

SOUTH WEST ASSOCIATION
**FURTHER
EDUCATION
& TRAINING**

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**SOUTH WEST ASSOCIATION FOR
FURTHER EDUCATION AND TRAINING**

**ACCOUNTS AND AUDITORS REPORT
1997/1998**



STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS

to the members of the South West Association for Further Education and Training

We have audited the accounts on pages 3 to 9, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 5.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 1, the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

BASIS OF OPINION

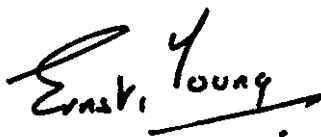
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the accounts.

In forming our opinion, we have considered the adequacy of the disclosure made in note 2 of the accounts concerning the ability of the Association to continue in operational existence, which depends on the successful implementation of the business plan agreed by the Board. In view of the significance of this uncertainty, we consider that it should be brought to your attention. However, our opinion is not qualified in this respect.

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31st March, 1998 and of its deficit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
Bristol

Date 9 October 1998

SOUTH WEST ASSOCIATION FOR FURTHER EDUCATION AND TRAINING

STATEMENT OF FINANCIAL ACTIVITIES for the year ended 31st March 1998

INCOME AND EXPENDITURE

	<i>Note</i>	<i>1998</i> £	<i>1997</i> £
Incoming Resources			
Conferences and Networks		107,151	82,403
Assessment and Accreditation Fees		83,271	170,340
Membership		15,010	14,820
Grants		107,384	78,450
Sales and Lettings		17,437	21,538
Projects		91,090	
Investment Income		13,380	8,507
Study Visits		13,850	13,665
Total Incoming Resources		<u>448,573</u>	<u>389,723</u>
Resources Expended			
Direct Charitable Expenditure	13	162,479	76,404
Fundraising and Publicity	14	20,608	17,886
Management and Administration	15	303,466	296,667
Severance Pay	18	161,600	
Total Resources Expended		<u>648,153</u>	<u>390,957</u>
Net Movement of Funds		-199,580	-1234
Balances brought forward at 31/03/1997		276,084	277,318
Balances carried forward at 31/03/1998		<u>76,504</u>	<u>276,084</u>

Note: Incoming Resources and Resources Expended were derived from continuing operations.

There were no:

1. transfers between funds
2. other recognised gains and losses (other than those included in the Statement above)
3. designated funds

SOUTH WEST ASSOCIATION FOR FURTHER EDUCATION AND TRAINING

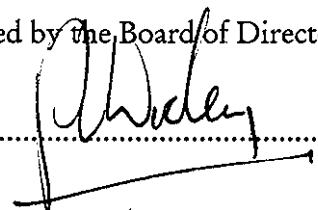
BALANCE SHEET as at 31st March 1998

	Note	1998 £	1997 £
Fixed Assets			
Tangible Fixed Assets	6	245,008	262,989
Current Assets			
Cash at Bank		8,233	-
Trade Debtors		77,614	50,434
Other Debtors	7	132,617	227,723
Prepayments		2,434	4,659
		<u>220,898</u>	<u>282,816</u>
Liabilities			
Amounts falling due within one year	8	182,012	82,664
Net Current Assets		<u>38,886</u>	<u>200,152</u>
Total Assets Less Current Liabilities		283,894	463,141
Liabilities			
Amounts falling due after more than one year	9	207,390	187,057
Net Assets		<u>76,504</u>	<u>276,084</u>
Capital and Reserves			
Capital Reserve	11	245,601	245,601
Profit and Loss Account		-169,097	30,483
		<u>76,504</u>	<u>276,084</u>

Note: There were no:

1. Fixed Asset Investments
2. Short Term Deposits

Approved by the Board of Directors on 9th October 1998 and signed on its behalf by


 Date: 9.10.98
 Trustee

NOTES TO THE ACCOUNTS

as at 31st March 1998

1. COMPANY STATUS

The company is limited by guarantee and does not have a share capital. The liability of each member is limited to £1 in the event of a winding up.

2. GOING CONCERN

The Association made a loss in the year ended 31st March 1998, and initial forecasts for the following year indicated that without changes in the Association's income and expenditure, it would continue to incur losses which would soon become unsustainable.

The accounts have been prepared on the going concern basis, which assumes that the Association will continue in operational existence for the foreseeable future.

The validity of this assumption depends on the successful implementation of a business plan which has been agreed by the Board of Directors. Among other changes this plan would involve an increase in the annual fees payable by members, and this fee increase will require the approval of the members in the general meeting.

Whilst the Directors are presently uncertain as to the outcome of the matter mentioned above, they believe it is appropriate for the accounts to be prepared on the going concern basis. The accounts do not include any adjustments that would result if the higher membership fees are not agreed by members and other aspects of the business plan not successfully implemented.

3. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold Buildings	over 30 years
Fixtures and Fittings	over 10 years
Equipment acquired before 1st April, 1994	over 10 years
Equipment acquired from 1st April 1994	over 5 years
Furniture	over 10 years

Government Grants

Government grants are credited to income so as to match them with the expenditure to which they relate.

4. DIRECTORS' REMUNERATION

The directors received no remuneration.

SOUTH WEST ASSOCIATION FOR FURTHER EDUCATION AND TRAINING

NOTES TO THE ACCOUNTS as at 31st March 1998

5. STAFF COSTS

	1998 £	1997 £
Wages and Salaries	209,287	197,702
Social Security Costs	15,756	13,758
Pension Costs	13,979	12,930
	<u>239,022</u>	<u>224,390</u>

One employee was paid between £40,000 and £50,000 p.a.

The average weekly number of employees during the year was made up as follows (full-time equivalents):

	1998 No	1997 No
Management	3	3
Administration	6	6
Domestic/Garden	1	1
	10	10

6. TANGIBLE FIXED ASSETS

	<i>Freehold Property</i> £	<i>Fixtures & Fittings</i> £	<i>Furniture & Equipment</i> £	<i>Total</i> £
Cost				
As at 1st April, 1997	237,920	49,881	38,085	325,886
Additions	-	1,075	-	1,075
Disposals	-	-	-	-
As at 31st March, 1998	<u>237,920</u>	<u>50,956</u>	<u>38,085</u>	<u>326,961</u>
Accumulated Depreciation				
As at 1st April, 1997	11,896	36,368	14,633	62,897
Charge for Year	7,931	5,096	6,029	19,056
Disposals	-	-	-	-
As at 31st March, 1998	<u>19,827</u>	<u>41,464</u>	<u>20,662</u>	<u>81,953</u>
Net Book Value				
As at 31st March, 1998	218,093	9,492	17,423	245,008
As at 1st April, 1997	<u>226,024</u>	<u>13,513</u>	<u>23,452</u>	<u>262,989</u>

SOUTH WEST ASSOCIATION FOR FURTHER EDUCATION AND TRAINING

NOTES TO THE ACCOUNTS

as at 31st March 1998

7. CURRENT ASSETS

Other debtors represents amounts due from Somerset County Council. This represents the majority of the Association's cash balance including cash in hand.

8. LIABILITIES: amounts falling within one year

	1998 £	1997 £
Mortgage Account (see Note 10)	30,000	30,000
Trade Creditors	14,003	15,846
Other Taxes and Social Security	6,027	4,818
Accruals and Deferred Income	4,582	32,000
Severance Pay	127,400	
	<u>182,012</u>	<u>82,664</u>

9. LIABILITIES: amounts falling due after more than one year

	1998 £	1997 £
Mortgage Account (see Note 10)	173,190	187,057
Severance Pay - between one and two years	17,100	
Severance Pay - between two and three years	17,100	
	<u>207,390</u>	<u>187,057</u>

10. MORTGAGE ACCOUNT

	1998 £	1997 £
Amounts Repayable (by instalments):		
- in one year or less	30,000	30,000
- between one and two years	30,000	30,000
- between two and five years	90,000	90,000
	<u>150,000</u>	<u>150,000</u>
- over five years	53,190	67,057
	<u>203,190</u>	<u>217,057</u>
Disclosed as:		
- amounts due within one year (see Note 8)	30,000	30,000
- amounts due after more than one year (see Note 9)	173,190	187,057
	<u>203,190</u>	<u>217,057</u>

The mortgage loan is secured on the freehold property and is subject to interest charges at 1% above the Bank Base Rate.

SOUTH WEST ASSOCIATION FOR FURTHER EDUCATION AND TRAINING

NOTES TO THE ACCOUNTS as at 31st March 1998

11. MOVEMENT ON RESERVES

	<i>Capital Reserve</i> 1998 £	<i>Profit and Loss Account</i> 1998 £	<i>Total</i> 1998 £
As at 1st April, 1997	245,601	30,483	276,084
Deficit for Year	-	(199,580)	(199,580)
As at 31st March, 1998	<u>245,601</u>	<u>(169,097)</u>	<u>76,504</u>

The capital reserve represents the net equity established in the company at 1st April, 1993 on transfer of the net assets, excluding freehold property and land, from the previous, unincorporated association.

12. TAXATION

Since the Association is a registered charity, the Inland Revenue has approved the exemption from tax afforded by Section 505 of the Income and Corporation Taxes Act 1988.

	<i>Total</i> 1998 £	<i>Total</i> 1997 £
13. DIRECT CHARITABLE EXPENDITURE		
Conferences and Networks	34,346	17,069
Assessor Fees and Expenses	8,064	6,069
Project Expenses	71,832	5,249
Loss on Disposal of Fixed Asset	-	202
Depreciation	19,056	18,947
Mortgage Interest Payments	16,132	15,343
Study Visits	13,049	13,525
	<u>162,479</u>	<u>76,404</u>

14. FUNDRAISING AND PUBLICITY

Letting Building	4,438	6,170
Conference and Network Publicity	16,170	11,716
	<u>20,608</u>	<u>17,886</u>

SOUTH WEST ASSOCIATION FOR FURTHER EDUCATION AND TRAINING

NOTES TO THE ACCOUNTS as at 31st March 1998

15. MANAGEMENT AND ADMINISTRATION

Salaries and Wages	239,022	224,390
Office Costs	59,087	65,534
Legal and Professional Fees	2,644	3,963
Audit Fees	2,558	2,470
Cost of Trustees' Meetings	155	310
	<u>303,466</u>	<u>296,667</u>

16. TRANSACTIONS WITH TRUSTEES AND CONNECTED PERSONS

One trustee had travel expenses reimbursed totalling £49.60.

17. INDEMNITY INSURANCE

The Association purchased an Indemnity Insurance for its trustees at a cost of £676.50.

18. SEVERANCE PAY

The Board of Directors in September 1997 agreed to terminate the contract of the Chief Executive with effect from 15th April 1998 on the grounds of redundancy and offered:

	£
- capitalised enhanced pension costs	127,100
- lump sum compensatory payment	34,500
	<u>161,600</u>

19. LEGAL AND PROFESSIONAL FEES

	1998 £	1997 £
Audit including Bank Audit Fee	2,558	2,470
Service Level Agreements - Payroll, Banking and Creditor Payments	2,644	2,963
Legal Fees	-	1,000
	<u>5,202</u>	<u>6,433</u>

20. EX GRATIA PAYMENTS

A ex gratia payment of £1,500 was made to a member of staff in lieu of employers pension contribution. This was in fulfilment of a compelling moral obligation.



**SOUTH WEST ASSOCIATION FOR
FURTHER EDUCATION AND TRAINING**

ANNUAL REPORT

1997/1998

ANNUAL REPORT 1997/98

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ANNUAL REPORT 1997/98

1. INTRODUCTION BY THE CHAIR OF THE BOARD OF DIRECTORS

This report covers the fifth year of SWAFET's independent operation.

At the end of this period, in April 1998, Steve Fisher retired as Chief Executive, after 21 years service with the organisation and its predecessor the Regional Council for Further Education for the South West.

Steve successfully saw the organisation through massive change, most significantly that of moving from being a Local Authority funded, statutory body to becoming in 1993, as colleges were incorporated, a private charitable company limited by guarantee.

His warm and friendly approach did much to foster the current good relationships between organisations from a range of educational sectors.

The national context in which SWAFET functions is one in which there is enormous change stimulated by rapidly evolving Government policy, a requirement to widen participation, improve standards and develop a culture of lifelong learning.

SWAFET has played and will continue to play a significant role in facilitating collaboration, in bringing together senior managers and practitioners to share ideas, benchmark their practice and develop effective strategy.

Liz McGrath, who has been working with SWAFET for 3 years as Regional Curriculum and Staff Development Officer, was appointed as Chief Executive from 16th April 1998.

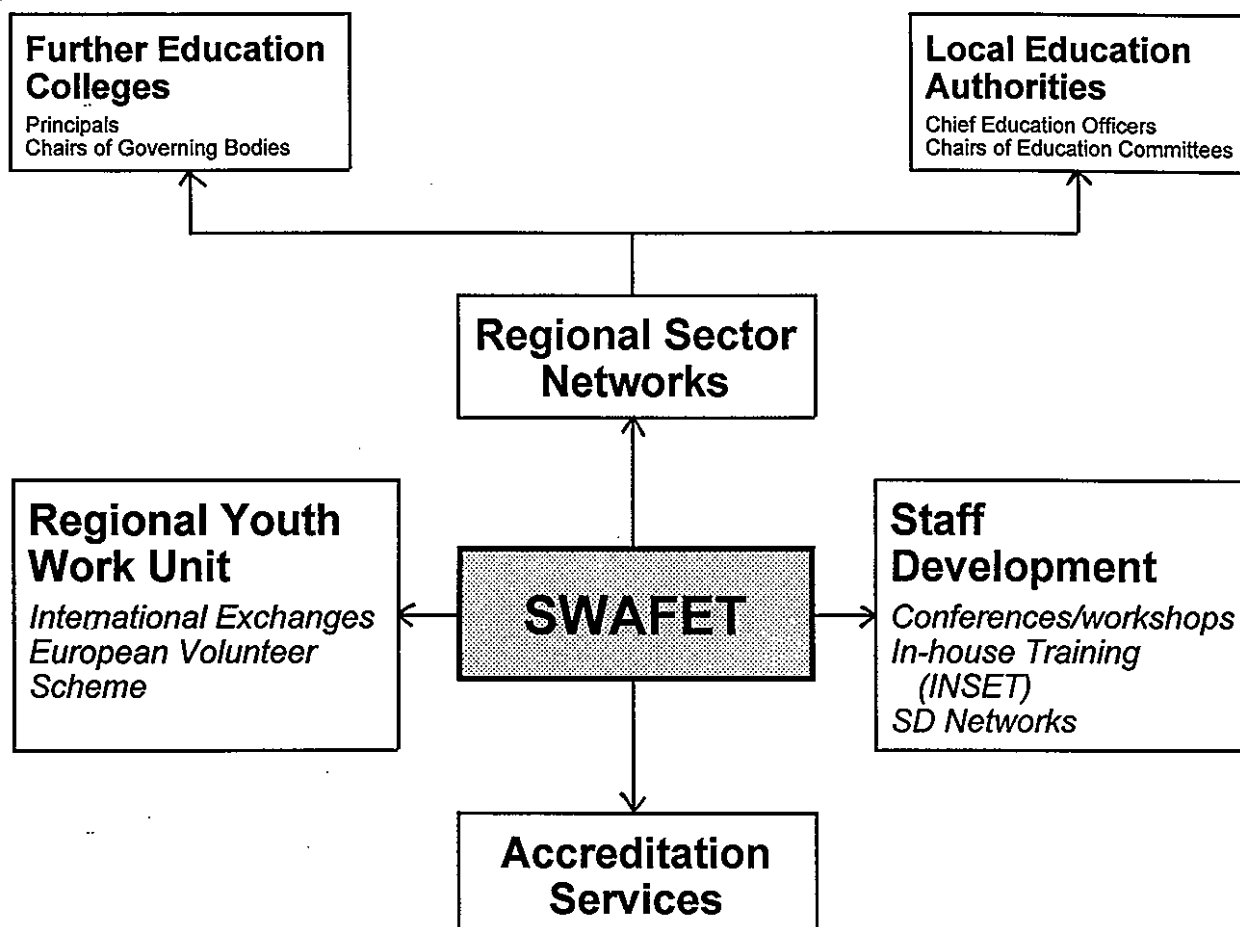
She will manage her previous role alongside her new role.

She already has large numbers of contacts in the Region and will be building relationships as her new role unfolds.

SWAFET's future role as a Regional body working for Education and Training, is increasingly important as the Government establishes Regions as the focus for strategic planning for economic development and replaces Competition with cross-sector Collaboration as the motivating force.

Phil Wookey
Chair of the Board of Directors

2. CORE ACTIVITIES OF THE ASSOCIATION



3. MEMBERSHIP 1997/98

In 1993 upon the incorporation of further education colleges and the discontinuation of its Local Authority funding, the organisation undertook the challenge to become self-funding, as did some of the other ex-Regional Advisory Councils.

It became an **Association of Members**; it had to provide services in competition with other private sector and funded bodies; it had to stand on its own financial feet.

- In 1997/98 54 organisations were in full membership of SWAFET at a fee of £220

40 Further Education Colleges
8 Local Authorities
3 Higher Education Institutions
4 TECs

13 Local Authorities had a Service-Level Agreement for Regional Youth Services

- In 1997/98 30 schools and private training organisations were in Associate membership at a fee of £105

4. ACTIVITIES OF THE ASSOCIATION

Selected Highlights 1997/98

- *May:* 45 People attended a joint conference with MCI, addressed by Professor Tom Cannon, to launch the new **Management Standards**
- *May:* A delegation of 7 people from the South West, including 5 CEOs, made a return study visit to Israel after 7 Israeli CEOs visited the South West in March 1997
- *June:* A Partnership event with Skill [National Bureau for Students with Disabilities] encouraged collaboration to make effective **Transition** arrangements
- *July/August:* 31 South West young people attended a **youth camp in Israel**
- *August:* 9 young volunteers from the South West went to join a project in Italy helping disaster victims
- *October:* Partnership activities with the **Area Museum Council** of the South West promoted the use of **Museum and Heritage** facilities by the FE sector
- *Autumn:* SWAFET developed a range of services to support **Learning Support Assistants** working in Colleges and Schools
- *November:* A new programme to develop awareness of **Off Site Safety** requirements was launched to great interest and appreciation.
- *November:* Two young people from the South West, shadowed **Minister Kim Howells** for a day
- *December:* A joint Staff Development Practitioners Network with **FEDA** was set up
- *February:* SWAFET reached an agreement with **AoC** to provide regional services to its South West Regional Arm
- *March:* **Barry Brooks** of the **Key Skills** team at **QCA** alerted 55 members of the **NVQ** and **GNVQ** Co-ordinators networks to forthcoming curriculum developments
- *March:* 35 Principals and Chairs of Governors of Colleges met with **Valerie Davey MP** and **Jane Henderson**, Director of the Government Office for the South West
- *Spring:* A series of workshops to address the teaching of **Application of Number/ Numeracy** was set up,
- **Management-development shadowing** was facilitated for a number of Women Managers in the South West including the Vice-Principal of St. Austell College who shadowed the Vice-Chancellor of Bournemouth University for a week.

A. Regional Sector Networks

Principals and Chairs of Governors of Further Education Colleges

These network meetings have usually been held termly, have been well attended and highly valued.

During 1997/98 Key speakers have included Professor David Melville of FEFC, Sue Dutton and Howard Phelps of AoC, Jane Henderson and Thoss Shearer of the Government Office for the South West, Jim Donaldson, Chief Inspector at FEFC and Valerie Davey MP, a member of the Parliamentary Select Committee.

The meetings have enabled Principals and Chairs in FE to develop a regional view and a regional response from the sector.

Towards the end of the year processes were put into operation to make this network formally the South West branch of the Association of Colleges and to create a representative Committee for the meetings which would oversee and manage its activities.

This should be the way forward for a new basis for the meetings, an effective route for FE representation in the South West and consequently a new basis for the relationship with SWAFET.

Further Education European Officer 1997/98

This post was maintained for one year [January 1997 - March 1998] part funded by the colleges [33 of whom contributed £600 to the post] and part by matched ESF Technical Assistance funding.

Though the post was, in many ways successful, it was not continued after one year in the light of the fact that fewer colleges wished to contribute to it and the Technical Assistance funding was no longer available for a sector-specific post.

Local Education Authorities Network: Chief Education Officers and Chairs of Education Committees

Termly network meetings have been facilitated and serviced for CEOs and Chairs in the South West. Again this has allowed colleagues to share information, share strategies, make a regional response to government initiatives and to hear national and regional speakers.

Speakers in 1997/98 have included Jane Benham and Stephen Harrison of the TTA, Catherine Christie of the FEFC, Dominic Savage of the British Educational Suppliers Association, Sandra Mohamed and Martin Rogers of The Education Network and Graham Kendall from the Virtual Staff College, a meeting with John Hedger, and joint meetings with Chief Advisers/ Statistician and Special Educational Needs Co-ordinators.

The network meetings are very well supported not only by those from the GOSW region but by colleagues from a wider South West region who find the meetings a valuable element in their own professional updating and networking.

B. Regional Youth Work Unit

Local Authority Service Level Agreements

- The unit this year became self-financing. It had a service level agreement with all the Local Education Authorities Youth Services in the South West.
- The Unit's work for the National Youth Agency and the Youth Exchange centre as well as the high rate of use of its services for consultancy, training and inspection work across youth services in the South West, are indications of the value of its work
- The Unit's work in Accreditation and Training for part-time and volunteer youth and community workers expanded and developed. It is expected that this will be linked with national developments and will integrate with the other Accreditation developments of the Association.

International Exchanges

- A further important area of work has been the organisation and hosting of international visits for young people and for education officers. This activity is also being expanded.

European Voluntary Service Scheme

- SWAFET acted as a sending agent for this scheme and placed more young people than any other individual sending agent [15 so far with other placements being planned]. As the scheme is still at an early and developmental stage, there were some considerable challenges involved, but SWAFET enjoys a growing reputation in other European countries for the effectiveness of the work it undertakes.

In total the budget for the Regional Youth Work Unit from all of its sources was £168K which covered its direct costs and makes a contribution to central costs.

Overall the Regional Youth Work Unit was a valuable, well-supported and respected element of the Association's work, an essential and symbiotic part of its portfolio of activities and services for the South West.

C. Staff Development

Conferences, Workshops and Seminars

The staff development programme has grown steadily over the last few years.

- In 1997/98 almost 100 staff development events were held at Bishops Hull House for over 2,000 people
- High quality standards were set and the evaluation of events was very positive, with many repeat bookings from individuals and from organisations.

Staff development activities were designed in response to key national imperatives and guided by inspection and research findings. Some were delivered in partnership with other organisations such as FEDA, Edexcel, RSA, DfEE. The main themes were:

1. Widening Participation and Developing Inclusiveness
2. Enhancing the Effectiveness and Confidence of Middle Managers
3. Managing Staff Development for Change
4. Improving Teaching and Learning Methods
5. Effective Delivery of Key/Transferable Skills
6. Responding to Curriculum Change

In-house Training/INSET

- 17 days of in-house training for 17 organisations were provided for over 500 people
- SWAFET also provided Assessor Award or GPA Award training for 3 small organisations which needed a customised package

Staff Development Networks

Regional Networks have:

- linked national initiatives and local implementation
- facilitated collaboration between organisations and sectors
- provide information about national developments,
- disseminated good practice
- helped people to prepare for forthcoming developments
- offered the chance to feedback to nationally influential players

In addition to the Regional Sector Networks, other networks facilitated by SWAFET were:

Building and Estates Managers in Colleges

Heads of Construction in Colleges

Staff Development Practitioners in Colleges [with FEDA]

NVQ Co-ordinators/GNVQ Co-ordinators in Schools, Colleges and Training Organisations

Women in Strategic Management in FE

Principal Youth Officers

Adult Education Managers

Women into Management in Schools

- The turnover of the Staff Development activities was £107K

D. Accreditation Services

- The Association has a portfolio of courses listed by QCA for which it provides accreditation.

Foundation Art and Design

The one year **Art and Design Foundation** course, operating under the auspices of the National Board for Foundation Studies in Art and Design, [NBFSAD] continued to operate successfully.

It offers a very competitive fee structure, specialist moderators and a widely respected framework.

- There were 12 Centres in the region
- 800+ Students were accredited.
- £31K gross income was generated by accreditation activities.

Dance

- This year SWAFET developed an accreditation route for a new **Dance** programme in two colleges.

New Qualifications Partnership

- The Art and Design model based on the **national collaboration of regional bodies** has been a successful one. The Association is planning, in 1998/99, to work towards a broader **national accreditation service with four other regional partners.**

5. INTERNAL ORGANISATION

i) Staffing

The core staff team was:

- Chief Executive
- Regional Curriculum and Staff Development Officer
- Regional Youth Work Adviser
- Office Manager
- Chief Executive's Secretary
- Secretary for Curriculum and Staff Development Activities
- Secretary for Regional Youth work Unit
- European Officer for Further Education
- Part-time Young Peoples Projects Co-ordinator
- Part-time Secretary
- Part-time Cleaners, Catering Assistant and Gardener

Additionally individuals with particular areas of expertise and knowledge are contracted to deliver inputs, training, moderation or assessment services for the association.

Staff Costs in 1997/98 represented 53.5% of total expenditure, a total of £239K.

Reductions in staffing over the last two years have made high demands on the skills and efficiency of the team. Greater efficiency has been made possible by the introduction and use of an IT network.

All members of the SWAFET staff team have made a valuable contribution to the quality of the Association's activities

The Association values its staff very highly, makes wide-ranging demands of them, has high expectations of performance and therefore is committed to their development to meet these demands.

SWAFET is working towards reaccreditation for Investors in People in Autumn 1998.

ii) Premises

Bishops Hull House and garden is not only a beautiful building but also a dedicated, conveniently situated and spacious venue for training events, conferences and meetings which is economic compared to renting office space and using hotels for conferences and meetings it must be properly maintained and serviced.

- Income has been generated by letting the premises to suitable outside organisations at times when the facilities are not required by our own activities. This has proved a successful development with some organisations using us as their primary training venue. This small but useful activity generates a high level of repeat business: £6000 net income was generated in 1997/98 in this way.
- Additional income has been generated by letting part of the second floor to the GNVQ Compliance Unit [RSA/Joint Council]

iii) IT Systems

The computer systems and networks, used by all staff, which were introduced successfully in Autumn 1996 enabled the very small core team of the Association to work efficiently and effectively to deliver a wide range of services.

The systems and the expertise to utilise them fully will need to be continually monitored and updated.

6. ACCOUNTS AND AUDITORS REPORT

The 1997/98 Accounts were audited by Ernst and Young.

The Accounts showed an accounting deficit of £200,000 for the year, a trading deficit of 38K and impending cash flow difficulties culminating in the threat of closure in October 1998 unless radical measures are put in place.

The deficit arises from 3 causes:

- The costs of the Association infrastructure were previously shared with a major contract with City and Guilds to deliver regional services. This contract, which was worth £220,000 in 1995 has been phased out over the last three years. The Association has managed, by increasing its earnings, to absorb the reduction in income of £100,000 in 1996/97 and £32,000 of £70,000 reduction in 1997/98. It is facing a further reduction of £50,000 in 1998/99.
- The costs arising from the retirement on the grounds of redundancy, of Stephen Fisher, the Chief Executive until April 1998 [a total of £163,000 in 1998/99]
- It has not been the Association's policy to generate substantial surpluses but it has become apparent that the Association's charging policy has not even covered the true costs of the infrastructure and the services provided.

Since SWAFET is entirely dependent on income from membership subscriptions and charging for services provided, it has been obliged to implement an urgent rescue plan which sought an immediate supplement to the 1998/99 subscription fee from its members.

SWAFET's Directors, on receipt of the Audited Accounts must make a judgement that the company is a 'going concern'.

The Directors are recommending a five year Business Plan which, subject to membership agreement, to pay the increased subscription, outlines a financially sound future for the Association.

7. CONCLUSION

SWAFET's record in 1997/98 demonstrates the need for its services to education and training in the South West.

But to convince its members that a continued investment in SWAFET's future is a sensible and justifiable use of public money, it must address two issues

(i) The Role SWAFET will play in the South West:

It needs a freshly-focused mission and objectives which demonstrate that the role it can play is an important one, without which education and training in the South West will be the poorer. It must also make a case that SWAFET is the organisation to fulfill this role.

There has never been a greater need for a Regional organisation which can help the South West respond to the massive changes affecting all aspects of education and training through the facilitation of co-ordination, representation and collaboration. Other regional bodies in education in the South West have statutory roles which do not include these things and national bodies have a different focus. The Business Plan accompanying this Annual Report very clearly lays out a fresh focus for SWAFET's role.

Where, in other regions, the former Regional Advisory Council has disappeared, something like it is being reinvented, to ensure that these essential activities take place. The cost to member organisations is much, much greater because the infrastructure is not already in place, because there is not the range of 'customers' or activities to share the costs and because the start up costs are considerable. For example, for AoC South West to set up, house, staff and sustain an independent regional body would cost several thousand pounds per college per year. It would be months before an alternative could be established and operational. The pace of Regional development makes that a serious consideration. There is a real risk of being left behind.

(ii) Resourcing and Management of the new SWAFET: The Business plan addresses these issues in detail.

It must establish a new financial base, ensure that the use of its income and assets is maximised and that its finances are well managed. It must convince its members that the current financial crisis will not be repeated. Since a major cause of its current situation is undercharging, it must set up a realistic and sustainable pricing policy.

The current financial situation of the Association does not allow time for a leisurely consideration of these issues. If support from members for the new subscription rate is not forthcoming, it will close before Christmas to be in a situation to meet its financial obligations.

NB. The proposed new subscription rate of £1000 is inclusive of the fees for the two Regional Sector Networks:

- Association of Colleges South West
- the South West Chief Education Officers and Chairs of Education Committees

The Board believes it represents realistic value for money for those services alone.

Liz McGrath
Company Secretary

Signed:

EM McGrath

Date: 27 Nov. 98

DIRECTORS

Dr. P. E. Wookey (Chairman)
Mr. C. Brain (*until 19.9.97*)
Mrs. G. Brain (*appointed 22.1.98*)
Mr. M. Counsell
Mr. M. Florey (*resigned 22.1.98*)
Mr. S. W. G. Jenkin
Cllr. Mrs. P. Rugg
Mr. D. Wood

COMPANY SECRETARY AND CHIEF EXECUTIVE

Mr. F. S. Fisher (*retired 15.4.98*)

AUDITORS

Ernst & Young
One Bridewell Street
BRISTOL
BS1 2AA

BANKERS

National Westminster Bank plc
49 North Street
TAUNTON,
Somerset
TA1 1NB

SOLICITORS

County Solicitors
Somerset County Council
County Hall
TAUNTON
Somerset
TA1 4DY

REGISTERED OFFICE

Bishops Hull House
Bishops Hull
TAUNTON
Somerset
TA1 5RA