

Index to the financial statements

The National Institute of Adult Continuing Education (England and Wales)

Trustees' report and financial statements
For the year ended 31 March 2013

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Index to the financial statements

Legal and administrative details (part one)	1
Report of the trustees	2 – 18
Report of the independent auditor	19 – 20
Principal accounting policies	21 – 23
Statement of financial activities	24
Balance sheet	25
Cash flow statement	26
Notes to the financial statements	27 – 38
Legal and administrative details (part two)	39 – 41

Legal and administrative details (part one)

Company registration number: 2603322

Charity registration number: 1002775

Registered office: 21 De Montfort Street
LEICESTER
LE1 7GE

Patron: HRH The Princess Royal

Chief Executive and Company Secretary: David Hughes

Trustees: David Sherlock (President) (Resigned November 2012)
Nick Stuart (Chair to November 2012)
(President from November 2012)
Margaret Galliers (Chair Appointed November 2012)
Graeme Allinson (Resigned November 2012)
Pamela Coare
Deborah Cooper (Resigned November 2012)
Bryn Davies (Resigned November 2012)
Robert Fryer
Jeffrey Greenidge
Robert Harrison (Appointed November 2012)
Marie-Elise Howells (Appointed November 2012)
Beverley Morgan Jones (Resigned November 2012)
Arvind Michael Kapur (Appointed November 2012)
Mike Langhorn (Treasurer to November 2012)
Patrick McAllister (Treasurer Appointed November 2012)
Mark Malcomson (Appointed November 2012)
David Rogers
Irene Ruth Spellman (Appointed November 2012)
Thomas Wilson

For committee members, senior management and external advisors see pages 39 – 41

Report of the trustees

The Company Board present their report together with the audited financial statements for the year ended 31 March 2013

Results

The statement of financial activities is set out on page 24 and shows the net outgoing resources for the year

Tax status

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

Principal activity

NIACE was established for the promotion, study and general advancement of adult continuing education

Restricted funds

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

Objectives

Our values

NIACE's work is informed by core values, notably

- the celebration and promotion of active learning as a key factor to secure personal growth, social change and economic development,
- equality of opportunity, and respect for diversity for learners and those working on their behalf, thus securing a platform for learners' voices in policies affecting them,
- professional reliability and quality, openness, honesty and leadership,
- participatory democracy and social justice, including the opposition to discrimination and oppression,
- international solidarity with those who share our commitment to adult learning in the wider world

Our objectives

NIACE works to secure more opportunities for adult learners across England and Wales, to extend opportunities to different adult learners and in different ways, especially those who have benefitted least from education and training, and to secure better quality support for their learning

Public Benefit

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

Report of the trustees

NIACE's primary objective, enshrined in its objects is the advancement of adult continuing education. There is powerful evidence that participation in adult learning is not only a good thing in itself, in enriching lives and satisfying curiosity, but also makes a real contribution to public value, to people's health, to community cohesion and inclusion, to civic activity and to the skills needed for a vibrant economy. NIACE's activities in the promotion and advancement of adult education as described in this report are all considered to meet the public benefit requirement as specified in the Charities Act 2011.

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

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

Structure, Governance & Management

Constitution

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

Governance Structure

The Company Board consists of a maximum of 15 members, including the NIACE President as specified in the Articles of Association. The Board membership comprises:

Those elected by the membership of NIACE

- President
- Chair of Policy and Strategy Committee – appointed by Company Board
- Honorary Treasurer (Chair of Resources Committee)
- One member elected by the individual membership
- One member elected by the wider membership
- Chair of NIACE Dysgu Cymru Management Group – elected by the membership in Wales

Those represented

- One Local Government Association Representative

Those co-opted

- Eight co-opted members, chosen to secure a proper balance of members in terms of skills, experience and diversity including the Chair of the Audit Committee

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

The **Company Board** acts on behalf of the Company in all respects, and has overall responsibility to the General Meeting for the direction of NIACE, providing the accountable link between the Company members and NIACE operations. The Company Board maintains a strategic overview of the work of the Organisation and its annual work programme.

The Company Board is responsible for all NIACE governance, regulatory and accountable functions, including financial and legal matters, and may establish standing committees with delegated authority to carry out specific and detailed work on its behalf. Whilst delegating the detailed consideration of policies and work programmes to standing committees, of which

Report of the trustees

the designated Board members may be ex-officio members, the Board members may call in any matter for their determination. The Company Board establishes as standing committees

- the Policy & Strategy Committee
- the Resources Committee
- the Audit Committee
- NIACE Dysgu Cymru Management Group

The Board also established an Investment Committee, Remuneration Committee and Search Committee as sub-committees of the Board

Each Committee's constitution includes designated representatives of the Company Board ex-officio, plus a balance of elected and co-opted members, with specific terms of reference. The members of the Committees are listed on pages 39 and 40.

The **Policy and Strategy Committee** is responsible for developing and agreeing the policy stances of NIACE. The Policy Committee has devolved responsibility for NIACE's work programmes.

The **Resources Committee** is responsible for the general management of the organisation, in particular finances, personnel and accommodation. The Resources Committee has devolved responsibility in respect of employment and staffing.

The **Audit Committee** is responsible for advising the Board on the effectiveness of risk management, internal control and governance arrangements within the organisation.

NIACE Dysgu Cymru Management Group is the Committee established to oversee all the Institute's operations in Wales and has devolved responsibility for NIACE activities in Wales.

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

Recruitment, Induction and Training of Trustees

Nominations for Trustees are sought from the membership. Additionally a Search Committee is established to identify nominations to the Company Board, including the post of President, which are proposed to the membership by the Board. This Committee is drawn from, and reports to, the Company Board. Membership nominations are sought and Search Committee proposals are made at least six weeks before the due date of the ballot to be held.

In any election by the Company in a General Meeting or voting process relating to office on the Company Board, each full fee-paying corporate member representative exercises 15 votes. Corporate members paying the 50% reduced rate exercise 10 votes, and those paying the 25% rate have 5 votes. Each Individual and Honorary Life member has one vote, in accordance with Article 8 of the Memorandum and Articles of Association.

Report of the trustees

Most Trustees are already familiar with the work of NIACE when appointed, having served on other committees or been involved in its work, and many also serve on other charity boards

All new members receive an induction and handbook to ensure they are aware of constitutional and operational matters relating to NIACE. The members' handbook details the responsibilities of Directors and Trustees as well as procedures for meetings and elections and an up-to-date breakdown of the members of each Committee

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

NIACE also hosts an annual 24-hour residential meeting for all members of the Board and its standing committees to discuss various issues of policy and practice. Various training events, workshops and briefings are also held throughout the year, to which members of the Board and its standing committees are invited

Operating and Financial Review

Strategic Priorities and Impact

NIACE undertook a thorough review of its new Strategic Plan in 2012-13 to give the organisation greater focus and clearer purpose, and to be more open and realistic about the impact we are trying to make. The key driver of our work is the great inequalities that exist across all forms of adult learning. Our research shows that participation and achievement in learning is determined by class, age, employment status and prior learning and attainment. All our work is underpinned by the aim of addressing such inequalities and empowering individuals from under-represented groups to take control of their lives and realise their potential

NIACE pursues this aim by working with a range of stakeholders to develop knowledge and understanding of adult learning in order to support and encourage

- **Better practice** through the development and sharing of best practice in the engagement and support of learners and the delivery of learning
- **Better policy** through improving the development and implementation of policies and by promoting awareness of the public value of adult learning
- **The promotion of learning** to individuals and employers through our campaigns and outreach work

NIACE's external work focuses on three priority areas which are underpinned by four cross cutting themes. Some of the key achievements during the year under each of these areas and themes are set out below

Priority 1 Improving the accessibility, range and quality of the life skills that underpin lifelong learning and enable adults to participate in society

NIACE has developed a number of innovative training programmes to share and support best practice and to have a positive impact on provision. Maths Mentors in Prisons has trialled a new way of supporting maths in prisons by training prisoners who are confident in their maths skills to support others who are less confident, 30 prisoners have become mentors and his model is now being considered by a number of other prisons as a positive way of supporting maths learning. We were asked by the Department for Business, Innovation and Skills (BIS) to develop

Report of the trustees

and deliver an English for Speakers of Other Languages (ESOL) support programme for Job Centre Plus (JCP) practitioners and providers. This has subsequently led to NIACE developing a toolkit in liaison with colleagues from the Department for Work and Pensions (DWP), to support JCP advisers in their Information Advice and Guidance (IAG) and referral role.

NIACE's work on the Armed Forces Basic Skills Longitudinal Study (AFLS) has raised the profile and commitment to English and maths interventions within the Army. The model of intensive provision outlined in the study was viewed with great interest at ministerial level by both BIS and the National Offender Management Service (NOMS) and has now been trialled within the prison service.

Working with national partners, NIACE led the development and implementation of a strategy to engage adults in, and enthuse adults about, maths. This involved a Continuing Professional Development (CPD) programme, the development of a new maths app, the creation of an index of free maths apps for use by teachers and learners and the engagement of 6,000 volunteer Maths Champions to support others and promote the use and importance of maths.

In Wales, NIACE Dysgu Cymru encouraged its 340 campaigns partners to focus on the development of basic skills. During Adult Learners' Week 2012, a total of 125 basic skills related taster sessions and events were delivered in community settings across Wales. We also helped the Welsh Government produce a policy statement for ESOL in Wales and improved knowledge and understanding within the sector through the delivery of training on the implications of the Home Office Statement of Intent on Family Migration and the Ofqual consultation on proposed changes to ESOL qualifications.

Priority 2: Improving the range and quality of learning in and for work, in order that adults are best equipped to gain, sustain and progress in employment

The publication and dissemination of *'The Work Programme: what's the role of skills'* has established NIACE's position in this area of work. The report has been widely welcomed by the welfare to work industry, has been cited in the House of Commons and also presented to the Joint BIS/DWP ministerial forum. The report has influenced thinking in both DWP and BIS, such that four of the recommendations presented to the Joint Ministerial Forum are covered in the development of the new framework announced in *Rigour and Responsiveness*.

NIACE's ongoing work with young adult carers has enabled learners from this disadvantaged group to secure greater equality of opportunity to engage in work, and in learning to support employment. NIACE has established a lead position in this area of work which is evidenced by high level, cross government, support for NIACE to convene a National Policy Forum on young adult carers' access to learning and work.

A joint NIACE/UKCES/Unionlearn event on tackling inequalities in learning extended the reach of NIACE's participation survey to new audiences who came together to discuss how inequalities could be addressed and their role in doing this. As a result of this event and subsequent UKCES investment in the 2013 and 2014 surveys, our reputation for being an evidence-based and research-led organisation is being maintained and developed with key partners.

NIACE Dysgu Cymru developed new partnerships with National Training Federation for Wales (NTFW), learndirect and the Federation of Small Businesses (FSB) in order to boost engagement in the Learning@Work Day campaign, which we deliver in Wales with the Welsh Government and the TUC.

Report of the trustees

We helped to increase accountability and openness within the state-funded Work Based Learning sector, by supporting the development of groundbreaking new governance arrangements within Wales' largest independent training provider

Priority 3 Making learning in communities more diverse, sustainable, responsive, accountable and better connected with other policy areas

NIACE's management of the Community Learning Innovation Fund (CLIF), and the pilot of the Community Learning Trust (CLT) support programme, initiated the development of a user-friendly tool for collecting evidence of the wider impacts of community learning, building on earlier Social Return on Investment (SROI) work

The CLT support programme helped 15 pilots meet stretching requirements of the BIS community learning reforms. This ensured an effective pilot process and has helped shape community learning policy - as evidenced by references to the CLTs in the Skill Funding Statement. The CLT workshops were highly regarded by the pilots who reported direct impact on their practice.

Outcomes achieved during the year from Sharp Report (Colleges in their Communities) included the introduction of a new funding Code to support innovative programmes outside the Qualifications and Credit Framework (QCF) (a Sharp recommendation) and continued work on responsive curricular and planning, linked also to the Community Learning reforms.

Working with third sector partners, NIACE conducted a substantial study of third sector providers and learners. This culminated in references to the third sector contribution in the *Skills Funding Statement* and a new BIS-sponsored, national Third Sector Implementation Board (TSIB) launched in April with cross-government and wide third sector representation.

NIACE Dysgu Cymru helped the Wrexham Adult Community Learning Partnership develop a new Commissioning Framework in response to issues highlighted during its Estyn inspection. This enabled the partnership to focus its resources on those in greatest need and the new approach was highlighted as 'sector leading' in the follow-up inspection.

Theme 1 Equalities and empowerment, which gives all our work a focus on those who have previously missed out on learning opportunities and/or are under-represented and not given the chance to learn

We have brought together a range of organisations to create a joint action plan to increase participation, raise achievement and improve quality in the teaching of functional English and maths amongst groups of adults who are currently under-represented in education and training. As a result of improved partnership relationships, Homeless Link and CAB are better placed to improve English, maths and financial capability, particularly supporting clients in their transition to Universal Credit.

In order to support effective teaching of literacy skills to increase participation and achievement of learners at entry levels, NIACE has been involved in the first stages of a research project to test out approaches to quality assuring the RARPA process in provision for learners with learning difficulties and/or disabilities.

NIACE has made significant impact this year in ensuring that the 'voice of the learner' has been heard by policy makers and shapers, employers and other stakeholders within the learning and skills sector. Our Adult Apprentice publication and use of learner voice in submissions has ensured that apprentice voice contributes to policy development. Similarly our Offender Voice

Report of the trustees

publication and that of Care Leavers has done much to highlight the issues from the learner perspective

NDC raised awareness of the importance of learning for older people. Through our advocacy work we have helped ensure that both the Older People's Commissioner for Wales' *Framework for Action* and the Welsh Government's *Strategy for Older People in Wales (Phase 3) 2013-24* highlight the importance of learning to active ageing and extending working lives.

Theme 2 Advocacy and policy, where we use our knowledge and expertise to advance adult learning by influencing politicians and policy makers

NIACE lobbied hard around the introduction of advanced learning loans and was instrumental in getting a number of concessions from Government when the issue was debated in parliament in July 2012. At the same time, the then-minister also accepted a NIACE proposal to pilot a programme of mid-life career reviews.

A key approach in the past year has been to widen the reach of NIACE's message to new audiences. Alongside 218 news stories, NIACE's social media presence has grown significantly, with the number of Twitter followers of NiaceHq rising to 4648 and in addition, 17 staff regularly tweeting from individual NIACE accounts. A refresh of the NIACE blog has led to 79 contributions from 22 staff contributing regularly and 16 guest contributors.

NIACE has led four demonstration pilots in councils on behalf of the Local Government Association to support the local growth agenda. Through this process councils brought stakeholders together to work against the skills and local economic growth agenda and developing leadership roles in promoting skills aspects of economic development.

NIACE Dysgu Cymru submitted evidence on the public value of lifelong learning to the National Assembly's Finance Committee in response to a call for information on the Welsh Government's draft budget proposals for 2013-14. We also provided verbal evidence to the Assembly's Enterprise and Business Committee as part of the budget scrutiny process.

To help inform the debate on the review of the planning and funding system in Wales, and to explore a broad range of perspectives on the subject, we published a special issue of *Adults Learning* which brought together views from around the sector - aimed at an audience of policy makers and other stakeholders. At the request of the Welsh Government, NIACE Dysgu Cymru also led a review of the funding arrangements for Adult Community Learning - recommending a simplified funding methodology and which would better support the needs of under-represented groups.

Theme 3 Promoting and advancing adult learning through our campaigns, outreach and dissemination work

NIACE used Adult Learners' Week, the Skills Show and Maths4Us to engage with learners, intermediaries and other key organisations to increase the awareness of learning opportunities and participation in learning more widely. Using the Maths4Us activities we engaged over 4000 people at the Skills Show and roadshows in shopping centres across England to encourage members of the public to try Maths activities and return to learning.

In England, Adult Learners' Week in 2012 had over 2,000 events across the country. Organised by practitioners and intermediary organisations these events reached an estimated 100,000 people during May. These events will encourage adults to try different types of learning and

Report of the trustees

return to learning in the coming academic year. Using a new thematic approach in 2012-13 we have exceeded our targets for nominations in each theme and developed new partnerships with organisations to disseminate our key messages and deliver activity during Adult Learners' Week.

In Wales, 21,648 people developed their skills by participating in the 774 taster sessions delivered through Adult Learners' Week across Wales. Independent evaluation estimated that 10,174 individuals took positive action to improve their lives, with 4,979 signing up for a course, 1,731 attempting to sign up for a course, 1,082 seeking information about funding and 2,382 seeking further advice and guidance on learning. The campaign engaged almost 10,000 people with a background of little or no learning and over 5,000 people who consider they have a disability.

A survey, undertaken in August 2012 of organisations involved in the promotion and delivery of education and training in Wales, found that over 93 percent of respondents thought that NDC's coordination of national learning campaigns encouraged partnership and collaboration between providers. As well as greatly improving efficiency and effectiveness in the *promotion* of learning, many of the partnerships we have established have also managed to improve the efficiency of *delivery* as a result of our work. Indeed, of those survey respondents who were able to offer a view, 78 percent thought there had been a decrease in the costly duplication of provision as a result of participation in our Learning Festival Groups.

During the year, NIACE produced 71 commercial and project-funded publications selling 135,179 books worldwide. To enhance this key area of NIACE's work, a new publications strategy was developed to enable us to reach a larger and more diverse audience, influence policy and practice as well as increasing our commercial revenue.

NIACE's Conferences, Events and Training team delivered 119 events in England during 2012-13, reaching 2,167 delegates, made up of practitioners and policy makers from across the sector. These events maintained a consistently high standard with delegates and partners.

Theme 4 Developing NIACE as a quality organisation to ensure we are strong and efficient in the pursuit of our external focused mission

We carried out a review of NIACE's performance development review process during the year. The review was led by a staff focus group who were tasked with developing a process that focuses on organisational priorities, gives staff a clear picture of what is expected of them, measures performance more systematically, identifies staff development needs, recognises outstanding performance and achieves a more consistent implementation of the appraisal & development system. The new system will be implemented through an all staff training programme in 2013-14.

The use of the Customer Relationship Management system has been embedded into the organisation. It is now well established as a business critical system. We are increasing the number of our business systems and processes that are delivered and monitored through the CRM. Organisational intelligence on projects has greatly improved. We now have project information in one place and that information can then be used to inform a number of different audiences through the use of the CRM's reporting and advanced find tools. This has decreased duplication of effort and the necessary information instantly available as required.

Report of the trustees

The NIACE Annual Report 2012-13 gives full details of NIACE activities and achievements in 2012-13. The Annual Report is available from NIACE offices or on the website www.niace.org.uk

Performance Measures

NIACE has used Adult Learners' Week, the Skills Show and Maths4Us to engage with learners, intermediaries and other key organizations to increase the awareness of learning opportunities and participation in learning more widely. Using the Maths4Us activities we engaged over 4000 people at the Skills Show and roadshows in shopping centres across the country to encourage members of the public to try Maths activities and return to learning.

Adult Learners' Week saw over 1400 nominations received from organisations across the country resulting in 83 awards made to learners and projects at the National and regional ceremonies. There were over 2,000 events held across the country organised by practitioners and intermediary organizations, reaching over 100,000 people during the Week. *These events will encourage adults to try different types of learning and return to learning in the coming academic year. Using a new thematic approach this year we have exceeded our targets for nominations in each theme and developed new partnerships with organizations to disseminate our key messages and deliver activity during Adult Learners' Week.*

NIACE received a campaign endorsement from the Prime Minister, David Cameron, the National Awards Ceremony was attended by Vince Cable, the Secretary of State for the Department of Business, Innovation and Skills along with the BIS Permanent Secretary and the BIS Director General. John Hayes, the Minister of State for Further Education, Skills and Lifelong Learning delivered a key note address at the National Policy conference and hosted six Adult Learners' week winners in Parliament on the day of the National Awards Ceremony.

In Wales, 21,648 people developed their skills by participating in the 774 taster sessions delivered through Adult Learners' Week across Wales. The campaign engaged almost 10,000 people with a background of little or no learning and over 5,000 people who consider they have a disability.

During 2012-13 NIACE produced 71 new publications, sold 135,179 units of publication stock worldwide and the value of publication sales was £124,945. NIACE organised 119 events and over 2,000 people attended these events, with 95% of attendees rating the events good and very good. 37 new contracts were secured through competitive tender, other work was secured as a result of NIACE's known expertise and staff worked on around 246 projects in total (including publications, events and training courses) or 117 projects in total (excluding publications, events and training courses). The NIACE website had 292,548 hits in the year, with 178,509 unique visitors.

NIACE had over 1700 items of national media (press, online, radio and television), highlights included

- Coverage for Skills for Life in BBC News Online, ITV Daybreak and across the ITV Regional Network and The Daily Telegraph
- Coverage for Adult Learners' Week in BBC News Online, The Sun, The Daily Mail, The Evening Standard, The Big Issue and Time Out
- Comprehensive coverage for maths4us on BBC News Online, BBC Breakfast (TV) and several local radio stations
- Coverage throughout the year in The Guardian, Times Educational Supplement, FE Week, FE News and Education Journal

Report of the trustees

NIACE has 3,400+ followers on Twitter and hundreds of tweets reached hundreds of thousands of people. In March 2013 tweets including our hashtag #maths4us reached 83,000+ unique users and created 120,000+ impressions (the total number of times tweets were delivered to timelines)

NIACE has a YouTube channel and during 2012-13 there were 11,400+ views and the most watched film with 1,928 views was Functional Skills for Adults

A further objective is ensuring the fiscal security of the organisation. The trustees set a target of generating a surplus of at least 2.5% of income per year. In an increasing challenging economic climate, the net incoming resources for 2012-13 were slightly above break-even at £2,000 (2011-12 net incoming resources £93,000). After accounting for realised losses of £6,000 on investment assets (2011-12 realised losses £61,000) NIACE reported a deficit of £4,000 (2011-12 surplus £32,000)

Financial Review for the year ended 31 March 2012

NIACE's trustees are confident that NIACE continues to operate on a going concern basis

NIACE recognises the unsettled economic times it is currently operating in but continues to believe it is well positioned for the challenging times the charity faces. The annual results show a break even position in operational terms showing a small £2,000 surplus in the year down from £93,000 in 2011-2012. Total incoming resources from charitable activities were £11,574,000, and expenditure was £11,631,000. Income has increased by £851,000 from the previous year, primarily due to an improved performance in our development and research activity.

Investments rose overall, with gains of £475,000. The value on long term deposit reduced by £184,000 due to the receipt of interim dividend payments from the administrators of KSF, together with an improvement of £71,000 in respect of the latest impairment value expected from the deposits held with the Icelandic bank.

The Trustees are aware of the uncertain economic position the Charity is facing during 2013-14 and have previously taken the actions necessary to adjust the size and scale of operations to reflect the income levels likely to be achieved. The Trustees will continually monitor new developments as they arise.

The most recent FRS 17 valuation of the pension scheme showed a deficit of £5,557,000, an increase in the debt of £1,839,000 from the previous year. The changes in the assumptions used reflect a slight increase in salary expectation and a reduced discount rate has resulted in an increase in the funding position deficit. This FRS17 valuation should also be compared to the scheme's tri-annual valuations carried out in March 2010 which indicated a lower deficit calculation of £898,000. The next tri-annual valuation will be carried out at the 31st March 2013 and the Trustees will be able to monitor the valuation when the results are available.

NIACE receives income from a range of activities and funders. The major funders include the Department for Business, Innovation and Skills, who provide a core grant under a three year rolling Compact agreement. The Skills Funding Agency continued to commission NIACE to manage the SFA's e-learning strategy, commissioned work around mental health, equality and diversity, commissioned project work under a Memorandum of Understanding as well as a range of smaller contracts. The Welsh Assembly Government and Local Government Association provide ongoing funding under a grant arrangement. The European

Report of the trustees

Social Fund continues to support Adult Learners' Week and Sign Up Now in both England and Wales. Other significant funders, for which we are grateful, include the Army and the Department for Communities and Local Government. NIACE also raises income from conference and publication sales and membership subscriptions. Any surplus generated from these and other sources is used to fund NIACE's advocacy and information work, to fund initiatives of importance to adult learning which cannot be funded elsewhere, and to strengthen the reserves as specified in the Reserves Policy.

Expenditure supporting each activity is a combination of direct costs, salary costs for staff directly employed on that activity, and support costs which are allocated to all activities. Direct costs are incurred as part of contracts, or are specific to event organisation, publication productions, campaigns and such like.

Reserves Policy

The Trustees reviewed the Reserves policy in March 2011. The overriding principle is that NIACE should use its reserves to maintain the financial stability of the organisation and to meet the needs of adult learners both current and in the future. The Trustees have determined that NIACE requires reserves for the following specific purposes:

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

Required Level of Reserves

The required level of reserves is currently calculated as follows:

- 25% of annual expenditure should be held to cover potential loss of income
- Ring-fenced reserves should be retained to cover the pension deficit as it appears on the balance sheet
- There is a long term target of nine months of net working capital in addition to the pension deficit

The pension deficit continues to have an effect on the Institute's reserves, by showing a decrease of £1,097,000 on the previous year. This was mitigated by the increase in the value of the investments, and the increase in the impairment provision made in respect of the deposit with Kaupthing, Singer & Friedlander.

The reserves target range set in June 2011 was between £6.6m and £8.7m (including the pension liability). Reserves at the end of March 2013 were £5,713,000 (reduced by the pension liability to a surplus of £156,000). The Board has determined that the reserves

Report of the trustees

target should comprise six months of net working capital and sufficient funds to cover the pension deficit

NIACE operates two pension schemes, the Teachers Pension scheme and also the London Pensions Fund Authority local government pension scheme (LGPS). The LGPS scheme is a funded defined benefit pension scheme. The most recent triennial valuation of this scheme, as at 31 March 2010, calculated the scheme deficit to be £898,000 (2007 £896,000). However, FRS17 rules require inclusion of the year end valuation calculated on the basis defined in that standard. The deficit, using this method of calculation, is significantly higher than the actuarial valuation, and at the end of March 2013 showed an increase from the previous year's valuation to an amount of £5,557,000 (2011-12 £3,718,000). Note 16 to the financial statements gives further details. Full incorporation of the FRS17 fund deficit calculation into the NIACE balance sheet shows a pension liability which significantly reduces reserves. Although the fund deficit poses a serious issue for NIACE, the Trustees recognise that FRS17 does not, of itself, affect cash flows because NIACE makes employer contributions to the pension fund on the basis of advice from actuaries as part of their report on the triennial valuation. The contribution rate recommended is designed to fund the deficit over the future working life of employees, but is currently based at 10.8 years. The Teachers Pension scheme is accounted for as a defined contribution scheme, as the Company is unable to identify its share of the underlying assets and liabilities of the scheme. Further details of this scheme appear in note 16b of the accounts.

Investment Policy

Investment performance is overseen by the Investment Committee, which reports annually to the Board of Trustees.

The Trustees have approved an investment policy that funds not required as working capital are invested to increase the level of reserves as required by the NIACE reserves policy. The Investment Policy was reviewed in 2012 in consultation with the NIACE investment managers. The investment approach is conservative with a diverse portfolio to minimise risk. The objective is to have a portfolio with 80% equities, 20% fixed interest and no more than 5% in any one equity holding. NIACE also maintains cash balances which form part of the reserves. There will be no investments in derivatives, individual hedge funds, unquoted stocks or any non-readily realisable investments. However, up to 15% of the portfolio may be invested in fund of fund hedge funds or structured funds. NIACE seeks the best return from investments, with the only exception that the Trustees have specified that there should be no investment in armaments. Funds not required as short term working capital are held as fixed term deposits to maximise interest receivable, with the rate received being above the Bank of England base rate.

£5,134,000 was held as long term investments at the start of the financial year. A decision was taken in 2012 to cease the transfer of income from investments. Dividends and interest received of £108,000 were augmented by a significant rise in the value of investments leading to an increase in value of £658,000. The year-end balance shows £5,793,000 of managed equity based and cash investments. In addition £181,000 of cash is reported as fixed term deposit at the year-end. This represents the balance of the realisable deposit from Kaupthing, Singer and Friedlander administrators which form part of the reserves after having received £255,000 worth of repayments during this year. The performance of the investments is benchmarked against the WM unconstrained Charity Return, and over the year the portfolio rose by 13.2% compared to the WM charities benchmark rise of 14.6%.

Report of the trustees

NIACE held £1,900,000 on a six month fixed term deposit with Kaupthing, Singer & Friedlander when this bank went into administration in October 2008. The administrators have advised that a range of 84 0p – 86 5p in the pound should be recoverable, of which 76p in the pound has been paid out. The deposits have been written down in the accounts to a value reflecting the currently recoverable amount, discounted to present values to take account of uncertain cash flow timings.

Risk management

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

The strategic risk register is clearly aligned to the organisation's strategic plan and includes a clearer articulation of the specific actions that will be undertaken to mitigate risk. Each key risk is allocated to a member of the senior management team who develops strategies to mitigate the risk. The Audit Committee receives a detailed verbal update from each lead officer on a rolling basis.

The major external risks identified within the register include

- Further reductions in the public funding invested in lifelong learning reduce the opportunities available to adults, and
- Widening participation and social justice become less important to public funders leading to greater inequalities in access to learning

The major internal risks identified include

- Not being able to secure sufficient resources to underpin the implementation of the Strategic Plan, and
- Not having the capacity and capabilities to deliver the new Strategic Plan

NIACE's research, development and advocacy work is targeted at mitigating the external risks. The securing of new sources of income and the development of a funding diversification plan has reduced the risk about financial viability, although this, like other risks, is reviewed closely. The development of training and mentoring programmes, and a new performance development system, along with the maintenance of the organisation's Committed to Excellence status are mitigating the risk relating to capacity and capabilities.

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

Report of the trustees

The Trustees consider that by examining the operational and business risks faced by NIACE, and then by ensuring strategies are in place to alleviate key business risks, controls exist for key financial and other systems, and by ensuring that there are adequate levels of reserves, they have systems which are suitably designed to achieve these objectives and they are operating with sufficient effectiveness to provide reasonable assurance to the Trustees

Financial risk

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

The main risk is liquidity risk. This is managed by ensuring sufficient liquidity is available to meet foreseeable needs and reserves are maintained to provide working capital as specified in the reserves policy.

Grant Making

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

Sustainable Development

The trustees have agreed a policy for sustainable development. The aim of the policy is to ensure that NIACE adopts and actively promotes sustainable development approaches and practice in every aspect of its work within the organisation, with members and with the wider world of educators and learners.

NIACE defines sustainable development as "a way of working and living that reduces inequalities for current and future generations". There are three dimensions to sustainable development: social, environmental and economic. As these are interdependent, achieving sustainable development goals depends on addressing each dimension at the same time.

This policy sets objectives in six areas that NIACE believes will enable the organisation to develop more sustainable practices. These are organisational ethos, public image, work with external organisations, staffing, management of our environment and governance.

For each objective, key actions are defined which will move us forward. The objectives are underpinned by two further principles:

- NIACE Equal Opportunities Policy - because equality, social justice and sustainability are closely related
- NIACE commitment to being a learning organisation - NIACE recognises that we need to learn more about sustainable development in order to raise our awareness and change behaviours and practice, if we are to achieve our goals. This is reflected in the focus on learning in many of the actions.

Report of the trustees

The policy is monitored and reviewed by the Resources Committee, with reports to the Board

Disability Policy

NIACE promotes Equality and Diversity throughout its work and this commitment underpins the organisation's staffing policies and recruitment and selection processes. An Equality and Diversity group meets quarterly and there is a rolling programme of training for all staff in respect of Equality and Diversity which is carried out throughout the year.

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

NIACE aims to adopt a best practice approach to disability in respect of the individual and their working environment. This includes finding ways of supporting staff to remain in the workplace. We work closely with Access to Work on practical adjustments. We also work closely with staff and Leicester's Fit for Work scheme to review working patterns and ways of working.

NIACE is an approved user of the Disability "two ticks" Symbol and uses the logo on recruitment information and other documents. Employers who use the symbol have agreed with Jobcentre Plus that they will

- Interview all disabled applicants who meet the minimum criteria for a job vacancy and consider them on their abilities (to meet individual requirements, we aim to put specific arrangements in place in the interview and selection process to ensure applicants with a disability have fair and equal access to the process)
- Ensure there is a mechanism in place to discuss, at any time, but at least once a year, with disabled employees what can be done to make sure they can develop and use their abilities (all NIACE staff are entitled to a maximum of 4 supervisory meetings with their manager per year, two of which must be appraisal and appraisal review)
- To make every effort when employees become disabled to make sure they stay in employment
- To take action to ensure that all employees develop the appropriate level of disability awareness needed to make these commitments work
- Each year to review the five commitments and what has been achieved, plan ways to improve on them and let employees and Jobcentre Plus know about progress and future plans

NIACE has also signed up to "The Charter for Employers who are Positive about Mental Health" and is committed to a rolling training programme of raising awareness of Mental Health issues for staff and line managers.

Staff Training and Continuous Professional Development

NIACE has been recognised by the Investors In People standard since 1996

Report of the trustees

NIACE offers a range of training, learning methods and opportunities to meet the differing levels of needs across the organisation. Spending on training during 2012-13 was £47,530 which equals £528 per staff member.

Development of senior staff is primarily experiential, with the key focus for their progression being an understanding of the key issues in adult learning and policy context. This has been secured through staff attending or presenting at national and international events and in carrying out their development work in the field. Staff are also offered the opportunity to make an application for sabbatical leave subject to a combined qualifying period of working at NIACE, and in one of the professional fields of the Institute's work.

In-house training has included training for line managers in relation to staff policies and procedures and specialist training developed by internal experts, for example social media training.

Sharing Information with Employees

NIACE has a number of mechanisms to provide information to employees and to consult staff on matters of significance. The Chief Executive holds monthly briefing sessions which all staff can attend. There are two monthly management meetings and a monthly development and research forum. NIACE's Intranet contains all of NIACE policies and procedures. Staff are consulted through the recognised unions regarding proposed changes to NIACE staff policies and terms and conditions. Staff are encouraged to share information with colleagues through team meetings and cross NIACE groups.

Trustees' responsibilities for the financial statements

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

Company law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the Trustees are required to

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

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

Report of the trustees

In so far as the Trustees are aware

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

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

Accounts preparation

The Trustees confirm that the accounts comply with the current statutory requirements and with those of the governing instrument. This report and the accounts have been prepared in accordance with the Statement of Recommended Practice - Accounting and Reporting by Charities (SORP 2005).

Trustees' liability insurance

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

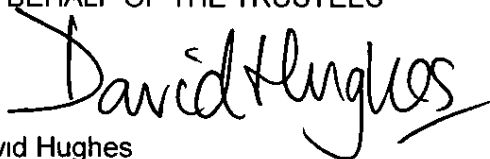
Creditor payment policy and practice

It is the policy of NIACE to follow standard payment terms of 30 days (or as otherwise agreed with the supplier) unless there are reasons to dispute the amounts with suppliers. Trade creditors' days at the yearend were 21 (2012: 20 days).

Auditors

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

ON BEHALF OF THE TRUSTEES



David Hughes
Company Secretary
4th July 2013

Report of the independent auditor to the members of The National Institute of Adult Continuing Education (England and Wales) ("NIACE")

We have audited the financial statements of NIACE for the year ended 31 March 2013 which comprise the principal accounting policies, the statement of financial activities, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Trustees' Responsibilities Statement set out on page 17, the trustees (who are also the directors for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the trustees, and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Trustees' Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Report of the independent auditor to the members of The National Institute of Adult Continuing Education (England and Wales) ("NIACE")

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2013 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

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

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



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

Fairfax House
15 Fulwood Place
London
WC1V 6AY

9 October 2013

Basis of accounting

The financial statements have been prepared under the historical cost convention except that investments are carried at valuation, and in accordance with applicable accounting standards, the Statement of Recommended Practice "Accounting and Reporting by Charities" (SORP 2005 issued in February 2005), and the Companies Act 2006

The principal accounting policies of NIACE have remained unchanged from the previous year

Income and expenditure account

The Statement of Financial Activities on page 18 discloses the information required within the Income and Expenditure account and as such no separate Income and Expenditure account has been prepared

Incoming resources

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

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

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

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

Resources expended

Expenditure is classified under the principal categories of charitable and other expenditure rather than the type of expense, in order to provide more useful information to users of the financial statements

- Costs of activities in furtherance of the Charity's objectives comprise direct expenditure including direct staff costs attributable to the activity. Where costs cannot be directly attributed, they have been allocated to activities on a basis consistent with use of the resource
- Support costs of charitable activities comprise costs incurred directly in support of expenditure on the objectives of the Charity
- Governance costs incurred in the governance of the charity include internal and external audit costs, senior management time, meeting costs and similar governance costs

Investments

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

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

Tangible fixed assets

Individual fixed assets costing more than £5,000 are capitalised at cost

Tangible fixed assets are stated at cost net of depreciation

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets, over their expected useful lives. It is calculated at the following rates

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

Stocks

Stocks, which consist of publications, are valued at the lower of cost and net realisable value

Financial instruments

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

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

Grants expended

Grants expended are taken into account when they become due and payable. Where grants are subject to conditions or performance criteria, these become payable when such criteria are met.

Operating leases

Rentals payable under operating leases are charged as an expense on a straight line basis over the term of the lease.

Provisions

Provisions represent sums set aside for liabilities or losses which are likely to arise but owing to their inherent nature cannot be quantified with any certainty. Provisions are established on a best estimate basis and reviewed annually. Provisions are charged to the appropriate revenue account, and when expenditure is incurred to which the provision relates it is charged direct to the provision. Provisions are used only for the purpose for which they were established.

Pension Costs

The scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method on the basis of triennial valuations, and are

discounted at appropriate high quality corporate bond rates. The net surplus or deficit is presented separately from other net assets on the balance sheet. A net surplus is recognised only to the extent it is recoverable by the charity.

The current service cost & costs from settlements & curtailments are included in the Statement of Financial Activities. Past service costs are spread over the period until the benefit increases vest. The net of interest on the scheme liabilities and the expected return on the scheme assets are included in interest payable or investment income as appropriate. Actuarial gains & losses are reported in the Statement of Financial Activities.

Funds Structure

Unrestricted funds consist of funds which the charity may use for general purposes at the Trustees' discretion, and income earned under contracts and performance related grants. Restricted funds represent income contributions given in the form of other grants which are allocated to a particular purpose. Any overspend in restricted funds is transferred from unrestricted funds.

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

	Note	Unrestricted funds £'000	Restricted funds £'000	2013 Total funds £'000	2012 Total funds £'000
Incoming resources					
Incoming resources from generated funds					
Voluntary Income					
Members' subscriptions		33	-	33	78
Investment Income		134	-	134	144
		<u>167</u>	<u>-</u>	<u>167</u>	<u>222</u>
Incoming resources from charitable activities					
NIACE Dysgu Cymru		766	2	768	820
Conferences, Seminars and Courses		321	-	321	277
Publications		125	-	125	198
Development and Research		1,704	7,283	8,987	7,318
Campaigns & Promotions		60	1,178	1,238	1,453
Information, Policy and Advocacy		327	43	370	459
Total charitable activities	4	<u>3,303</u>	<u>8,506</u>	<u>11,809</u>	<u>10,525</u>
Total incoming resources		<u>3,470</u>	<u>8,506</u>	<u>11,976</u>	<u>10,747</u>
Resources expended					
Costs of generating funds					
Investment Management Costs	5	17	-	17	17
Charitable activities	5	3,156	8,504	11,660	10,451
Governance costs	5	189	-	189	186
Total resources expended		<u>3,362</u>	<u>8,504</u>	<u>11,866</u>	<u>10,654</u>
Net incoming resources before transfers		108	2	110	93
Transfers between funds	14	2	(2)	-	-
Net incoming resources for the year		110	-	110	93
Realised (losses) on investment assets		(6)	-	(6)	(61)
Net incoming resources and surplus of income over expenditure		104	-	104	32
Impairment gains on investments	8	71	-	71	78
Unrealised gains on investment assets		574	-	574	105
Actuarial (losses) / gains on defined benefit pension scheme		(1,853)	-	(1,853)	(943)
Net movement in funds		<u>(1,104)</u>	<u>-</u>	<u>(1,104)</u>	<u>(728)</u>
Total funds brought forward		1,260	-	1,260	1,988
Total funds carried forward		<u>156</u>	<u>-</u>	<u>156</u>	<u>1,260</u>

All of the activities of the Charitable Company are classed as continuing and are in furtherance of the objectives of the Charity

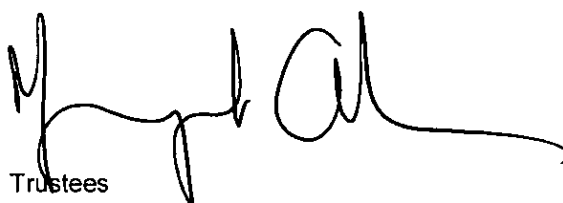
The accompanying accounting policies and notes form an integral part of these financial statements

Balance Sheet

	Note	2013 £'000	2013 £'000	2012 £'000	2012 £'000
Fixed assets					
Tangible assets	8	30		35	
Investments	8	<u>5,974</u>		<u>5,499</u>	
			6,004		5,534
Current assets					
Stocks		0		114	
Debtors	9	770		1,212	
Cash at bank and in hand		<u>4,657</u>		<u>2,437</u>	
		5,427		3,763	
Liabilities					
Creditors amounts falling due within one year	10	<u>5,689</u>		<u>4,213</u>	
Net current liabilities			(262)		(450)
Provisions	13		<u>(29)</u>		<u>(106)</u>
Net assets excluding pension liabilities			5,713		4,978
Defined benefit pension scheme liability	16		<u>(5,557)</u>		<u>(3,718)</u>
Net assets including pension liability			<u>156</u>		<u>1,260</u>
Capital and reserves					
Unrestricted funds excluding pension liability		4,287		3,364	
Revaluation Reserve		1,426		1,614	
Pension reserve		<u>(5,557)</u>		<u>(3,718)</u>	
Total unrestricted funds including pension liability			156		1,260
Total charity funds			<u>156</u>		<u>1,260</u>

The financial statements were approved by the Board of Trustees on 4th July 2013

Margaret Galliers



Trustees

Patrick McAllister



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

Cashflow statement

	2013	2012
	£'000	£'000
Net cash (outflow) from operating activities	1,951	(649)
Returns on investment and servicing of finance		
Interest and dividends received	9	122
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(13)	(18)
Payments to acquire investments	(706)	(511)
Receipts from sale of investments	724	722
Received from KSF	255	
	<u>260</u>	<u>193</u>
(Decrease) in cash	<u>2,220</u>	<u>(334)</u>

Reconciliation of operating surplus to net cash inflow from operating activities

	2013	2012
	£'000	£'000
Net incoming resources	3	32
Less investment income (net)	(9)	(122)
Operating surplus	<u>(6)</u>	<u>(90)</u>
Realised losses on investments	6	61
Pension adjustment	(14)	(220)
Decrease in stocks	114	101
Decrease in debtors	442	539
Increase / (Decrease) in creditors	1,469	(976)
(Decrease) in provisions	(77)	(77)
Depreciation	17	13
Net cash (outflow) from operating activities	<u>1,951</u>	<u>(649)</u>

Analysis of changes in net funds

	2013	2012
	£'000	£'000
Cash at bank and in hand		
At 1 April 2012	2,437	2,771
Increase / (Decrease) in cash	<u>2,220</u>	<u>(334)</u>
At 31 March 2013	<u>4,657</u>	<u>2,437</u>

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

Notes to the financial statements

1 Surplus on operating activities

This has been arrived at after charging

	2013 £'000	2012 £'000
Auditors' remuneration	16	16
- external audit services	0	0
- other services		
Trustees' indemnity insurance cover	10	10
Operating leases		
Land and buildings	146	292
Other	15	17

2 Exceptional costs

Impairment losses on investments

Early in October 2008 the Icelandic bank Kaupthing collapsed and the UK subsidiary of the bank, Kaupthing, Singer and Friedlander (KSF) went into administration. The Charity had £1.9m deposited with this bank at an interest rate of 5.97% and a maturity date of 14 November 2008. All monies within KSF are currently subject to the administration process, and the amount(s) and timing of payments to the Charity are determined by the administrators, who at the end of March 2013 have paid distributions totalling 76p in the pound.

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

The creditor progress report issued by the administrators of KSF, Ernst & Young, dated October 2012 outlined that the return to creditors was projected to be in the range of 84p to 86.5p in the pound. The Charity has reviewed its impairment provision to recognise an impairment based on it recovering 85.25p in the pound up to January 2013, based on the midpoint of the administrator's expectations.

In calculating the impairment the Charity has therefore made the assumption that the remaining 9.25% recovery will be received in instalments commencing June 2013, June 2014 and June 2015.

Recoveries are expressed as a percentage of the Charity's claim in the administration, which includes interest accrued up to June 2015.

Notes to the financial statements

3 Employees and Trustees

Staff costs of NIACE consist of

	2013 £'000	2012 £'000
Wages and salaries	3,237	3,374
Social security costs	265	290
Other pension costs (see note 16)	486	490
	<u>3,988</u>	<u>4,154</u>

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

	2013 Number	2012 Number
£ 60,001 - £ 70,000	2	2
£ 70,001 - £ 80,000	2	3
£ 80,001 - £ 90,000	1	1
£120,001 - £130,000	1	-
	<u>6</u>	<u>6</u>

The average annual headcount of employees, employed by NIACE, during the year was as follows

Employees	<u>90</u>	<u>98</u>
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NIACE employs a significant number of part-time employees. The average number of full-time equivalents employed during the year was as follows

Employees – full time equivalents	<u>84</u>	<u>91</u>
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No Trustees received any remuneration for their services. 10 Trustees were reimbursed expenses for travel and subsistence of £3,828 (2012: 14 Trustees - £3,822).

4 Incoming Resources from Charitable Activities

	Contract & Sales £'000	Recurrent Grant £'000	2013 Total £'000	2012 Total £'000
NIACE Dysgu Cymru	518	250	768	820
Conferences, Seminars and Courses	321	-	321	277
Publications	125	-	125	198
Development and Research	5,140	3,847	8,987	7,318
Campaigns and Promotions	649	589	1,238	1,453
Information, Policy and Advocacy	370	-	370	459
Incoming resources from charitable activities	<u>7,123</u>	<u>4,686</u>	<u>11,809</u>	<u>10,525</u>

Notes to the financial statements

Incoming Resources from Charitable Activities (cont)

Incoming Resources by Funding Source	Contract & Sales £'000	Recurrent Grant £'000	2013 £'000	2012 £'000
BIS	7	3,216	3,223	2,473
The Skills Funding Agency	3,501	834	4,335	3,660
LGA (Wales and England)	-	432	432	385
Welsh Assembly Government	389	204	593	674
Europe	1,008	-	1,008	1,195
Other Government	191	-	191	288
Public Sector	550	-	550	769
Charitable Trusts	14	-	14	107
Business Sponsorship	43	-	43	109
Other Project Funding	921	-	921	346
Products and Services	499	-	499	519
	7,123	4,686	11,809	10,525

5 Total Expenses

	Direct Costs £'000	Direct Salaries £'000	Support Costs £'000	2013 Total £'000	2012 Total £'000
NIACE Dysgu Cymru	201	365	207	773	725
Conference, Seminars and Courses	137	152	102	391	433
Publications	176	106	145	427	581
Research Projects and consultancy	5,817	1,789	846	8,452	7,040
Campaigns and Promotions	640	245	225	1,110	1,069
Information, Policy and Advocacy	77	233	197	507	603
Total Charitable Activities	7,048	2,890	1,722	11,660	10,451
Investment Management	17	-	-	17	17
Governance	43	129	17	189	186
Total resources expended	7,138	3,019	1,739	11,866	10,654

Notes to the financial statements

6 Analysis of Expenditure

	Unrestricted £'000	Restricted £'000	2013 Total £'000	2012 Total £'000
NIACE Dysgu Cymru	773	-	773	725
Conferences, Seminars and Courses	391	-	391	433
Publications	427	-	427	581
Research Projects and Consultancy	927	7,525	8,452	7,040
Campaigns and Promotions	177	933	1,110	1,069
Information, Policy and Advocacy	461	46	507	603
Total Charitable Activities	3,156	8,504	11,660	10,451

Included within expenditure is £3,578,923 relating to numerous grants given as part of the research projects

7 Support Costs Allocation

	Accom £'000	Bus Dev £'000	IT £'000	Depr'n £'000	Finance £'000	HR £'000	Total 2013 £'000	Total 2012 £'000
NIACE Dysgu Cymru	81	-	44	3	50	29	207	168
Conferences, Seminars and Courses	34	22	17	1	19	9	102	133
Publications	24	88	12	1	14	6	145	204
Research Projects and Consultancy	285	181	139	9	154	78	846	1039
Campaigns and Promotions	75	49	37	2	41	21	225	141
Information, Policy and Advocacy	68	39	35	2	33	20	199	251
Total Charitable Activities	567	379	284	18	311	163	1,722	1,936
Governance	-	-	-	-	17	-	17	27
Total Expenses	567	379	284	18	328	163	1,739	1,963

Notes on basis of allocation

Support costs are allocated to individual cost centres on a combination of income earned and on numbers of staff employed, according to the nature of the cost being allocated

Notes to the financial statements

8 Tangible assets

Tangible fixed assets

	Computer equipment £'000	Office equipment £'000	Buildings Maintenance £'000	Total £'000
Cost				
At 1 April 2012	39	19	70	128
Additions	13	-	-	13
At 31 March 2013	52	19	70	141
Depreciation				
At 1 April 2012	21	19	53	93
Charge for the year	15	-	3	18
At 31 March 2013	36	19	56	111
Net book value				
At 31 March 2013	16	-	14	30
At 31 March 2012	18	-	17	35

Investments (all held and managed in the UK)

	£'000
At 1 April 2012	5,499
Purchases	746
Funding of purchases from cash	17
Sales (and net settlements)	(635)
Unrealised gains	445
Realised losses	(6)
Management charges	(17)
Withdrawal / repayment of funds	(255)
Dividend and interest	109
Impairment charges	71
At 31 March 2012	5,974

The fixed asset investments were held as follows

	2013 £'000	2012 £'000
Listed stocks and shares	5,653	5,103
Cash	140	31
Deposit Accounts	181	365
Market value at 31 March	5,974	5,499

At 31 March 2013 no investment represented more than 5% of the portfolio by market value

At 31 March 2013 the historic cost of listed stock and shares was £4,258,611

Notes to the financial statements

9 Debtors

	2013 £'000	2012 £'000
Trade debtors	416	775
Other debtors	354	437
	<u>770</u>	<u>1,212</u>

10 Creditors: amounts falling due within one year

	2013 £'000	2012 £'000
Trade creditors	755	375
Other creditors	26	-
Tax and social security	131	165
Accruals	532	510
Deferred income (see note 11)	4,245	3,163
	<u>5,689</u>	<u>4,213</u>

11 Deferred income

	Balance at 1 April 2012 £'000	Movement in year £'000	Balance at 31 March 2013 £'000
Restricted funds			
Income from research, projects and consultancy	1,539	1,810	3,349
	<u>1,539</u>	<u>1,810</u>	<u>3,349</u>
Unrestricted funds			
Income from research projects and consultancy	1,584	(706)	878
Conference fees	40	(22)	18
	<u>3,163</u>	<u>1,082</u>	<u>4,245</u>

13 Provisions

	2013 £'000	2012 £'000
Provision for dilapidation costs on leased premises	29	94
Provision for restructuring costs	-	12
	<u>29</u>	<u>106</u>

One of the Leicester properties was vacated during the year and the provision was utilised after agreement was reached to finalise NIACE's liability for the building

Notes to the financial statements

14 Restricted funds

	Total restricted funds £'000
At 1 April 2012	-
Incoming resources in the year	8,506
Resources expended and transfers	(8,506)
At 31 March 2013	-

NIACE acknowledge the following grant income recovered and receivable

Funder and project details	Net incoming resources £'000	Total resources expended £'000	Surplus / (deficit) £'000	Transfer from/(to) unrestricted funds £'000
Department for Business, Innovation and Skills				
Core funding	2,561	2,561	-	-
Skills Funding Agency				
Adult Community Learning Fund/CLIF	3,562	3,562	-	-
Consultancy, support and research	803	803	-	-
European Social Fund – ALW England	589	589	-	-
DBIS – ALW England	589	589	-	-
Total Adult Learners' Week	<u>1,178</u>	<u>1,178</u>	<u>-</u>	<u>-</u>
Other European Programmes				
Various	74	99	(25)	25
UK Border Agency	40	45	(5)	5
Charitable Trusts	14	14	-	-
Other consultancy/research				
LSIS, The Big Lottery and others	274	242	32	(32)
	<u>8,506</u>	<u>8,504</u>	<u>2</u>	<u>(2)</u>

Where funds are showing a deficit this is generally because the restricted funding has been given towards the total cost of carrying out a particular activity, but may not completely pay for it. In addition, most European Commission funded projects have as a condition of contract that any funds they provide must be matched from other sources. This funding may come from NIACE reserves, and therefore there is a deficit. The balance of expenditure incurred on these projects is covered by income generated from unrestricted sources. This is shown as the transfer between funds in the Statement of Financial Activities.

Notes to the financial statements

All funds which are showing a surplus in 2011-12 had incurred a deficit in previous financial years, so no carry forward of funds is necessary, as this offsets previous transfers from unrestricted funds

15 Analysis of net assets between funds

	Restricted Funds £'000	Unrestricted Funds £'000	Total Funds £'000
Fund balances at 31 March 2013 are represented by			
Tangible fixed assets	-	6,004	6,004
Current assets	3,383	2,044	5,427
Current liabilities	(3,383)	(2,306)	(5,689)
Provisions	-	(29)	(29)
Defined benefit pension scheme liability	-	(5,557)	(5,557)
Total net assets	-	156	156

Included within unrestricted funds is an amount of £1,563,175 relating to unrealised gains on investment assets

16 Pension costs

The Charity contributes to two defined benefit pension schemes, the London Pensions Fund Authority (part of the Local Government Pension Scheme) and the Teachers Pension Scheme, on behalf of its employees. The assets of these schemes are held in independently administered funds. Contributions are paid based on the recommendations of the qualified actuaries. The charge for the year was as follows

	2013 £'000	2012 £'000
Teachers' Pension Scheme (contributions)	66	81
London Pension Fund Authority (service cost)	422	547
	488	628

(a) The London Pensions Fund Authority

Although this is a multi employer scheme the actuaries have advised the Trustees that they are able to identify NIACE's share of the scheme's underlying assets and liabilities, accordingly in accordance with the requirements of Financial Reporting Standard 17 (FRS 17), the actuaries have undertaken a valuation of the assets and liabilities of the scheme at 31 March 2013. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method. The 'present value of funded liabilities' has been arrived at by actuarial analysis of member data as at 31 March 2012.

Notes to the financial statements

16 Pension costs (continued)

The following assumptions were made in reaching the valuation at

	31 March 2013	31 March 2012
Rate of inflation & rate of increase in pensions	3.4%	3.3%
Rate of increase in salaries	3.8%	3.8%
Expected return on assets	5.6%	5.9%
Rate used to discount scheme liabilities	4.4%	4.95%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience. Mortality assumptions are based on the club vita mortality analysis which has then been projected using the medium cohort projection and allowing for a minimum rate of improvement of 1%.

The amounts recognised in the balance sheet are determined as follows

	Expected rate of return %	31 March 2013 £'000	Expected rate of return %	31 March 2012 £'000
Fair value of employer assets				
Equities	6.0	14,015	6.3	12,078
Target return funds/Bonds	4.6	1,920	4.5	1,985
Alternative assets/ Property	5.0	2,880	5.3	2,316
Cash	0.5	384	3.0	165
Total		19,199		16,544
Present value of funded liabilities		(24,756)		(20,262)
Net pension liability		(5,557)		(3,718)

	31 March 2013 £'000	31 March 2012 £'000
Amount in the balance sheet		
Net pension liability	(5,557)	(3,178)

Notes to the financial statements

16 Pension costs (continued)

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

	2013 £'000	2012 £'000
Opening defined benefit obligation	20,262	19,823
Current service cost	385	360
Interest cost	1,009	1,074
Contributions paid by members	171	178
Actuarial losses / (gains)	3,242	(14)
Losses on curtailments	-	13
Estimated benefits paid	(313)	(1,172)
Closing defined benefit obligation	24,756	20,262

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

	2013 £'000	2012 £'000
Opening fair value of employer assets	16,544	16,828
Expected return on employer assets	986	1,120
Contributions paid by members	171	178
Contributions paid by the employer	422	547
Actuarial gains / (losses)	1,389	(957)
Estimated benefits paid	(313)	(1,172)
Closing fair value of employer assets	19,199	16,544

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

Year ended	31 March, 2013		31 March, 2012	
	£'000	% of pay	£'000	% of pay
Current service cost	385	15.9	360	11.9
Interest cost	1,009	41.8	1,074	35.6
Expected return on employer assets	(986)	(40.9)	(1,120)	(37.1)
Losses on curtailments	-	-	13	0.4
	<u>408</u>	<u>16.9</u>	<u>327</u>	<u>10.8</u>
Actual return on employer assets	<u>2,375</u>		<u>165</u>	

Notes to the financial statements

16 Pension costs (continued)

Amounts for the current and previous accounting periods ended 31 March

	2013	2012	2011 £'000	2010 £'000	2009 £'000
Fair value of employer assets	19,199	16,544	16,828	14,938	11,051
Present value of defined benefit obligation	(24,756)	(20,262)	(19,823)	(20,937)	(14,136)
Surplus/(deficit)	(5,557)	(3,718)	(2,995)	(5,999)	(3,085)
Experience gains/(losses) on assets	1,389	(957)	352	2,580	(3,734)
Experience gains/(losses) on liabilities	-	385	2,744	956	-
Actuarial gains/(losses) recognised in the SoFA	(1,853)	(943)	1,609	(2,936)	(2,217)
Cumulative actuarial gains/(losses)	(5,367)	(3,514)	(2,571)	(4,320)	(1,384)

(b) Teachers' Pension Scheme

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

Under the definition set out in FRS 17 (Retirement Benefits), the scheme is a multi-employer pension scheme. The Company is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the Company has accounted for its contribution as if it were a defined contribution scheme.

17 Commitments

Operating lease payments amounting to £263,398, this was offset by a £100,000 onerous rent provision carried forward from last year (2012 £262,688) are due within one year. The leases to which these amounts relate expire as follows:

	2013		2012	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire in				
Less than one year	26	1	125	12
One to five years	90	10	66	3
After five years	-	-	60	-
	<u>116</u>	<u>11</u>	<u>251</u>	<u>15</u>

The charity has entered into agreements for leasehold improvements valued at £31,286 forecast to be completed by May 2013.

Notes to the financial statements

18 Connected charities

The Haldane Trust is a separate registered Charity (registered number 314222) with objects similar to NIACE. The Trustees of The Haldane Trust are also Trustees of NIACE.

19 Trustees and other bodies

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

A representative from the Local Government Association is invited to become a Trustee of NIACE. The current representative is Mr David Rogers. NIACE received £386,385 in income from the LGA during the year.

20 Financial derivatives

There were no financial derivatives at 31 March 2013 or 31 March 2012.

Legal and Administrative Details (part two)

Committees

NIACE has established a number of committees. The members of the principal committees during the relevant period are as follows

Audit Committee

Graeme Allinson (Chair to November 2012)
Bryn Davies (to November 2012)
Richard Ely (to November 2012)
Jeff Greenidge

Mike Langhorn (Chair from November 2012)
Haf Merrifield (from November 2012)
Gordon Stokes (to November 2012)

Resources Committee

Richard Bolsin
Lesley Booth (to March 2013)
Pamela Coare
Deborah Cooper (to November 2012)
Peter Elcock
Margaret Galliers

Robert Harrison (from November 2012)
Mike Langhorn (Chair to November 2012)
Patrick McAllister (Chair from November 2012)
Mark Malcomson (from November 2012)
David Sherlock (to November 2012)
Nick Stuart

NIACE Dysgu Cymru Management Group

Chris Birch
Sian Cartwright
Bryn Davies (Chair to November 2012)
Maggi Dawson
Alan Felstead
Cerys Furlong (from November 2012)
John Graystone

Jeff Greenidge (Chair from November 2012)
Liam Kealy
Dewi Knight (to November 2012)
Sheridan Jeffrey
Phil Lloyd
Helen Lyall Williams
Trefor Fon Owen

Policy and Strategy Committee

Karen Adriaanse (from November 2012)
Richard Bolsin
Shane Chowen (to November 2012)
Pamela Coare (Chair)
Bryn Davies
Lorna Fitzjohn (to November 2012)
Bob Fryer
Margaret Galliers (from November 2012)
Rosemary Green (from November 2012)
Barbara Hamilton
Marie-Elise Howells (from November 2012)
Sue Jackson (from November 2012)
Mike Langhorn (from November 2012)
Patrick McAllister (from November 2012)

Gary Morris (from November 2012)
Toni Pearce
Cllr David Rogers OBE
Pam Tatlow (to November 2012)
David Sherlock (to November 2012)
Jane Slowey (from November 2012)
Ruth Spellman (from November 2012)
Nick Stuart
Dan Taubman
Sarah Teague (from November 2012)
Peter Templeton
Ceri Williams (to November 2012)
Nick Wilson

Legal and Administrative Details (part two)

Investment Committee

Graeme Allinson (to November 2012)
Margaret Galliers (from November 2012)
Mike Kapur (Chair from November 2012)

Mike Langhorn
Patrick McAllister (from November 2012)
Nick Stuart (Chair to November 2012)

Remuneration Committee

Nick Stuart
Mike Langhorn

Search Committee

Graeme Allinson (to November 2012)
Pam Coare
Margaret Galliers

Mike Langhorn
David Sherlock
Nick Stuart (Chair)

Senior Management:

David Hughes
Mark Ravenhall
Richard Spear
Carol Taylor

Chief Executive
Operational Director
Director for NIACE Dysgu Cymru
Operational Director

Legal and Administrative Details (part two)

Solicitors:	Harvey Ingram LLP 20 New Walk LEICESTER LE1 6TX
External auditor, accountants and business advisors:	haysmacintyre Fairfax House 15 Fulwood Place London WC1V 6AY
Internal auditor:	RSM Tenon The Poynt 45 Wollaton Street Nottingham NG1 5FW
Bankers:	Bank of Scotland 8 Humberstone Gate LEICESTER LE1 3PH
Investment advisors:	Rathbones Investment Management Ltd 1 Curzon Street LONDON W1J 5FB

