position, reserves levels, and future plans gives Trustees confidence the charity remains a going concern for the foreseeable future.

Critical accounting judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the charities accounting policies and the reported assets, liabilities, income and expenditure and the disclosures made in the financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Critical accounting judgements are identified within this note, including the judgement that People 1st does not control JAUPT as set out under "basis of accounting" above.

Tangible fixed assets and depreciation

The cost of tangible fixed assets is written off over the estimated life of the asset on a straight line basis. The depreciation rates used are as follows:

| | |
|---------------------------------------|---------------------|
| Leasehold improvements/ fit-out costs | period of lease |
| Furniture and office equipment | 10% - 33% per annum |
| Website/UK Skills Passport | 25% - 33% per annum |

Cash at bank and in hand

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account

Financial instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments, including trade and other debtors and creditors are initially recognised at transaction value and subsequently measured at their settlement value.

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 amount due to settle the obligation can be measured or estimated reliably.

Foreign currency translation

The charities functional and presentation currency is pound sterling. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are recognised in the SOFA.

Unrestricted funds

These are funds which can be used in accordance with the charitable objects at the discretion of the Trustees.

Restricted funds

These are funds where a funder requires a grant or a donation to be applied to a particular purpose.

Income

Income includes funding from UKCES, grants and other income received training services rendered, donations received and research and projects undertaken in the year. Income also includes amounts generated from bank deposits.

All income is recognised once the charity has entitlement to income, it is probable that income will be received and the amount of income receivable can be measured reliably.

Expenditure

Expenditure is accounted for on an accruals basis. Certain expenditure is directly attributable to specific activities and has been included in those cost categories. Central costs which cannot be directly allocated are apportioned across the categories on the basis of an estimate of the proportion of time spent by staff on those activities.

Governance costs comprise those costs associated with the overall running of the charity and include audit and other costs associated with complying with constitutional and statutory requirements.

Pension costs

The company is a participating employer in the ITB Pension Fund and the basis of arriving at the pension cost is described in Note 17.

The ITB Pension Fund is a multi-employer defined benefits pension scheme. For the purposes of complying with the relevant accounting standards, the ITB Pension Fund is accounted for as a defined contribution scheme, since it is not possible to identify the assets and liabilities for each employer participating in the scheme.

Other employee benefits

Short term benefits including holiday pay are recognised as an expense in the period in which the service is received.

Termination benefits are accounted for on an accrual basis and in line with FRS 102.

Operating leases

Rental charges are charged on a straight line basis over the life of the lease.

PEOPLE 1ST

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2016

| 2. INVESTMENT INCOME | 2016 £'000 | 2015 £'000 |
|--|---------------|---------------|
| Bank and short term deposit interest | 4 | 70 |
| | <u>4</u> | <u>70</u> |
| 3. INCOME FROM CHARITABLE ACTIVITIES | 2016 £'000 | 2015 £'000 |
| SSC | | |
| Funding from UKCES | 442 | 420 |
| Project income | 1,000 | 1,546 |
| Apprenticeship certification | 683 | 682 |
| Membership income | 226 | - |
| Other income | 150 | 169 |
| | <u>2,501</u> | <u>2,817</u> |
| <i>Training Division (education and training activities)</i> | | |
| Course income | 665 | 778 |
| Other materials | 591 | 684 |
| Other income | 99 | 18 |
| | <u>1,355</u> | <u>1,480</u> |
| <i>National Skills Academy for Retail</i> | | |
| Membership income | 138 | 434 |
| Project income | 3 | 332 |
| Other income | 1 | 93 |
| | <u>142</u> | <u>859</u> |
| <i>Hospitality Guild</i> | | |
| Training income | - | 82 |
| | <u>3,998</u> | <u>5,238</u> |

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2016

| 4. EXPENDITURE | | | | 2016 £'000 | 2015 £'000 |
|---|----------------------------------|---|------------------------------------|-----------------------|-----------------------|
| Cost of raising funds | | | | | |
| Marketing, publicity and promotions | | | | 179 | 168 |
| | | | | <u> </u> | <u> </u> |
| | Staff Costs £'000 | Other Direct costs £'000 | Support Costs £'000 | 2016 £'000 | 2015 £'000 |
| Charitable activities | | | | | |
| SSC | 2,934 | 754 | 673 | 4,361 | 3,812 |
| Training | 41 | 449 | - | 490 | 1,369 |
| National Skills Academy for Retail | - | - | - | - | 685 |
| Hospitality Guild | - | - | - | - | 58 |
| | <u>2,975</u> | <u>1,203</u> | <u>673</u> | <u>4,851</u> | <u>5,924</u> |
| Included in support costs are governance costs of: | | | | | |
| Professional fees | | | | 19 | 8 |
| Audit fees | | | | 22 | 24 |
| | | | | <u>41</u> | <u>32</u> |
| | | | | | |
| 5. NET EXPENDITURE FOR THE YEAR | | | | 2016 £'000 | 2015 £'000 |
| Net expenditure for the year is stated after charging: | | | | | |
| Auditors' remuneration – for audit services | | | | 22 | 24 |
| Auditors' remuneration – for other services | | | | 3 | 3 |
| Depreciation of tangible fixed assets | | | | 252 | 308 |
| Operating lease rentals | | | | | |
| - land and buildings | | | | - | 85 |
| | | | | <u> </u> | <u> </u> |

6. SUBSIDIARY UNDERTAKINGS

The Charity has three active wholly owned not for profit subsidiaries, Hospitality Guild, National Skills Academy for Retail and Skillsmart Retail UK Limited. A summary of trading results is shown below. On 29th September 2015, the assets and liabilities of Hospitality Guild were transferred to People 1st.

6. SUBSIDIARY UNDERTAKINGS (continued)

| | National Skills Academy for Retail | | Skillsmart Retail UK | | Hospitality Guild | |
|---------------------------------------|---------------------------------------|---------------|----------------------|---------------|-------------------|---------------|
| | 2016 £'000 | 2015 £'000 | 2016 £'000 | 2015 £'000 | 2016 £'000 | 2015 £'000 |
| Income and expenditure account | | | | | | |
| Turnover | 142 | 859 | - | - | - | 82 |
| Expenditure | - | (685) | - | - | - | (58) |
| Net surplus/(deficit) | 166 | 174 | - | - | - | 24 |
| Balance sheet | | | | | | |
| Fixed assets | - | - | - | - | - | - |
| Current assets | 322 | 644 | 284 | 284 | 44 | 47 |
| Current liabilities | (29) | (493) | (80) | (80) | - | (4) |
| | 293 | 151 | 204 | 204 | 44 | 43 |

Skillsmart Retail UK has been dormant since April 2014. Hospitality Guild has not traded since April 2015.

7. TANGIBLE FIXED ASSETS

| CHARITY AND GROUP | Short leasehold improvements £'000 | Fixtures and office equipment £'000 | Website and UK Skills Passport £'000 | Hospitality House fit-out £'000 | Total £'000 |
|---------------------------------|---|--|---|--|----------------|
| Cost | | | | | |
| At 1 April 2015 | 100 | 466 | 689 | 1,018 | 2,273 |
| Additions | 1 | 81 | 63 | - | 145 |
| Disposal | (70) | (107) | (602) | - | (779) |
| At 31 March 2016 | 31 | 440 | 150 | 1,018 | 1,639 |
| Accumulated depreciation | | | | | |
| At 1 April 2015 | 85 | 409 | 593 | 206 | 1,293 |
| Charge for the year | 6 | 53 | 48 | 145 | 252 |
| Disposal | (70) | (141) | (560) | - | (771) |
| At 31 March 2016 | 21 | 321 | 81 | 351 | 774 |
| Net book value | | | | | |
| At 31 March 2016 | 10 | 119 | 69 | 667 | 865 |
| At 31 March 2015 | 15 | 57 | 96 | 812 | 980 |

The net book value of £865,000 at 31 March 2016 represents fixed assets used for charitable activities.

PEOPLE 1ST

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2016

| 8. STOCK | Group | | Charity | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2016 £'000 | 2015 £'000 | 2016 £'000 | 2015 £'000 |
| Stock held for resale | 62 | 66 | 62 | 66 |
| | <u>62</u> | <u>66</u> | <u>62</u> | <u>66</u> |
| Stock expensed in the year amounted to £100,357 (2015: £90,424) | | | | |
| | | | | |
| 9. DEBTORS | Group | | Charity | |
| | 2016 £'000 | 2015 £'000 | 2016 £'000 | 2015 £'000 |
| Trade debtors | 833 | 1,001 | 828 | 802 |
| Prepayments and accrued income | 269 | 360 | 235 | 315 |
| Amount due to/from subsidiary undertakings | - | - | - | 268 |
| Other debtors | 37 | 11 | 34 | 11 |
| | <u>1,139</u> | <u>1,372</u> | <u>1,097</u> | <u>1,396</u> |
| | | | | |
| 10. CREDITORS: amounts falling due within one year | Group | | Charity | |
| | 2016 £'000 | 2015 £'000 | 2016 £'000 | 2015 £'000 |
| Trade and other creditors | 186 | 298 | 186 | 288 |
| Taxation and social security | 106 | 147 | 116 | 147 |
| Accruals and deferred income | 657 | 701 | 639 | 482 |
| Amount due to subsidiary undertakings | - | - | 533 | 317 |
| | <u>949</u> | <u>1,146</u> | <u>1,474</u> | <u>1,234</u> |
| | | | | |
| Analysis of deferred income: | £'000 | | | |
| Deferred income at 1 April 2015 | 504 | | | |
| Deferral of income in the year | 1,201 | | | |
| Release of income deferred during the year | (1,259) | | | |
| | <u>446</u> | | | |
| Deferred income at 31 March 2016 | | | | |

PEOPLE 1ST

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2016

11. PROVISIONS

| | At 1 April 2015 £'000 | Provided in year £'000 | Applied in year £'000 | At 31 March 2016 £'000 |
|--|-----------------------------|------------------------------|-----------------------------|------------------------------|
| Dilapidations and associated costs in respect of property leases | 4 | - | 4 | - |

The company arrived at the amounts included above after reference to external professional advice.

12. TAXATION

People 1st is a registered charity and does not trade for tax purposes. It is not liable to corporation tax on any surplus. Hospitality Guild, National Skills Academy for Retail and Skillsmart Retail UK Limited are not for profit organisations which retain their profits for use in the business. Accordingly, they are not liable to tax on their operating activities.

13. TOTAL FUNDS

| | At 1 April 2015 £'000 | Incoming Resources £'000 | Outgoing Resources £'000 | At 31 March 2016 £'000 |
|---------------------|-----------------------------|--------------------------------|--------------------------------|------------------------------|
| Restricted funds: | | | | |
| - Hospitality House | 801 | - | (143) | 658 |
| Unrestricted funds | 2,389 | 4,002 | (4,887) | 1,504 |
| | <u>3,190</u> | <u>4,002</u> | <u>(5,030)</u> | <u>2,162</u> |

The restricted Hospitality House fund represents grants and donations received to fund the fit out of Hospitality House. These funds will be released over the lease period of the property.

14. NET ASSETS BY FUND

| | Fixed assets £'000 | Net current assets £'000 | Provision for liabilities £'000 | Total at 31 March 2016 £'000 |
|--------------------|--------------------------|--------------------------------|---------------------------------------|------------------------------------|
| Restricted funds | 658 | - | - | 658 |
| Unrestricted funds | 207 | 1,297 | - | 1,504 |
| | <u>865</u> | <u>1,297</u> | <u>-</u> | <u>2,162</u> |

15. OPERATING LEASE COMMITMENTS

At the year end, the company was committed to make the following payments in total in respect of operating leases.

| | Equipment | | Land and buildings | |
|--------------------------|---------------|---------------|--------------------|---------------|
| | 2016 £'000 | 2015 £'000 | 2016 £'000 | 2015 £'000 |
| Leases which expire: | | | | |
| Within one year | 9 | 9 | - | - |
| Within two to five years | 18 | 27 | - | - |

An operating lease is held in respect of land and buildings with a peppercorn rent until the break clause in July 2020.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2016

16. INFORMATION REGARDING EMPLOYEES AND TRUSTEES

| | 2016 No. | 2015 No. |
|---|-------------|-------------|
| Average number of employees during the year | 57 | 76 |

The average number of employees, analysed by division was:

| | No. | No. |
|--|-----|-----|
| SSC | 57 | 63 |
| Hospitality Guild | - | 1 |
| National Skills Academy for Retail (average to October 2015) | - | 12 |
| Skillsmart Retail UK Limited (all TUPE'd to People 1st) | - | - |
| | 57 | 76 |

Staff costs were as follows:

| | 2016 £'000 | 2015 £'000 |
|-----------------------|---------------|---------------|
| Wages and salaries | 2,408 | 3,140 |
| Social security costs | 252 | 290 |
| Pension costs | 225 | 256 |
| Redundancy costs | 90 | - |
| | 2,975 | 3,686 |

The number of employees paid over £60,000 during the year (salary plus taxable benefits) was:

| | No. | No. |
|---------------------|-----|-----|
| £60,000 - £70,000 | 1 | 2 |
| £70,000 - £80,000 | 4 | 3 |
| £80,000 - £90,000 | - | - |
| £90,000 - £100,000 | 1 | 2 |
| £120,000 - £130,000 | - | - |
| £130,000 - £140,000 | 1 | - |
| £140,000 - £150,000 | - | 1 |
| £220,000 - £230,000 | - | - |

For employees earning over £60,000:

| | | |
|---|---|---|
| The number of staff in defined benefit pension scheme | 3 | 5 |
|---|---|---|

During the year the total remuneration paid to a trustee of the Charity (Non-Executive Chairperson) amounted to £25,000 (2015: £25,000). This was agreed by the Charity Commission.

During the year the total expenses reimbursed to 2 trustees amounted to £532 (2015: £490). This principally represents reimbursed travelling expenses incurred in attending trustees' meetings.

The total employee benefits of the Group were £2,588,601 (2015: £3,279,687). Of this, £541,157 (2015: £567,967) relates to the key management personnel of the charity.

17. PENSION SCHEME

The company is a Participating Employer in the ITB Pension Funds Open Fund which consists of two schemes – the DB Scheme and the DC Scheme and is in operation for the Industrial Training Boards and their successors.

DB Scheme

The DB Scheme is a defined benefit pension scheme - the assets of which are held separately from those of the company in an independently administered fund. The actuarial liability is determined for the DB Scheme as a whole and not for individual Participating Employers. For practical purposes the contributions paid to the Scheme compromise the company's pension costs relating to the employees who are members of the Scheme and these are charged to the Statement of Financial Activities in the period to which the contributions relate.

As at 31 March 2016, People 1st had 16 participating in the DB scheme with 4 of those members in the Old Section and 12 members in the 2007 Section. During the year the employer Standard Contribution Rate in respect of Old Section members was 18.9% of pay and 11.7% of pay in respect of 2007 Section members. The standard member contribution rate to the Scheme prior to tax relief was 6% of Pensionable Salary. However, those who chose to remain Old Section members were required by the company to pay 11.8% member contributions. As before, 2007 Section members pay a 5% contribution rate.

Where member contribution rates are less than the standard, member contribution rate of 6% then the difference is financed by the Company.

The total Standard Contribution Rates are 30.7% of pay in respect of Old Section members and 16.7% in respect of the 2007 Section members.

The DB Section pension cost charge for the year was £129,886 (2015 - £260,160).

In accordance with Section 224 (1) of the Pensions Act 2004 a formal actuarial review of the DB Section of Open Fund, as at 31 March 2013 was carried out and disclosed a residual deficit of £23.8 million. People 1st has been informed that given the size of its employer surplus pot no additional deficit contributions are currently likely to be required.

The ITB Pension Fund has written to all Participating Employers, stating that if they were to cease participating in the Funds, they would face a potential liability. In the case of People 1st, this liability was estimated at £16.1 million at 31 March 2016 if it ceased to participate in the Scheme. On 29th September 2016, the assets and liabilities of Hospitality Guild, a subsidiary, were transferred to People 1st. This includes a further estimated liability of £326,000 on ceasing to participate in the scheme. People 1st currently has no plans to leave the Scheme, so this contingent liability has not been provided for in the accounts.

DC Scheme

The DC Scheme is a defined contribution arrangement. Employee and Employer contributions are invested in a master policy established by The Trustees of The ITB Pension Funds with Legal & General Assurance Society Ltd. People 1st elected with effect from the 1st April 2012 to include all new members to the Open Fund below the level of Senior Management in the DC Scheme.

The assets of the DC Scheme are separate from those of the DB Scheme and the DC Scheme is not subject to a valuation.

The Employer Contribution rate is 5% of pensionable pay. The Employer Contribution rate is similarly 5% of pensionable pay. Five new members joined from NSAR in November 2015 and 3 employees opted to pay 4% contributions and Employer contributions are 7.5%, 12.5% and 17.5% depending on age.

As at 31st March 2016 People 1st had 41 participating in the DC Scheme.

The DC Scheme pension cost charge for the year was £80,441 (2015: £129,105).

17. PENSION SCHEME (continued)

For practical purposes the contributions paid to the DB & DC Schemes comprise the company's pension costs relating to the employees who are members of the DB & DC Schemes and these are charged to the Statement of Financial Activities in the period to which the contributions relate.

18. RELATED PARTY TRANSACTIONS

David Fairhurst is 'Senior Vice-President, International Human Resources and Strategy at McDonald's Corporation. McDonald's UK have donated used of Hospitality House to People 1st rent-free for seven years. Hospitality House opened for business in September 2013. During the year People 1st paid service charge and maintenance in relation to the building of £38,727 (2015: (2015: £42,526).

During the year, People 1st entered into arms-length transactions to provide products and services with the following related parties:

Joint Approvals Unit for Periodic Training (JAUPT)

Nature of relationship: People 1st is sole member of JAUPT.

Provision of support services £197,925. (2015: £21,591).

At 31 March 2016, £35,635 was outstanding from JAUPT (2015: £nil).

Federation for Industry Sector Skills and Standards (FISSS)

Nature of relationship: The Managing Director of People 1st is a Director of FISSS.

Income from certification and projects was £475,795 (2015: £506,000).

Expenditure on certification was £23,010 (2015: £nil)

At 31 March 2016, £29,500 was outstanding from FISSS (2015: £37,000).

MerseyTravel

Nature of relationship: Liz Chandler (Operations Director of Mersey Travel) is a Trustee of People 1st.

Income from secondment of staff and purchase of training and support materials was £1,036 (2015: £7,800).

At 31 March 2016, there were no amounts outstanding between the two companies (2015: £nil).

The Monarch Group

Nature of relationship: Andrew Swaffield (CEO - The Monarch Group) is a Trustee of People 1st.

Income from sales of training and supporting materials was £73,388 (2015: £16,000).

At 31 March 2016, there were no amounts outstanding between the two companies (2015: £nil).

Sodexo Limited

Nature of relationship: Natalie Bickford (HR Director Sodexo Europe) is a Trustee of People 1st.

Patronage and sales of training and supporting materials £1,795 (2015: £15,000).

At 31 March 2016, £615 was outstanding from Sodexo (2015: £nil).

Compass Group

Nature of Relationship: Fiona Ryland (HR Director Compass Group) is a Trustee of People 1st.

Income from sales of training and supporting materials was £1,729 (2015: £nil).

At 31 March 2016, there were no amounts outstanding between the two companies (2015: £nil).

Harrison Catering Services

Nature of Relationship: Geoffrey Harrison (CEO – Harrison Catering Services) is a Trustee of People 1st.

Income from sales of training and supporting materials was £4,678 (2015: £nil).

At 31 March 2016, there were no amounts outstanding between the two companies (2015: £nil).

PEOPLE 1ST

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2016

| | 2016 | 2015 |
|--|--------------|--------------|
| | £'000 | £'000 |
| 19. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net (expenditure) as per the Statement of Financial Activities | (1,028) | (778) |
| Dividends and interest from investments | (4) | (70) |
| Depreciation | 252 | 308 |
| Decrease/(Increase) in stock | 4 | (66) |
| Decrease/(increase) in debtors | 233 | 645 |
| (Decrease) in creditors | () | (915) |
| Movement of provision | 4 | (43) |
| | <u>(736)</u> | <u>(919)</u> |
| Net cash (used in) operating activities | <u>(736)</u> | <u>(919)</u> |

20. COMPARATIVE STATEMENT OF FINANCIAL ACTIVITIES (YEAR ENDED: 31 MARCH 2015)

| | Unrestricted | Restricted | Total |
|---|---------------------|-------------------|--------------|
| | Funds | Funds | 2015 |
| | £'000 | £'000 | £'000 |
| INCOME FROM: | | | |
| <i>Income from charitable activities:</i> | | | |
| SSC | 2,817 | - | 2,817 |
| Training | 1,480 | - | 1,480 |
| National Skills Academy for Retail | 859 | - | 859 |
| Hospitality Guild | 82 | - | 82 |
| <i>Investments</i> | | | |
| Investment income | 70 | - | 70 |
| <i>Other income</i> | | | |
| Shared services | 38 | - | 38 |
| | <u>5,346</u> | <u>-</u> | <u>5,346</u> |
| Total income | <u>5,346</u> | <u>-</u> | <u>5,346</u> |
| EXPENDITURE ON: | | | |
| <i>Raising funds</i> | | | |
| Marketing, publicity and promotions | 168 | - | 168 |
| <i>Charitable activities</i> | | | |
| SSC | 3,701 | 143 | 3,844 |
| Training | 1,369 | - | 1,369 |
| National Skills Academy for Retail | 685 | - | 685 |
| Hospitality Guild | 58 | - | 58 |
| | <u>5,981</u> | <u>143</u> | <u>6,124</u> |
| Total expenditure | <u>5,981</u> | <u>143</u> | <u>6,124</u> |
| NET (EXPENDITURE) | (635) | (143) | (778) |