

Charity Number: 1001041
Company Number: 2557730

PEOPLE 1ST
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

THURSDAY



A6IVA0EP

A30

09/11/2017

#187

COMPANIES HOUSE

PEOPLE 1ST
REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2017

Contents	Page
Reference and administrative information	3
Trustees' report (incorporating the Strategic Report)	5
Independent auditors' report	16
Consolidated statement of financial activities	17
Balance sheets	18
Consolidated cash flow statement	19
Notes to the financial statements	20

PEOPLE 1ST

REFERENCE AND ADMINISTRATIVE INFORMATION

FOR THE YEAR ENDED 31 MARCH 2017

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
Liz Chandler
Sara Edwards
Geoffrey Harrison
Charles Prew
Therese Procter
Fiona Ryland

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.

REGISTERED OFFICE

Hospitality House
11-59 High Road
London
N2 8AB

AUDITORS

haysmacintyre
26 Red Lion Square
London WC1R 4AG

PEOPLE 1ST

REFERENCE AND ADMINISTRATIVE INFORMATION

FOR THE YEAR ENDED 31 MARCH 2017

BANKERS

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

SOLICITORS

Michelmores LLP
Woodwater House
Pynes Hill
Exeter
EX2 5WR

COMPANY SECRETARY

Simon C V Tarr ACA

EXECUTIVE MANAGEMENT TEAM

David Fairhurst	Non-Executive Chairman
Simon C V Tarr	Chief Executive Officer
Nish Chikhliia	Executive Director, Finance
Martin-Christian Kent	Executive Director, Research, Innovation, 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. Its Memorandum and Articles of Association govern it.

CHARITY REGISTRATION NUMBER 1001041

COMPANY REGISTRATION NUMBER 2557730

PEOPLE 1ST

TRUSTEES' REPORT

FOR THE YEAR ENDED 31 MARCH 2017

The Trustees present their annual report and the audited financial statements for the year ended 31 March 2017. 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 2017

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.

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.

There were no trustees appointed during the year.

During the year, the following trustees resigned.

Peter Harvey (23/02/17)
Amanda Brady (23/02/17)
Andrew Swaffield (02/10/17)

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 23 February 2017 the following trustees, resigned, and offering themselves up for re-election were duly reappointed:

David Fairhurst
Natalie Bickford
John McEwan

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.

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

PEOPLE 1ST

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 MARCH 2017

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 medium-term deposit rather than investing in bonds or in shares.

As at 31 March 2017 monies on deposit were £258,037.

OBJECTS AND PRINCIPAL ACTIVITIES

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, retail, 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.

Following more than three years of transition, People 1st has reengineered itself to ensure that that it is sustainable whilst, at the same time, continuing to deliver in line with its charitable objects.

Vision

A future where all businesses see the value of investing in their people and have experienced its benefits.

Mission

To inspire businesses to invest effectively in their people in order to improve performance, productivity and profitability.

Values

Insight - continually driven by insight and intelligence.

Proactive - taking the initiative and thinking outside the box.

Integrity - consistently doing the right thing.

Customer focused – putting the client first at all times.

Oneness - acting as one with a shared vision, values and goals.

Public Benefit

As an impartial, employer-led organisation, People 1st strives on behalf of employers to:

- increase productivity at an industry level
- develop insights that support people development strategies, business planning and growth, as well as helping to identify and tackle key industry challenges
- maximise the value and quality of apprenticeships through its impartial role in developing the new apprenticeship standards and managing the external quality assurance in hospitality, retail and travel
- identify the best training providers through its accreditation schemes – a stamp of approval that recognises excellence in training that meets the needs of employers
- share employer experiences and challenges around apprenticeships and performance and talent management through its employer networks.

PEOPLE 1ST

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 MARCH 2017

How People 1st adds value to its clients

People 1st uses its insight, experience and industry contacts to deliver high-quality advice and solutions across three key areas:

- Growing performance and talent management
- Creating a customer-obsessed culture
- Maximising the value of apprenticeships

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 36 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.

People 1st had four key strategic objectives for the year; namely:

1. Expand its reputation as the authoritative and independent expert on apprenticeships
2. Expand its reputation for supporting employers to enhance retention, improve productivity and thereby increase their profitability
3. Achieve revenue in excess of £4.5million and achieve break-even (before depreciation) 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 the reserves by generating a net surplus of £500,000 over the next three years

As outlined below, People 1st made significant progress in expanding its reputation (objectives 1 and 2 above). Although revenues for the year were £4.3 million and the company delivered a deficit for the year (pre-depreciation) of £465,000, the organisation has significantly strengthened its position as a unique, insight-driven performance and talent management expert, both in the UK and internationally. The Board is confident that the three-year strategic business plan currently being enacted will result in its reserves being replenished by over £500,000 over that period.

KEY HIGHLIGHTS FROM THE YEAR

Intelligence and insight

This activity is about positioning People 1st as an impartial thought leader and an informed strategic partner.

The performance and talent management revolution: driving productivity in hospitality and tourism

The UK's hospitality and tourism sector is facing a perfect storm of rising costs, increasing recruitment difficulties and changing employee attitudes. Compounding this is the political and economic uncertainty around Brexit.

This research (published in July 2017) explored how businesses in the hospitality and tourism sector are addressing the growing challenge of how to increase their productivity and performance in order to stay competitive. It was based on interviews undertaken with 40 large businesses representing a cross-section of the UK hospitality and tourism sector - larger businesses being critically important because they employ 44% of the sector's workforce, and it is likely that many of their actions and best practice will trickle down to have an impact on smaller employers.

The businesses interviewed included Adnams, Amaris Hospitality, Baxter Storey, Casual Dining Group, CH&Co Catering, Compass Group UK & Ireland Ltd, Costa Coffee, D&D London, Drake & Morgan, Enterprise Inns, Harrison Catering Services, Harbour & Jones, Hilton Worldwide, Hotelcare, J D Wetherspoon, Jamie Oliver Enterprises, Kew Green Hotels, Living Ventures, McDonald's, Marriott, Merlin Entertainments Group, Mitchells & Butlers, Paul UK, Punch Taverns, Q Hotels, Red Carnation Hotels, Sodexo, TGI Fridays, Thai Leisure Group, The Restaurant Group, The Ritz London, Travelodge, Wahaca, Warner Leisure Hotels and Yum brands.

PEOPLE 1ST

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 MARCH 2017

There has never been a more challenging time to be dealing with people matters in the hospitality and tourism sector. For some this brings considerable headaches, for others it presents exciting opportunities. Either way, it means sizable changes to the way businesses go about recruiting, retaining and developing their people. People 1st embarked on the research to identify how large hospitality and tourism businesses are addressing rising costs, recruitment difficulties and changing employee attitudes in order to highlight innovative approaches and support employers across the sector in navigating these challenges.

The findings highlight that a growing number of businesses are thinking long-term about their people, ensuring that their strategy underpins the wider business strategy, and that they need to be able to demonstrate a tangible return on their investment. As a result, businesses are increasingly looking at new approaches to retain their staff to drive productivity and performance. Businesses are at different stages of this journey and People 1st wants these insights to not only highlight the fundamental change in the way that employers are seeking to invest in their people, but also to stimulate and showcase examples of how businesses are tackling the common challenges and overcoming barriers along the way.

People 1st has identified three broad typologies which shed light on how businesses are approaching and taking forward their people strategies, as they embark on transforming the productivity of their people. People 1st fundamentally believes that the new approaches that challenge traditional thinking and practices will not only benefit the businesses adopting them, but also the way the sector is perceived as a career choice and as a critical driver of growth to the UK economy.

The full report can be downloaded at www.people1st.co.uk/insight-opinion/people-and-productivity/people-performance-2017.

21st Century Chef

By 2022, the hospitality industry will need to recruit a further 11,000 chefs, but how realistic is this given that employers report that chefs are the most difficult role for which to recruit?

During the year, People 1st undertook a large-scale piece of research to understand where these 11,000 chefs might come from, identify the drivers for this demand and examine why employers are finding it difficult to recruit. The aim was also to better understand the skillsets required of these chefs and the extent to which customer trends and technology are changing these skills.

Findings from this research, along with a call to action to the industry, will be released in November.

Apprenticeships

During the year People 1st continued to play a critical role in supporting the hospitality, retail, travel and tourism sector through the ongoing apprenticeship reform.

There were three key strands of work:

Development of the new apprenticeship standards

As a part of the apprenticeship reform in England, trailblazer employers came together back in 2015 in hospitality, retail, travel, aviation and bus and coach to develop new apprenticeship standards. People 1st acted on behalf of these trailblazers to develop 18 government-approved apprenticeship standards and the supporting assessment plans.

People 1st continued to communicate 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, which was against the original criteria for standards - this is still ongoing in relation to a number of the standards
- 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 £5,000 to £9,000

PEOPLE 1ST

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 MARCH 2017

- Obtaining agreement of assessment plans for each standard
- Reaching agreement with the government around an employer-led external quality assurance process for retail, hospitality and travel

As of 5 October 2017, 16 sector apprenticeship standards were live.

Implementation of employer-led external quality assurance

As part of the reforms, apprentices must demonstrate their competences to meet these new standards through an end-point assessment. When designing this end-point assessment, employer trailblazers had to state to government how it will be externally quality-assured. External Quality Assurance (EQA) checks that apprenticeship end-point assessment is conducted appropriately.

There were four main options:

- 1) Ofqual (the qualifications regulator)
- 2) Employer-led process
- 3) Professional body
- 4) Institute for Apprenticeships (IfA) (which, amongst other things, is tasked by government to oversee the quality of apprenticeships in England)

Apprenticeships that have highly flexible training and do not rely on qualifications, can more appropriately adopt an employer-led process. As such, this approach was selected by the retail, hospitality and travel trailblazers in order to protect apprenticeship quality and address some of the inconsistencies that have occurred in the previous system due to a large level of service providers.

The External Quality Assurance Model (EQA) for retail, hospitality and travel is based on testing a baseline sample of 10% of end-point assessments, adjusted according to ongoing risk rating. The EQA function will be managed and conducted by People 1st and will include visits with assessment organisations. People 1st will then report the outcomes to apprenticeship boards (consisting of representatives from key employers), which have been set up for each of the three industries.

The aim is to ensure quality results and grow apprenticeship starts, with the critical ambition being to see an increase in completions which will help raise the overall status and perception of the sectors' apprenticeships.

Since November 2016, People 1st has been in the process of setting up the EQA function, with 2017 being seen very much as the pilot year. Volume is expected to increase from April 2018 as the number of apprentices completing the new standards increases significantly.

The cost of People 1st performing the EQA function will be covered through charging the end-point assessment organisations an appropriate fee for each assessment they carry out. People 1st has minimised the risk of any financial exposure by carrying out detailed forecasting and appropriate scenario planning.

Ensuring sector readiness for the implementation of the apprenticeship levy from 1 April 2017.

In late November 2015 the government announced that, with effect from 1 April 2017, all employers would have to pay a 0.5% per cent apprenticeship levy on their payroll above £3 million. This shifted the focus from the reform to how employers will pay for the delivery.

During the year, People 1st 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, public speaking engagements and one-to-one consultancy with a wide range of sector businesses.

The levy system came into play on 1 April 2017 and to date no significant issues have been raised. People 1st will continue to monitor closely how employers are managing the process and provide support as appropriate.

PEOPLE 1ST

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 MARCH 2017

Delivering practical solutions

Tailored products and services

Key training products over the past year have been

- Apprenticeship consultancy
- WorldHost customer service training
- Management 1st
- Step Up training programmes (targeted predominantly at women)
- Train the trainer programmes (Group and Practical Training Certificates)

Clients during the year included Bourne Leisure, Centre Parcs, Co-Op, Compass Group, Dnata, Gatwick Airport Ltd, Hilton, Halfords, Iceland, Merlin Entertainment, Monarch, Post Office, Rank, Royal Bank of Scotland, Thwaites, Three, and Wetherspoons.

During the year People 1st broadened its consultancy offer with its clients, which included bespokeing its services to meet individual needs. A good example of this is the initial surge of businesses to take action on the apprenticeship levy, giving People 1st the opportunity to work with a number of new and existing clients on a consultancy basis.

Provider networks

The People 1st provider networks are made up of colleges and training providers that have achieved People 1st accreditation - a stamp of approval that recognises excellence in training and qualifications in hospitality and travel – and People 1st gold standard apprenticeship provider status.

Hospitality accreditation

With the hospitality industry currently experiencing a chronic shortage of chefs in particular – 11,000 more chefs are needed in the next eight years alone – employers are more keen than ever to work with excellent colleges to source talent.

People 1st's hospitality accreditation recognises colleges and providers that deliver excellent full-time or classroom-based hospitality training and qualifications.

The accreditation also highlights colleges and training providers that are working well with employers – allowing them to influence the curriculum so it meets industry needs, and developing partnerships that benefit learners.

In 2016 the AA College Restaurant of the Year Award was launched to recognise accredited colleges within the AA College Rosette Scheme that have shown outstanding achievements in a realistic working environment. Foxholes at Runshaw College won the award in 2016. The 2017 winner (South Cheshire College) was announced at the AA Hospitality Awards held on 25 September 2017 at the Grosvenor House Hotel. The award provides a platform to ensure that accredited colleges are seen as a positive solution to addressing the chef shortage

People 1st hospitality accreditation is endorsed by an independent panel of leading hospitality businesses. Chaired by Sean Wheeler, director of people development at Principal Hotels, the panel includes representatives from the hotel, restaurant, foodservice, casual dining and events industries.

As at 31 March 2017 there were 30 hospitality accredited colleges, increasing from 20 as at 31 March 2016

Gold standard provider

Building on the above hospitality accreditation scheme, during the year People 1st launched the gold standard apprenticeship provider status. This is an exclusive stamp of approval that will be promoted to employers throughout the visitor economy industry. It highlights to potential and existing clients that the accredited provider has a proven track record of delivering excellent apprenticeships, and responding to employers' business needs.

PEOPLE 1ST

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 MARCH 2017

As at 31 March 2017 two training providers had been successfully awarded with gold standard provider status.

Quality marks

Applications for quality marks continue to be submitted, both within the UK and internationally (on the back of international work).

International

People 1st's 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 its national skills academy model, which builds capacity for delivery in the service industries.

During the year, People 1st worked in partnership with a range of governments and industry stakeholders in numerous countries including Armenia, Azerbaijan, Croatia, Egypt, Jordan, Pakistan, Panama, Turkey, United Arab Emirates, Ukraine and the Western Balkans.

People 1st's consultancy solutions have added value and deliver important social and employment benefits through:

- Research and skills gap analysis
- People and development strategies (including policy, legislation, institutional change)
- Skills academy models and training programmes
- Sustainability (including vocational and educational training, sector skills council development, qualifications and standards development)
- Career guidance and pathways
- Quality, relevant speakers, trainers and conference support.

People 1st works closely with businesses, skills partners, investment banks, shopping centre owners and governments in countries around the world to share its knowledge and experience of creating people development solutions which further supports People 1st's charitable objectives.

Partners during the year 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; Uzbek Tourism; Alpha Plus and Career Net FZE.

The organisation's reputation continues to grow internationally, with revenues doubling from £354,000 in 2015/16 to 767,000 in 2016/17 and are budgeted to more than double in 2017/18.

FINANCIAL REVIEW

The consolidated statement of financial activities shows net expenditure for the financial year of £701,000 compared to net expenditure of £1,028,000 for 2016.

Income, including investment income, was slightly higher than the previous year at £4,272,000 (2016: £4,002,000).

Expenditure fell by £58,000 to £5.0m, principally due to lower staff costs.

Total consolidated funds at 31 March 2017 were £1.46 million (2016: £2.16 million).

RESERVES POLICY

At 31 March 2017, the group held total reserves of £1.461 million. Of the total, £515,000 are held in restricted funds representing tangible fixed assets. In addition, a further £209,000 of fixed assets are held in unrestricted funds.

As at 31 March 2017, the group had free reserves, defined as unrestricted funds less tangible fixed assets, of £737,000 (2016: £1.30 million).

PEOPLE 1ST

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 MARCH 2017

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 its sectors. To this end the Charity undertakes: -

- to ensure that reserves are maintained at a level, which 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 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

- help to properly manage its resources;
- help to plan and formally report its approach to stakeholders;
- 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

At the May 2017 Board meeting Trustees formerly approved the three-year business plan for the period 1 April 2017 to 31 March 2020.

Strategic objectives

By 2020, People 1st will be the preferred business partner for performance and talent management across hospitality, retail, travel and tourism. This will be achieved by:

1. Developing a reputation as the industry-led expert with timely, innovative and dynamic insights
2. Ensuring that visitor economy employers can take advantage of robust, quality apprenticeships and that full-time college provision meets their skills requirements. This will be achieved via:
 - People 1st's management of the apprenticeship external quality assurance process; and
 - People 1st's gold standard apprenticeship provider and specialist accreditation schemes
3. Developing and delivering high-value products and services to enable People 1st clients to achieve their objectives and maximise their productivity
4. Repositioning People 1st as a strategic partner, delivering improved efficiency to ensure high client satisfaction, retention and advocacy
5. Being an outstanding company to work for, implementing the vision and values to drive agreed behaviours.

Key strategic measures

1. To increase reach and market penetration by increasing the number of employers actively engaged with
2. To increase the value of the services to existing clients by raising average spend
3. To increase the value People 1st adds as a business partner by expanding the client base. (client being a business that has purchased a service from us within the last 24 months)
4. To improve the average client satisfaction score (benchmark being set 2017/18)
5. To be in the Sunday Times 100 Best Not-for-Profit Organisations to Work for 2019 list
6. To replenish reserves by £500,000 over the three-year period (by £50,000 for the 12 months ending 31 March 2018)

People 1st is strongly positioned to deliver against the above as it:

- understands its clients' culture, environment and budget
- has a portfolio of strong products and services, adaptable to a number of sectors
- has unparalleled insight and expertise in the visitor economy and beyond

PEOPLE 1ST

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 MARCH 2017

- has an independent view - facilitating the views of employers and influencing policy to achieve the best results for employers
- is the industry leader and advocate in relation to skills and people development - with extensive reach with an unrivalled network of partners and contacts across the visitor economy
- has a proven track record of adding value to employers' businesses
- is innovative - developing, adapting and evolving solutions for a range of workplace development issues affecting the visitor economy and industry at large
- is well-placed to manage the external quality assurance function of apprenticeship end assessment from October 2017
- has a growing sales pipeline, within the UK and internationally.

RISK MANAGEMENT

People 1st regularly (at least once a year) reviews 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 training products and services does not increase at the assumed growth level
- Consultancy income streams (UK and Internationally) fail to materialise or do so at rates slower than anticipated
- Maintaining adequate levels of working capital.

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

- Communications and marketing plan developed and aligned to sales with targeted campaigns
- Weekly monitoring of sales conversions, pipeline, opportunities and lead data with underlying performance
- Product development constantly being enhanced to meet client needs
- Tight cash management.

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.

STATEMENT OF TRUSTEES' RESPONSIBILITIES

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:

PEOPLE 1ST

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 MARCH 2017

- 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 5 October 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 2017 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 including Financial Reporting Standard 102 *the Financial Reporting Standard applicable in the UK and Republic of Ireland* (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 2017 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, based on the work undertaken in the course of the audit:

- The information given in the Trustees' Annual Report (which incorporates the strategic report and the directors' report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Trustees' Annual Report (which incorporates the strategic report and the directors' report) has been prepared in accordance with applicable legal requirements.

In the light of our knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Annual Report (which incorporates the strategic report and the directors' report).

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the 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

26 Red Lion Square
London
WC1R 4AG

5 October 2017

PEOPLE 1ST

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

FOR THE YEAR ENDED 31 MARCH 2017

	Note	Unrestricted Funds £'000	Restricted Funds £'000	Total 2017 £'000	Total 2016 £'000
INCOME FROM:					
<i>Charitable activities:</i>	3				
SSC		860	-	860	1,103
Apprenticeship certification		644	-	644	683
International		767	-	767	339
Membership income		137	-	137	226
Training		1,501	-	1,501	1,355
National Skills Academy for Retail		-	-	-	142
Other		335	-	335	150
<i>Investments</i>					
Investment income	2	4	-	4	4
<i>Other income</i>					
Shared services		24	-	24	-
Total income		<u>4,272</u>	<u>-</u>	<u>4,272</u>	<u>4,002</u>
EXPENDITURE ON:					
<i>Raising funds</i>					
Marketing, publicity and promotions	4	192	-	192	179
<i>Charitable activities</i>	4				
SSC and other activities		4,092	143	4,235	4,361
Training		546	-	546	490
Total expenditure		<u>4,830</u>	<u>143</u>	<u>4,972</u>	<u>5,030</u>
NET (EXPENDITURE)		(558)	(143)	(701)	(1,028)
Total funds brought forward		<u>1,504</u>	<u>658</u>	<u>2,162</u>	<u>3,190</u>
TOTAL FUNDS CARRIED FORWARD		<u><u>946</u></u>	<u><u>515</u></u>	<u><u>1,461</u></u>	<u><u>2,162</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 19.

255 7730

PEOPLE 1ST

BALANCE SHEETS

AT 31 MARCH 2017

		Group		Charity	
	Notes	2017 £'000	2016 £'000	2017 £'000	2016 £'000
FIXED ASSETS					
Tangible assets	7	724	865	724	865
CURRENT ASSETS					
Stock	8	39	62	39	62
Debtors	9	974	1,139	974	1,097
Short term deposits		-	-	-	-
Cash at bank and in hand		465	1,045	465	1,045
		<u>1,478</u>	<u>2,246</u>	<u>1,478</u>	<u>2,204</u>
CREDITORS: amounts falling due within one year	10	(741)	(949)	(741)	(1,474)
NET CURRENT ASSETS		<u>737</u>	<u>1,297</u>	<u>737</u>	<u>734</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,461</u>	<u>2,162</u>	<u>1,461</u>	<u>1,595</u>
Provisions	11	-	-	-	-
NET ASSETS		<u>1,461</u>	<u>2,162</u>	<u>1,461</u>	<u>1,595</u>
FUNDS					
Unrestricted funds		946	1,504	946	937
Restricted funds		515	658	515	658
TOTAL FUNDS	12	<u>1,461</u>	<u>2,162</u>	<u>1,461</u>	<u>1,595</u>

The unconsolidated result of the parent charity for the year ended 31 March 2017 were a deficit of £127,754 (2016: deficit of £352,000).

The financial statements were approved and authorised for issue by the Board of Trustees on 5 October 2017 and were signed below on its behalf by:



John McEwan
Trustee

PEOPLE 1ST**CONSOLIDATED CASH FLOW STATEMENT****FOR THE YEAR ENDED 31 MARCH 2017**

	Note	2017 £'000	2016 £'000
Net cash used in operating activities	18	(488)	(736)
Cash flows from investment activities			
Interest from investments		4	4
Purchase of tangible fixed assets		(96)	(145)
Proceeds from sale of tangible fixed assets		—	—
Net cash (used in) / provided by investing activities		(92)	(141)
Change in cash and cash equivalents in the reporting period		<u>(580)</u>	<u>(877)</u>
Cash and cash equivalents at the beginning of the period		<u>1,045</u>	<u>1,922</u>
Cash and cash equivalents at the end of the reporting period		<u>465</u>	<u>1,045</u>
Analysis of cash and cash equivalents			
Cash at bank and in hand		<u>465</u>	<u>1,045</u>
Cash and cash equivalents		<u>465</u>	<u>1,045</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 2016) - (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 2017. In accordance with Section 408 of the Companies Act 2006 a separate statement of financial activities for the charity has not been presented.

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 17.

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 the 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

PEOPLE 1ST

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

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 2017

2. INVESTMENT INCOME	2017 £'000	2016 £'000
Bank and short term deposit interest	4	4
	<u>4</u>	<u>4</u>
3. INCOME FROM CHARITABLE ACTIVITIES	2017 £'000	2016 £'000
SSC		
Funding from UKCES	56	442
Project income	804	661
	<u>860</u>	<u>1,103</u>
<i>Apprenticeship certification</i>	644	683
<i>International</i>	767	339
<i>Membership income</i>	137	226
<i>Training Division (education and training activities)</i>		
Course income	640	665
Other materials	419	591
Other income	442	99
	<u>1,501</u>	<u>1,355</u>
<i>National Skills Academy for Retail</i>		
Membership income	-	138
Project income	-	3
Other income	-	1
	<u>-</u>	<u>142</u>
<i>Other</i>		
Other income from charitable activities	335	150
	<u>4,244</u>	<u>3,998</u>

PEOPLE 1ST

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

4. EXPENDITURE				2017	2016
				£'000	£'000
Cost of raising funds					
Marketing, publicity and promotions				192	179
				<u> </u>	<u> </u>
	Staff	Other	Support	2017	2016
	Costs	Direct costs	Costs	£'000	£'000
	£'000	£'000	£'000		
Charitable activities					
SSC and other	2,776	798	661	4,235	4,361
Training	143	403	-	546	490
	<u>2,919</u>	<u>1,201</u>	<u>661</u>	<u>4,781</u>	<u>4,851</u>
Included in support costs are governance costs of:					
Professional fees				11	19
Audit fees				21	22
				<u>32</u>	<u>41</u>
5. NET EXPENDITURE FOR THE YEAR				2017	2016
				£'000	£'000
Net expenditure for the year is stated after charging:					
Auditors' remuneration – for audit services				21	22
Auditors' remuneration – for other services				3	3
Depreciation of tangible fixed assets				236	252
Operating lease rentals					
- land and buildings				-	-
				<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 29 September 2016, the assets and liabilities of Hospitality Guild were transferred to People 1st.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

6. SUBSIDIARY UNDERTAKINGS (continued)

	National Skills Academy for Retail		Skillsmart Retail UK		Hospitality Guild	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Income and expenditure account						
Turnover	-	142	-	-	-	-
Expenditure	(293)	-	(204)	-	(44)	-
Net surplus/(deficit)	(293)	142	(204)	-	(44)	-
Balance sheet						
Fixed assets	-	-	-	-	-	-
Current assets	-	322	-	284	-	44
Current liabilities	-	(29)	-	(80)	-	-
	-	293	-	204	-	44

Each of the above entities is no longer trading. The transactions in the year ended 31 March 2017 relate to the release of intercompany balances.

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 2016	31	454	150	1,017	1,652
Additions	-	42	54	-	96
Disposal	-	-	-	-	-
At 31 March 2017	31	496	204	1,017	1,748
Accumulated depreciation					
At 1 April 2016	21	321	81	351	788
Charge for the year	6	55	30	145	236
Disposal	-	-	-	-	-
At 31 March 2017	27	376	110	496	1,024
Net book value					
At 31 March 2017	4	120	94	521	724
At 31 March 2016	10	119	69	667	865

The net book value of £724,000 at 31 March 2017 represents fixed assets used for charitable activities.

PEOPLE 1ST

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

8. STOCK	Group		Charity	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Stock held for resale	39	62	39	62
	<u>39</u>	<u>62</u>	<u>39</u>	<u>62</u>
Stock expensed in the year amounted to £112,425 (2016: £100,357)				
9. DEBTORS	Group		Charity	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Trade debtors	733	833	733	828
Prepayments and accrued income	231	269	231	235
Amount due to/from subsidiary undertakings	-	-	-	-
Other debtors	10	37	10	34
	<u>974</u>	<u>1,139</u>	<u>974</u>	<u>1,097</u>
10. CREDITORS: amounts falling due within one year	Group		Charity	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Trade and other creditors	229	186	229	186
Taxation and social security	137	106	137	116
Accruals and deferred income	375	657	375	639
Amount due to subsidiary undertakings	-	-	-	533
	<u>741</u>	<u>949</u>	<u>741</u>	<u>1,474</u>
Analysis of deferred income:	£'000			
Deferred income at 1 April 2016	446			
Deferral of income in the year	1,468			
Release of income deferred during the year	(1,769)			
Deferred income at 31 March 2017	<u>145</u>			

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

11. 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.

12. TOTAL FUNDS

	At 1 April 2016 £'000	Income £'000	Expenditure £'000	At 31 March 2017 £'000
Restricted funds:				
- Hospitality House	658	-	(143)	515
Unrestricted funds	1,504	4,272	(4,830)	946
	<u>2,162</u>	<u>4,272</u>	<u>(4,972)</u>	<u>1,461</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.

13. NET ASSETS BY FUND

	Fixed assets £'000	Net current assets £'000	Total at 31 March 2017 £'000
Restricted funds	515	-	515
Unrestricted funds	209	737	946
	<u>724</u>	<u>737</u>	<u>1,461</u>

14. 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	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Leases which expire:				
Within one year	9	9	-	-
Within two to five years	<u>10</u>	<u>18</u>	<u>-</u>	<u>-</u>

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

PEOPLE 1ST

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

15. INFORMATION REGARDING EMPLOYEES AND TRUSTEES

	2017 No.	2016 No.
Average number of employees during the year	<u>56</u>	<u>57</u>
	No.	No.
The average number of employees, analysed by division was:		
SSC	<u>56</u>	<u>57</u>
	<u>56</u>	<u>57</u>
	2017 £'000	2016 £'000
Staff costs were as follows:		
Wages and salaries	2,302	2,408
Social security costs	254	252
Pension costs	200	225
Redundancy costs	163	90
	<u>2,919</u>	<u>2,975</u>
	No.	No.
The number of employees paid over £60,000 during the year (salary plus taxable benefits) was:		
£60,000 - £70,000	1	2
£70,000 - £80,000	3	3
£80,000 - £90,000	1	1
£90,000 - £100,000	-	-
£100,000 - £110,000	1	1
£110,000 - £120,000	-	-
£120,000 - £130,000	-	-
£130,000 - £140,000	-	-
£140,000 - £150,000	<u>1</u>	<u>1</u>

During the year the total remuneration paid to a trustee of the Charity (Non-Executive Chairperson) amounted to £25,000 (2016: £25,000). This was agreed by the Charity Commission.

During the year the total expenses reimbursed to 1 trustee amounted to £811 (2016: £532). This principally represents reimbursed travelling expenses incurred in attending trustees' meetings.

The total employee benefits of the Group were £2,675,586 (2016: £2,820,374). Of this, £486,495 (2016: £564,791) relates to the key management personnel of the charity.

PEOPLE 1ST

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

16. PENSION SCHEME

The company is a Participating Employer in the ITB Pension Funds Open Fund, which consists of two schemes.

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 2017, People 1st had 14 participating in the DB scheme with three of those members in the Old Section and 11 members in the 2007 Section. During the year the employer Standard Contribution Rate in respect of Old Section members was 24.5% (increase from 1 Jan 2017 of 5.6%) of pay and 17.2% (increase from 1 Jan 2017 of 5.5%) 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, from 1 January 2017 are 36.3% of pay in respect of Old Section members and 22.2% in respect of the 2007 Section members.

The DB Section pension cost charge for the year was £118,647 (2016 - £129,886).

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 2017 was carried out and disclosed a residual deficit of £19.4 million. People 1st has been informed that given the size of its employer surplus pot of £4.9 million 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 £19.4 million at 31 March 2017 if it ceased 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.

All members of the DB section ceased accruing benefits and the DB scheme closed from 1 May 2017.

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 1 April 2012 to include all new members to the Open Fund.

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. There are two members (one is Executive member) who joined from NSAR in November 2015 who currently have Employers contributions of 17.5% and Executive member with Employer contributions of 10%.

As at 31^{March} 2017 People 1st had 33 participating in the DC Scheme.

The DC Scheme pension cost charge for the year was £84,759 (2016 - £80,441).

17. RELATED PARTY TRANSACTIONS

PEOPLE 1ST

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

David Fairhurst is 'Senior Vice-President, International Human Resources and Strategy at McDonald's Corporation. McDonald's UK have donated use 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 £40,001 (2016: £38,727). Services with McDonald's totalled £15,645.

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 (JAAPT)

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

Provision of support services £197,925. (2016: £21,591).

At 31 March 2017, £35,635 was outstanding from JAAPT (2016: £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 (2016: £506,000).

Expenditure on certification was £23,010 (2016: £nil)

At 31 March 2017, £29,500 was outstanding from FISSS (2016: £37,000).

Merlin Entertainments

Nature of relationship: Natalie Bickford (HR Director for Europe; Merlin Entertainments) is a Trustee of People 1st.

Income from sales of training and supporting materials was £39,048 (2016: £nil).

At 31 March 2017, there were no amounts outstanding between the two companies (2016: £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 £21,610 (2016: £73,388).

At 31 March 2017, there were no amounts outstanding between the two companies (2016: £nil).

Whitbread Group Plc

Nature of relationship: Amanda Brady (HR Director) is a Trustee of People 1st.

Income from sales of training and certificates was £12,015 (2016: £nil).

At 31 March 2017, £615 was outstanding from Sodexo (2016: £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 £13,987 (2016: £1,729).

At 31 March 2017, there were no amounts outstanding between the two companies (2016: £nil).

TUI Group

Nature of Relationship: Lesley Allen (previously TUI Corporate Reputation Director) is a Trustee of People 1st.

Income from sales of training and supporting materials was £18,883 (2016: £nil). At 31 March 2017, there were no amounts outstanding between the two companies (2016: £nil).

PEOPLE 1ST

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

18. CASH FLOW FROM OPERATING ACTIVITIES	£'000	£'000
Net (expenditure) as per the Statement of Financial Activities	(701)	(1,028)
Dividends and interest from investments	(4)	(4)
Depreciation	252	252
Decrease/(Increase) in stock	4	4
Decrease/(increase) in debtors	233	233
(Decrease) in creditors	(197)	(197)
Movement of provision	4	4
Net cash (used in) operating activities	(488)	(736)

19. COMPARATIVE STATEMENT OF FINANCIAL ACTIVITIES (YEAR ENDED: 31 MARCH 2016)

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2016 £'000
INCOME FROM:			
<i>Income from charitable activities:</i>			
SSC	1,103	-	1,103
Apprenticeship certification	683	-	683
International	339	-	339
Membership income	226	-	226
Training	1,355	-	1,355
National Skills Academy for Retail	142	-	142
Other	150	-	150
<i>Investments</i>			
Investment income	4	-	4
<i>Other income</i>			
Shared services	-	-	-
Total income	4,002	-	4,002
EXPENDITURE ON:			
<i>Raising funds</i>			
Marketing, publicity and promotions	179	-	179
<i>Charitable activities</i>	4,218	143	4,361
SSC and other	490	-	490
Training	-	-	-
Total expenditure	4,887	143	5,030
NET (EXPENDITURE)	(885)	(143)	(1,028)