

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

Trustees' report and financial statements

For the year ended 31 March 2009

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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: Alan Tuckett

Trustees: David Sherlock (President)
Nick Stuart (Chair)
Graeme Allinson
Richard Coldwell
Deborah Cooper
Margaret Davey
Bryn Davies
Richard Ely
John Field
Maggie Galliers
Graham Lane
Mike Langhorn (Treasurer)
Judith Summers
Judith Swift
Nick Wilson

For committee members, senior management & external advisors see pages 35 - 37.

Report of the trustees

The Company Board present their report together with the audited financial statements for the year ended 31 March 2009.

Results

The statement of financial activities is set out on page 19 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 believes that adult learning is essential not only to create and maintain a more skilled and knowledgeable workforce, but also for personal development, and for building a democratic, just and informed society. We believe that people are excluded from learning because of unfair structures and policies, and we recognise the need to fight for equality of opportunity for all learners. In all our work, the key issue is 'what does this mean for the adults most marginalised from society?'

Our objectives

NIACE works to support an increase in the total numbers of adults participating in formal and informal learning in England and Wales, and is also concerned to ensure that the quality of the learning experience is the highest possible. Our goal is to improve opportunities and to widen access to learning for adults, especially for those who have benefited least from previous education and training.

NIACE seeks to influence decision-makers and practitioners responsible for the policies which affect adult learning. We operate across all sectors of post-compulsory education and training and work with other agencies as much as we can to secure the interests of adult learners.

Public Benefit

The Trustees confirm that they have complied with the duty in section 4 of the Charities Act 2006 to have due regard to public benefit guidance published by the Charity Commission in determining the activities undertaken by the charity.

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, to civic activity and to the kind of 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 2006.

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.

Report of the trustees

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

Structure, Governance & Management

Constitution

The Company is incorporated under the Companies Act 1985 (Registered No. 2603322) and is limited by guarantee. 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 Committee
- Honorary Treasurer (Chair of Finance & General Purposes Committee)
- One member elected by the individual membership
- One member elected by the wider membership
- Chair of NIACE Dysgu Cymru Management Committee – elected by the membership of the NIACE Dysgu Cymru Management Committee.

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 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 Committee
- the Finance & General Purposes Committee
- the Audit Committee
- NIACE Dysgu Cymru Management Committee

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 35 and 36.

Report of the trustees

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

The **Finance & General Purposes Committee** is responsible for the general management of the organisation, in particular finances, personnel and accommodation. The Finance & General Purposes 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 Committee 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 Director 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.

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

Review of activities, transactions and developments

NIACE aims to achieve its objectives by:

- influencing, monitoring and contributing to policy and practice.
- strengthening the voice of learners.
- acting in all sectors of adult education.
- working regionally, nationally and internationally.

Report of the trustees

NIACE undertakes a range of charitable activities to achieve these objectives as shown in the financial statements:

- Research, projects and consultancy provide the evidence to influence decision makers and develop projects that help to secure best practice for learners
- Conferences, seminars and courses are organised to disseminate findings from research, to train practitioners in new techniques and policies, to advise practitioners of new developments in lifelong learning and to inform NIACE's knowledge
- Publications are produced to disseminate information about all aspects of lifelong learning. This includes books, journals, newsletters and guidelines, which may be produced as part of a contract, or equally for items that NIACE considers of importance. NIACE also develops websites and makes use of e-technologies to disseminate information and collect knowledge from stakeholders
- Campaigns and Promotions activity includes organising the annual festival Adult Learners' Week, and the Sign Up Now campaigns, and other promotional work. NIACE was again commissioned to promote the Quick Reads series of publications which help to develop literacy skills
- Information, policy and advocacy work includes activity influencing, monitoring and contributing to policy and practice with the aim of creating a favourable policy environment for adult learners. It also includes providing an information service to our members and other practitioners in adult learning.
- NIACE Dysgu Cymru is NIACE in Wales. All the activities above are undertaken in Wales with a specific focus on the unique environment in Wales.

The members of NIACE agreed in 2007 that the Strategic Plan adopted in 2007 should continue for the period 2007-2012 with the following strategic objectives.

- NIACE will carry out work in pursuit of its mission through advocacy, research and development and promotion in partnership with all sectors involved in adult learning. The Institute will disseminate and promote its work to policy makers and the field through campaigns, conferences and publications;
- NIACE will seek to maintain and improve our position as the major educational organisation representing the interests of adult learners across all sectors where adults learn;
- NIACE will seek to develop and maintain activity in current areas of expertise to develop and promote knowledge and good practice in the field to maximise impact;
- NIACE will continue to work alongside partners and partner agencies in Scotland and Northern Ireland to build support for adult learning across the UK;
- NIACE will increase and develop its Literacy, Language and Numeracy programmes building on the expertise and resource that results from the merger with the Basic Skills Agency;
- NIACE will seek to develop work in relation to the following new and current client groups and contexts where adult learning is of key importance and where government policy is in the process of development:
 - Health and Disability
 - Financial Education
 - Demographic Change
 - Learning at Work
 - Family Learning;
- Opportunities for advancing the cause of adult learning and priorities will be kept under review during the course of the plan;
- During the period of this plan NIACE will contain costs and maximise income to maintain a financially robust and cost effective organisation.
- During the period of this plan NIACE will recruit, develop and maintain a motivated, skilled and prepared workforce able to deliver across its range of programmes.
- Performance will continue to be measured by the activities described above.

In addition, NIACE will continue the work of the Inquiry into the Future of Lifelong Learning

In relation to its advocacy aims, NIACE continues to defend and develop opportunities for adult learning with government departments, particularly in the context of the government's skills policy. In 2008, NIACE continued to sponsor the work of the independent Inquiry into the Future of Lifelong Learning, which was launched in the autumn. The Inquiry will report in the autumn of 2009.

Report of the trustees

In 2008-9 NIACE undertook a range of activities in pursuit of its principal aim. The organisation's focus on securing more and better opportunities for adult learning and to reach the widest range of potential beneficiaries, including especially those who benefited least from previous education was pursued through research, development, training courses, consultancy, advocacy, policy development and through public information campaigns. Among the key developments, and the public benefits deriving from them, were:

- writing and co-publishing with government, the UK's report on adult learning developments for the UNESCO World Conference on the education of adults – enabling policy makers to make informed judgements about current policy options;
- commissioning and servicing an independent Inquiry into the Future for Lifelong Learning – to identify future priorities; and the better allocation of public resources. The Inquiry's work completes in 2009;
- actively supporting and promoting the Government's consultation in England on Informal Learning – to bring together self-organised and formal educational provision for adults, and to identify how best public resources can support independently organised activities; also supporting the parallel consultation in Wales;
- participating in and servicing the Campaigning Alliance for Lifelong Learning – bringing together 200+ organisations to make the case for the public benefits from uncertificated adult education, and highlighting the impact of reductions in public funding on older adults in particular;
- work to support staff in the uniformed services to improve literacy, language and numeracy skills, working with the Army, HM Prison Service and Derbyshire Constabulary;
- improving staff's capacity to work effectively on behalf of the public;
- organising A Right to A Voice - voluntary organised Welcome to Britain and Survival English provision for asylum seekers excluded from publicly supported provision in their first six months in England; and organising activities to promote the public benefit to be derived from reversing the exemption;
- supporting the Government's Age Opportunity strategy in identifying priorities for education for an ageing society, including work to clarify and publicise the implications of European anti-discrimination legislation on fee remissions for older learners;
- seconding a key member of staff to DIUS to strengthen government planning for the third sector, and strategies to secure equality – bring sector expertise to Government policy-making;
- playing a leading role in identifying the benefits of inter-generational learning, and offering strategic and practical support to organisations providing family learning opportunities;
- working as a key partner in the roll-out of the National Mental Health Strategy, and contributing to the Foresight Impact Study on mental well-being;
- researching and publishing curriculum materials to promote financial literacy and wider financial capability;
- providing training courses and events to improve the quality of teaching and learning for adults across England and Wales;
- undertaking and publishing research on the reasons for the educational marginalisation of Bangladeshi, Pakistani and Somali women; and undertaking development work to overcome barriers to their participation;
- leading work on Information and Communications Technology as a Skill for Life, supporting community organisations in strengthening ICT teaching and learning;
- supporting the International Council for the Education of Adults, UNESCO and the European Union in promoting the Education for All goals affecting women and girls in particular;
- co-ordinating work on digital literacy on behalf of Ofcom;
- organising Adult Learners' Week in England and Wales to celebrate existing learners in order to encourage thousands of others to join in;
- developing public policy responses to recession, highlighting the role informal learning plays in developing confidence and capacity.

We have focused on the successful generation of a wide range of project activity that takes forward our core work areas providing the necessary link between our advocacy and the experience of providers in the field and contributing to our core aim of improving the quality of provision.

Report of the trustees

The NIACE Annual Report 2008-09 gives full details of NIACE activities and achievements in 2008-09. The Annual Report is available from NIACE offices or on the website www.niace.org.uk.

Performance Measures

A Balanced Scorecard has been developed so that performance against the strategic objectives can be assessed. In undertaking these goals the performance measures used include user satisfaction surveys, analysis of numbers and diversity of the reach of NIACE's activities, the volume of repeat business secured, and the policy impact achieved. Policy impact and reach are described in the review of activities above. During the year NIACE produced 206 publications, organised 267 events. Over 8,000 people attended the events with satisfaction levels consistently high at 94%. 55 new contracts were secured through competitive tender; other work was secured as a result of NIACE's known expertise and staff worked on around 300 contracts in total. The NIACE website had 1.7m hits in the year. A new website was launched in January with increased usability and navigation. Nearly 30,000 people participated in more than 30,000 events during Adult Learners' Week in England, and a record breaking 20,382 people in Wales. Around 60,000 people have been motivated to sign up to a course after contact with the campaign during the past three years. Peer group review and external consultancy are also used to test specific areas of the work. 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 2008-09, the operating deficit was -5.4%. However, a small surplus was generated on regular charitable operations. The deficit arose due to planned expenditure from reserves, as well as investment losses and costs associated with restructuring.

Financial Review for the year ended 31 March 2009

NIACE anticipated a deficit in 2008-09 when setting the budget. In previous years, reserves had been built up substantially to be close to the target in the Reserves policy. The Trustees agreed that NIACE should sponsor the Inquiry into the Future of Lifelong Learning, and also to substantially upgrade the IT facilities. These are recognised purposes specified in the Reserves Policy. Expenditure on these items was £1m.

NIACE had a difficult year in 2008-09, generating an operating deficit of £2,003,000, compared to a surplus of £2,104,000 in 2007-08. Total incoming resources were £25,049,000, and expenditure was £27,052,000. Income was significantly lower than 2007-08 with a corresponding decrease in expenditure, mainly as a result of the cessation of the Wales' activities of the Basic Skills Agency. Investments fell overall, with losses of £935,000 being partly mitigated by capital injections, as well as dividend income, and after providing £1,130,000 in respect of the impairment in the value of deposits held with an Icelandic bank. NIACE has reviewed its structure in the light of current economic conditions and to reduce its cost base going forward, and has made provision of £636,000 in respect of one-off restructuring costs. There was an increase in the deficit on the pension scheme of £2,302,000 on the FRS17 calculation basis, due mainly to changes in asset values. After adjusting for the movement in pension liabilities the overall call upon reserves was £6,285,000.

The activities of the Basic Skills Agency were fully integrated into NIACE. There was some ongoing funding from DIUS, but the basic skills activities in Wales formerly managed by the BSA ceased, accounting for much of the reduction of income in the year. Income relating to ongoing work in England is now shown under the appropriate income heading, mainly development and research.

NIACE receives income from a range of activities and funders. The major funders include the Department for Innovation, Universities and Skills, who provide a core grant under a three year Compact agreement. The Learning and Skills Council continued to commission NIACE to manage the LSC'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. Work continued on the Skills for Life Programme with CfBT. The Welsh Assembly Government and Local Government Association provide ongoing funding under a grant arrangement. The Department for Children, Education, Lifelong Learning and Skills in Wales (DCELLS) also match funds for Adult Learners' Week. The European Social Fund continues to support Adult Learners' Week and Sign Up Now in both England and Wales, and has also contracted NIACE for work under the Equal programme, and Action for Communities in the South-East. Other significant funders, for which we are grateful, include the Esmée Fairbairn Foundation, Prudential, the John Lyon's Charity, the Nuffield Foundation, the Army, the Quality Improvement Agency and the Department of Health. 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 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.

Report of the trustees

NIACE trustees agreed that, in order to secure the independence of the Inquiry into the Future of Lifelong Learning, costs should be met from its reserves, although it was anticipated that some funding would be received from charitable trusts.

The largest item of ongoing expenditure is salaries and associated costs, with an overall increase in costs of 3%. Staff are appointed with a range of specialist skills which support the particular charity activities in their areas of work, and other staff support this. NIACE committed £500,000 from reserves at the start of the financial year as part of its e-strategy to strengthen its information systems, mainly through upgrading the website and implementing a new customer relationship management system. £450,000 was expended in 2008-09, comprising systems development, staff time and training.

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. Overall costs in each area have moved in line with income.

Objectives for 2009-10

The members of NIACE agreed a new Strategic Plan at the AGM in November 2008, which was subsequently further revised by the Board of Trustees at their meeting in January. The plan was adopted at a time of major economic downturn. The first task to be undertaken is to review the balance of the NIACE programme, the associated staffing costs, and strategies for engaging members and officers, to ensure that the organisation is able to work efficiently and effectively in the changing external environment, that it strengthens its policy impact, and its capacity to develop new areas of work.

From the strategic plan, and in the light of the consequent restructuring of the organisation, a number of objectives were set, under the 5 contexts within which NIACE works: sectoral, geographical, curricular, working with under-represented groups and Governmental. Within the restructure NIACE is organised under 4 clusters (with support functions underpinning them) and the objectives of the five contexts fit into one of the 3 English clusters (Wales is managed separately) of People and Curriculum, Places and Structures and Advocacy (the Chief Executive's cluster).

The major objectives for 2009-2010 are:

- To reverse the overall decline in participation in publicly funded provision;
- To strengthen NIACE's work in workplace learning, notably basic skills in the public sector;
- To develop NIACE's international work as a self sustaining activity;
- To strengthen and develop NIACE's work in the English regions;
- To secure the re-balancing of LLN provision in favour of adults with the lowest level of skill
- To continue to support strategies to overcome the digital divide
- To secure improved financial education for adults;
- To develop our strategy on employability, and the development of employability skills
- We are also seeking to diversify income streams across Government departments, from the private and charitable sector and to build new partnerships.
- Internally, we are seeking to build on the restructure and create a fit for purpose organisation that offers value for money and which refocuses on our strategic purpose.
- In Wales our overall goal is to consolidate NIACE Dysgu Cymru's role as critical friend to the WAG, developing our capacity to offer strategic advice to policy makers and practical support to practitioners.

Reserves Policy

The Trustees reviewed the Reserves policy in April 2008. 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;

Report of the trustees

- To provide working capital for projects with late payment dates;
- 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 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 difficult year meant that the Institute's reserves were reduced. Planned expenditure from reserves included the commitment to the Inquiry into the Future of Lifelong Learning, and also a major upgrade to the organisations website and contact management system. This was further compounded by reductions in the value of the investments, and the loss in value of the deposits with Kaupthing, Singer & Friedlander.

The minimum free reserves target, which is reviewed annually, was set at £8.4m in July 2008 (including the pension liability). Free reserves at the end of March 2009 were £3.8m (reduced by the pension liability to £0.7m). The Board has determined that the reserves target should comprise nine months of net working capital and sufficient funds to cover the pensions deficit. The minimum reserve target is therefore £8.7m. In 2009-10, a proportion of the reserves will be utilised to fund the Inquiry into the Future of Lifelong Learning, and also to upgrade NIACE information technology systems.

NIACE operates two pension schemes: the Teachers Pension scheme and is also an admitted member of the London Pensions Fund Authority local government pension scheme, which is a funded defined benefit pension scheme. The most recent triennial valuation of the defined benefit scheme, as at 31 March 2007, calculated the scheme deficit to be £0.895m (2004: £1.472m). 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 2009 was a deficit of £3.085m (2007-08: £0.783m). Note 15 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 FRS 17 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, or 20 years whichever is the lower. 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, see note 15b of the accounts for further details.

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 2008 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

Report of the trustees

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.

£4.0m was held as long term investments at the start of the financial year. A further £500,000 was deposited during the year. Dividends and interest received were offset by falls in the value of investments in the latter part of the year, and there was an overall fall in the value of investments of £783,000. The balance at the year end was £3.7m. of managed equity based and cash investments. In addition, £0.9m of cash is held on fixed term deposit, this being funds not required as short term working capital that form part of the reserves. The performance of the investments is benchmarked against the WM unconstrained Charity Return, and over the year the portfolio fell by 19.8% compared to the WM charities benchmark fall of 19.2%.

NIACE also held £1.9m on a six month fixed term deposit with Kaupthing, Singer & Friedlander, maturing in November. This bank went into administration in October 2008. The administrators have advised that a minimum of 50p in the pound should be recoverable. The deposits have been written down in the accounts to a value reflecting the recoverable amount, discounted to present values to take account of uncertain cash flow timings.

The Trustees have since developed a Treasury Policy. This specifies that cash deposits should be spread across a range of institutions, with secure credit ratings to minimise risk.

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 most significant risk affecting NIACE achieving its objectives is considered to be changes in the external environment, including changing patterns of adult participation in learning and changes in government priorities and funding, affecting NIACE advocacy work and our ability to sustain our current work. This is mitigated by regular review of the external environment and forward planning. Other key risks include organisation risks such as the risks of insufficient income being generated to cover costs. This is mitigated by regular review of the forecast financial position and action taken as appropriate. There are risks with the development of new work as investment may be made without sufficient income or influence being generated. Each key risk is allocated to a member of the senior management team who develops strategies to mitigate the risk.

During the year, the trustees identified a significant risk in relation to potential income streams in the forthcoming years, following the economic downturn and associated reductions in public expenditure. While there may also be opportunities for NIACE in relation to promoting adult skills in this scenario, the trustees agreed that the organisation should be restructured to better fit it to face the future. This involved the loss of 40 posts within the organisation.

Grant Thornton UK LLP are 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 reports to the Board on the overall efficiency of the risk management process and the adequacy of the internal control systems.

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.

Report of 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

NIACE does not make grants from its own reserves. 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. In 2008-09, the main grant programmes were in respect of the LSC's ICT learning strategy, as part of which a large number of small grants are awarded in accordance with the eligibility criteria set by the LSC, with due regard to equality and diversity.

Sustainable Development

The trustees have agreed a policy for sustainable development with aims and objectives to cover the period 2007-2010. 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.

The policy is monitored and reviewed by the Finance and General Purposes Committee, with reports to the Board.

Disability Policy

NIACE promotes Equal Opportunities throughout its work and this commitment underpins the organisation's staffing policies and recruitment and selection processes. An Equal Opportunities Staff group exists and this meets regularly. A rolling programme of training for all staff in respect of Equal Opportunities and Diversity is carried out throughout the year. NIACE has developed a Single Equality Strategy and a programme of training to support the delivery of this is a priority within the implementation Plan.

NIACE aims to adapt a best practise approach to disability in respect of the individual and their working environment. Through the Access to Work scheme, this includes the purchase of specially adapted chairs and equipment, and assistance for staff who have mobility problems and experience difficulties in getting to work.

Report of the trustees

Patterns of work are also adjusted for staff returning from illness. NIACE has introduced a Disability Disclosure Policy and all line managers will attend a policy introduction and awareness session.

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 train all staff in raising awareness of Mental Health issues over the coming year. In particular, line managers will be provided with information and training around managing mental health in the workplace. NIACE has also engaged a confidential counselling service for staff.

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 may attend regarding significant factors which may affect NIACE. There is a weekly staff newsletter and a NIACE Intranet which contains 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 groupings. Email is also used to disseminate information and secure input to policy discussions.

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
- 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.

Report of the trustees

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 1985. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Trustees are aware:

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

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

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, as permitted under Section 310 of the Companies Act 1985

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 year end were 69 (2008: 149 days).

The decrease in trade creditor days reflects the phasing out of the impact of grants administered by the former Basic Skills Agency, which are paid out following receipt of the associated funding and which gave rise to an increase in creditor days from 35 to 149 in the preceding year.

Auditors

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

ON BEHALF OF THE TRUSTEES



Alan Tuckett
Company Secretary
9 July 2009

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 2009 which comprise the principal accounting policies, the statement of financial activities, the balance sheet, the cash flow statement and notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the charitable company’s members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 its members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustees and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, whether they are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Report of the Trustees is consistent with the financial statements.

In addition we report to you if, in our opinion, the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Trustees' remuneration and transactions with the charitable company is not disclosed.

We read the Report of the trustees and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable 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 financial statements 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 financial statements.

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the charitable company's affairs as at 31 March 2009 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the trustees is consistent with the financial statements for the year ended 31 March 2009.



haysmacintyre
Registered Auditors
31 July 2009

Fairfax House
15 Fulwood Place
London
WC1V 6AY

Principal accounting policies

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 1985.

The principal accounting policies of NIACE have remained unchanged from the previous year, apart from the introduction of an additional policy in respect of provisions.

Income and expenditure account

The Statement of Financial Activities on page 19 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.

Principal accounting policies

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

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.

Principal accounting policies

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	2009 Total funds £'000	2008 Total funds £'000
Incoming resources					
Incoming resources from generated funds					
Voluntary Income:					
Members' subscriptions		101	-	101	117
Investment Income		402	-	402	490
Donation: net assets transferred from BSA		-	-	-	380
		<u>503</u>	<u>-</u>	<u>503</u>	<u>987</u>
Incoming resources from charitable activities:					
NIACE Dysgu Cymru		770	1,090	1,860	1,266
Conferences, Seminars and Courses		1,397	122	1,519	1,769
Publications		536	60	596	938
Development and Research		11,036	6,040	17,076	15,277
Campaigns & Promotions		337	2,251	2,588	2,578
Information, Policy and Advocacy		279	295	574	465
Basic Skills: work in England		-	333	333	4,224
Basic Skills: work in Wales		-	-	-	9,274
Total charitable activities	4	<u>14,355</u>	<u>10,191</u>	<u>24,546</u>	<u>35,791</u>
Total incoming resources		<u>14,858</u>	<u>10,191</u>	<u>25,049</u>	<u>36,778</u>
Resources expended					
Costs of generating funds:					
Investment Management Costs		13	-	13	13
Charitable activities	5	<u>15,745</u>	<u>10,401</u>	<u>26,146</u>	<u>34,420</u>
Restructuring costs	2	636	-	636	-
Governance costs	5	<u>257</u>	<u>-</u>	<u>257</u>	<u>241</u>
Total resources expended		<u>16,651</u>	<u>10,401</u>	<u>27,052</u>	<u>34,674</u>
Net (outgoing)/incoming resources before transfers					
Transfers between funds	13	(1,793)	(210)	(2,003)	2,104
		<u>(210)</u>	<u>210</u>	<u>-</u>	<u>-</u>
Net (outgoing)/incoming resources for the year		<u>(2,003)</u>	<u>-</u>	<u>(2,003)</u>	<u>2,104</u>
Realised (losses)/gains on investment assets		(221)	-	(221)	5
		<u>(221)</u>	<u>-</u>	<u>(221)</u>	<u>5</u>
Net (outgoing)/incoming resources and (deficit)/surplus of income over expenditure					
Impairment (losses) on investments	2	(2,224)	-	(2,224)	2,109
Unrealised (losses) on investment assets		(1,130)	-	(1,130)	-
Actuarial (losses)/gains on defined benefit pension scheme		(714)	-	(714)	(155)
		<u>(2,217)</u>	<u>-</u>	<u>(2,217)</u>	<u>1,065</u>
Net movement in funds		<u>(6,285)</u>	<u>-</u>	<u>(6,285)</u>	<u>3,019</u>
Total funds brought forward		7,211	-	7,211	4,192
Total funds carried forward		<u>926</u>	<u>-</u>	<u>926</u>	<u>7,211</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	2009 £'000	2009 £'000	2008 £'000	2008 £'000
Fixed assets					
Tangible assets	8	25		37	
Investments	8	<u>4,568</u>		<u>6,919</u>	
			4,593		6,956
Current assets					
Stocks		212		403	
Debtors	9	4,316		11,105	
Cash at bank and in hand		<u>2,868</u>		<u>7,214</u>	
		7,396		18,722	
Liabilities:					
Creditors: amounts falling due within one year	10	<u>7,371</u>		<u>17,413</u>	
Net current assets			25		1,309
Provisions	12		<u>(607)</u>		<u>(271)</u>
Net assets excluding pension liabilities			4,011		7,994
Defined benefit pension scheme liability	15		<u>(3,085)</u>		<u>(783)</u>
Net assets including pension liability			<u>926</u>		<u>7,211</u>
Capital and reserves					
Restricted funds	13		-		-
Unrestricted funds excluding pension liability		4,011		7,994	
Pension reserve		<u>(3,085)</u>		<u>(783)</u>	
Total unrestricted funds including pension liability			926		7,211
Total charity funds			<u>926</u>		<u>7,211</u>

The financial statements were approved by the Board of Trustees on 9 July 2009.

Nick Stuart

Trustees

Mike Langhorn

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

Cashflow statement

	2009	2008
	£'000	£'000
Net cash (outflow)/inflow from operating activities	(5,021)	4,807
Cash balances transferred from Basic Skills Agency	-	232
Returns on investment and servicing of finance		
Interest and dividends received	389	477
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	-	-
Payments to acquire investments	(1,659)	(3,082)
Receipts from sale of investments	1,945	901
	<u>286</u>	<u>(2,181)</u>
(Decrease)/Increase in cash	<u>(4,346)</u>	<u>3,335</u>

Reconciliation of operating surplus to net cash inflow from operating activities

	2009	2008
	£'000	£'000
Net (outgoing)/incoming resources	(2,224)	2,109
Less investment income (net)	(389)	(477)
Operating (deficit)/surplus	<u>(2,613)</u>	1,632
Realised losses/(gains) on investments	221	(5)
Pension adjustment	85	(138)
Decrease/(increase) in stocks	191	(254)
Decrease/(increase in debtors	6,789	(7,290)
(Decrease)/increase in creditors	(10,042)	10,780
Increase in provisions	336	271
Depreciation	12	74
Donation: net book value of fixed assets transferred from Basic Skills Agency	-	(31)
Donation: cash balances transferred from Basic Skills Agency	-	(232)
Loss on disposal of fixed assets	-	-
Net cash inflow from operating activities	<u>(5,021)</u>	<u>4,807</u>

Analysis of changes in net funds

	2009	2008
	£'000	£'000
Cash at bank and in hand		
At 1 April 2008	7,214	3,879
(Decrease)increase in cash	(4,346)	3,335
At 31 March 2009	<u>2,868</u>	<u>7,214</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:

	2009 £'000	2008 £'000
Auditors' remuneration - audit services	23	19
Trustees' indemnity insurance cover	13	6
Operating leases:		
Land and buildings	274	404
Other	36	44

haysmacintyre were appointed as external auditors with effect from 30 October 2008, following the resignation of Grant Thornton UK LLP. Grant Thornton have continued as internal auditors to the charity.

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 will be determined by the administrators.

Based on the latest available information the Charity considers it appropriate to consider an 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 17 April 2009 outlined that the return to creditors was projected to be a minimum of 50p in the £ but no timescale is indicated. The administrator indicated that the estimate could be higher or lower if significant issues arose; the 50p in the £ stated is therefore the best estimate within a range of possible amounts. The Charity has decided to recognise an impairment based on it recovering 50p in the £ up to October 2012 (the date when the High Court has permitted the administration to be extended to).

The first dividend payment of 10p in the £ minimum is due in the summer of 2009. In calculating the impairment the Charity has therefore made the assumption that the remaining 40% recovery will be split evenly between December 2009, December 2010, December 2011 and October 2012.

Recoveries are expressed as a percentage of the Charity's claim in the administration, which includes interest accrued up to 7 October 2008.

Restructuring costs

During the autumn of 2008 the Charity undertook a review of its structure in the light of the current economic climate and an expected reduction in its income prospects for 2009-10 and beyond. The Trustees approved the restructure plan in January 2009 and a consultative process with the Charity's employees was initiated, concluding in March 2009. Following the outcome of that consultation, provision has been made for the future costs arising as follows:

Notes to the financial statements

Restructuring costs (continued)

	£'000
- redundancy and termination costs	329
- provision for one-off additional pension costs	307
	<u>636</u>

Under the London Pension Fund Authority scheme, one-off additional pension costs arise following redundancy where any member so qualifying under the scheme transitional arrangements automatically receives immediate payment of pension. The provision is based on indicative amounts provided by the scheme administrators in relation to forecast redundancy dates. NIACE trustees have a policy that no pensions are enhanced on early retirement.

3 Employees and Trustees

Staff costs of NIACE consist of:

	2009 £'000	2008 £'000
Wages and salaries	8,604	8,422
Social security costs	714	720
Other pension costs (see note 15)	1,201	1,094
	<u>10,519</u>	<u>10,236</u>

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

	2009 Number	2008 Number
£ 60,001 - £ 70,000	5	3
£ 70,001 - £ 80,000	-	2
£ 80,001 - £ 90,000	2	3
£ 90,001 - £100,000	2	-
£120,001 - £130,000	-	1
£140,001 - £150,000	1	-
	<u>10</u>	<u>9</u>

The average monthly number of employees, employed by NIACE, during the year was as follows:

Employees	<u>273</u>	<u>281</u>
-----------	------------	------------

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>250</u>	<u>260</u>
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No Trustees received any remuneration for their services. 12 Trustees were reimbursed expenses for travel and subsistence of £6,947 (2008: 11 Trustees - £6,337).

Notes to the financial statements

4 Incoming Resources from Charitable Activities

	Contract & Sales £'000	Grant £'000	2009 Total £'000	2008 Total £'000
NIACE Dysgu Cymru	1,498	362	1,860	1,266
Conferences, Seminars and Courses	1,397	122	1,519	1,769
Publications	507	89	596	938
Development and Research	12,219	4,857	17,076	15,277
Campaigns and Promotions	1,586	1,002	2,588	2,578
Information, Policy and Advocacy	95	479	574	465
Basic Skills: work in England	-	333	333	4,224
Basic Skills: work in Wales	-	-	-	9,274
Incoming resources from charitable activities	17,302	7,244	24,546	35,791

Grants Received

	2009 Total £'000	2008 Total £'000
DIUS	5,810	7,576
Local Authorities (section 78.1 grant)	679	785
Welsh Assembly Government	321	217
LSC	434	563
	7,244	9,141

5 Total Expenses

	Direct Costs £'000	Direct Salaries £'000	Support Costs £'000	2009 Total £'000	2008 Total £'000
NIACE Dysgu Cymru	1,264	569	133	1,966	1,254
Conference, Seminars and Courses	986	301	261	1,548	1,694
Publications	558	209	100	867	1,273
Research Projects and consultancy	9,300	6,694	2,109	18,103	13,992
Campaigns and Promotions	1,590	763	286	2,639	2,474
Information, Policy and Advocacy	187	356	150	693	607
Basic Skills: work in England	304	5	21	330	3,871
Basic Skills: work in Wales	-	-	-	-	9,255
Total Charitable Activities	14,189	8,897	3,060	26,146	34,420
Restructuring costs (note 2)	636	-	-	636	-
Investment Management	13	-	-	13	13
Governance	103	119	35	257	241
Total resources expended	14,941	9,016	3,095	27,052	34,674

Notes to the financial statements

6 Analysis of Expenditure

	Unrestricted £'000	Restricted £'000	2009 Total £'000	2008 Total £'000
NIACE Dysgu Cymru	806	1,160	1,966	1,254
Conferences, Seminars and Courses	1,425	123	1,548	1,694
Publications	807	60	867	1,273
Research Projects and Consultancy	11,936	6,167	18,103	13,992
Campaigns and Promotions	387	2,252	2,639	2,474
Information, Policy and Advocacy	368	325	693	607
Basic Skills: work in England	16	314	330	3,871
Basic Skills: work in Wales	-	-	-	9,255
Total Charitable Activities	15,745	10,401	26,146	34,420

Included within Research expenditure is £626,000 relating to the Inquiry into the Future of Lifelong Learning, which the Charity is funding from its own resources. Also included within expenditure is £3,730,000 relating to numerous grants, as follows:

	2009 Total £'000
NIACE Dysgu Cymru	186
Research Projects and Consultancy	3,544
Basic Skills: work in England	-
	<u>3,730</u>

The following table sets out the grants by type. No individual grant was material in the context of grant making.

	£'000
ICT e-Learning, Training & Capital Connectivity Grants (<£20,000)	3,544
Wales' Adult Learners Week/Sign Up Now Promotion Grants (<£2,500)	186
Total	<u><u>3,730</u></u>

Notes to the financial statements

7 Support Costs Allocation

	Accom	Admin	IT	Library	Depr'n	Finance	HR	Mkting	Total 2009	Total 2008
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
NIACE Dysgu Cymru	-	-	61	-	-	34	32	6	133	74
Conferences, Seminars and Courses	50	49	80	3	1	27	42	9	261	190
Publications	17	27	27	1	-	11	14	3	100	169
Research Projects and Consultancy	366	458	581	19	9	310	303	63	2,109	1,342
Campaigns and Promotions	44	79	69	2	1	47	36	8	286	206
Information, Policy and Advocacy	36	9	57	2	1	10	29	6	150	91
Basic Skills: work in England	-	15	-	-	-	6	-	-	21	689
Basic Skills: work in Wales	-	-	-	-	-	-	-	-	-	491
Total Charitable Activities	513	637	875	27	12	445	456	95	3,060	3,252
Governance	5	11	9	1	-	4	4	1	35	23
Total Expenses	518	648	884	28	12	449	460	96	3,095	3,275

Notes on basis of allocation

Administration and finance costs are allocated on income earned. Remaining costs - accommodation, IT, HR etc are allocated on number of staff employed.

Included in the expenditure is investment in upgrading the information services systems, funded as major expenditure from reserves.

8 Tangible assets

Tangible fixed assets

	Computer equipment £'000	Office equipment £'000	Buildings Maintenance £'000	Total £'000
Cost				
At 1 April 2008	193	117	77	387
Disposals	(150)	(98)	(21)	(269)
At 31 March 2009	43	19	56	118
Depreciation				
At 1 April 2008	192	107	51	350
Charge for the year	1	4	7	12
Disposals	(150)	(98)	(21)	(269)
At 31 March 2009	43	13	37	93
Net book value At 31 March 2009	-	6	19	25
At 31 March 2008	1	10	26	37

Notes to the financial statements

8 Tangible assets (continued)

Investments (All held and managed in the UK)

	£'000
At 1 April 2008	6,919
Purchases	1,659
Sales	(1,945)
Realised gains/(losses)	(221)
Unrealised gains/(losses)	(714)
Impairment	(1,130)
At 31 March 2009	<u>4,568</u>

The fixed asset investments were held as follows:

	2009 £'000	2008 £'000
Listed stocks and shares	3,477	3,760
Cash	1,091	3,159
Market value at 31 March	<u>4,568</u>	<u>6,919</u>

At 31 March 2009 no investment represented more than 5% of the portfolio by market value.

At 31 March 2009 the historic cost of listed stock and shares was £3,873,977.

9 Debtors

	2009 £'000	2008 £'000
Trade debtors	2,890	10,260
Other debtors	1,426	845
	<u>4,316</u>	<u>11,105</u>

10 Creditors: amounts falling due within one year

	2009 £'000	2008 £'000
Trade creditors	2,690	9,073
Other creditors	2	82
Tax and social security	388	515
Accruals	447	1,201
Deferred income (see note 11)	3,844	6,542
	<u>7,371</u>	<u>17,413</u>

Notes to the financial statements

11 Deferred income

	Balance at 1 April 2008 £'000	Movement in year £'000	Balance at 31 March 2009 £'000
Restricted funds			
Income from research, projects and consultancy	2,143	(1,490)	653
Income from campaigns and promotions	-	120	120
NIACE Dysgu Cymru	389	(358)	31
ICT Strategy	-	106	106
	<u>2,532</u>	<u>(1,622)</u>	<u>910</u>
Unrestricted funds			
Income from research projects and consultancy	3,891	(959)	2,932
Conference fees	119	(117)	2
	<u>6,542</u>	<u>(2,698)</u>	<u>3,844</u>

12 Provisions

	2009 £'000	2008 £'000
Provision for dilapidation costs on leased premises	55	51
Provision for restructuring costs	552	-
Provisions relating to Basic Skills Agency merger:		
- closure costs of former BSA offices	-	133
- redundancy and termination costs	-	87
	<u>607</u>	<u>271</u>

13 Restricted funds

	Total restricted funds £'000
At 1 April 2008	-
Movement in year	-
At 31 March 2009	<u>-</u>

Notes to the financial statements

13 Restricted funds (continued)

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 Innovation, Universities and Skills				
Core funding	5,111	5,136	(25)	25
Other research work	13	10	3	(3)
Learning and Skills Council				
Consultancy, support and research	114	112	2	(2)
ICT Strategy	1,068	1,085	(17)	17
European Social Fund				
Adult Learners Week England	636	}	}	}
DIUS				
Core funds	919			
Various sponsors				
Adult Learners' Week/Sign up now	696			
Total Adult Learners' Week/Sign up now	<u>2,251</u>	<u>2,251</u>	<u>-</u>	<u>-</u>
European Social Fund				
Adult Learners Week Wales	435			
Welsh Assembly Government				
Match funding	542			
Various sponsors				
Adult Learners' Week/Sign up now	25			
Total Adult Learners' Week Wales	<u>1,002</u>	<u>1,071</u>	<u>(69)</u>	<u>69</u>
European Funding Equal Programme				
Progress GB	-	2	(2)	2
Valuing, learning & strengthening communities	-	11	(11)	11
Other European Programmes				
Steps to Success	61	45	16	(16)
Sector Led Basic Skills	(22)	44	(66)	66
Various	68	109	(41)	41
Department of Health				
Making the connection	35	30	5	(5)
Elder Financial Abuse	45	46	(1)	1
Is IT for me?	45	48	(3)	3
Making IT work	27	25	2	(2)
Carried forward to next page	<u>9,818</u>	<u>10,025</u>	<u>(207)</u>	<u>207</u>

Notes to the financial statements

13 Restricted funds (continued)

	Net Incoming resources £'000	Expenditure £'000	Surplus/ (deficit) £'000	Transfer from/(to) unrestricted funds £'000
Brought forward from previous page	9,818	10,025	(207)	207
The Esmee Fairbairn Foundation				
Ten Years Older But Bolder	-	2	(2)	2
Older and Bolder in Wales	27	25	2	(2)
The Nuffield Foundation				
Learning & Work In Later Life	19	22	(3)	3
John Lyons Charity				
Family learning pilots	30	40	(10)	10
Communities at One				
Digital storytelling project	54	53	1	(1)
Other consultancy/research				
Various	243	234	9	(9)
	<u>10,191</u>	<u>10,401</u>	<u>(210)</u>	<u>210</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.

All funds which are showing a surplus in 2008-09 had incurred a deficit in previous financial years, so no carry forward of funds is necessary, as this offsets previous transfers from unrestricted funds.

14 Analysis of net assets between funds

	Restricted Funds £'000	Unrestricted Funds £'000	Total Funds £'000
Fund balances at 31 March 2009 are represented by:			
Tangible fixed assets	-	5,093	5,093
Current assets	-	6,896	6,896
Current liabilities	-	(7,371)	(7,371)
Provisions	-	(607)	(607)
Defined benefit pension scheme liability	-	(3,085)	(3,085)
Total net assets	<u>-</u>	<u>926</u>	<u>926</u>

Included within unrestricted funds is an amount of £397,000 relating to the downwards revaluation of investment assets.

Notes to the financial statements

15 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. In addition the Charity contributes up to 8.05% of salary into the personal pension schemes of non-teaching employees transferred from the Basic Skills Agency. The charge for the year was as follows:

	2009 £'000	2008 £'000
Teachers' Pension Scheme (contributions)	223	211
London Pension Fund Authority (service cost)	968	855
Other pension costs (contributions)	10	28
	<u>1,201</u>	<u>1,094</u>

(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 2009. 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 projecting the results of the last full valuation as at 31 March 2007 forward to 31 March 2009.

The following assumptions were made in reaching the valuation at:

	31 March 2009	31 March 2008
Rate of inflation & rate of increase in pensions	3.1%	3.6%
Rate of increase in salaries	4.6%	5.1%
Expected return on assets	6.4%	7.0%
Rate used to discount scheme liabilities	6.9%	6.9%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience. Mortality assumptions are based on the PMA/PFA92 table, projected forward for 8 – 24 years, with an additional loading to reflect the particular experience of the fund.

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

	Expected rate of return %	31 March 2009 £'000	Expected rate of return %	31 March 2008 £'000
Fair value of employer assets:				
Equities	7.0	6,299	7.5	7,719
Target return funds/Bonds	5.5	1,105	6.3	2,495
Alternative assets/ Property	6.0	2,763	6.7	2,323
Cash	4.0	884	4.8	388
Total		<u>11,051</u>		<u>12,925</u>
Present value of funded liabilities		<u>(14,136)</u>		<u>(13,708)</u>
Net pension liability		<u>(3,085)</u>		<u>(783)</u>

Notes to the financial statements

15 Pension costs (continued)

	31 March 2009 £'000	31 March 2008 £'000
Amount in the balance sheet:		
Liabilities	(3,085)	(783)
Assets	-	-
Net pension liability	(3,085)	(783)

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

	2009 £'000	2008 £'000
Opening defined benefit obligation	13,708	12,708
Current service cost	641	855
Interest cost	979	707
Contributions paid by members	375	304
Actuarial losses/(gains)	(1,517)	(489)
Past service costs/(gains)	175	-
Losses/(gains) on curtailments	79	-
Estimated benefits paid	(304)	(377)
Closing defined benefit obligation	14,136	13,708

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

	2009 £'000	2008 £'000
Opening fair value of employer assets	12,925	10,722
Expected return on employer assets	873	748
Contributions paid by members	375	304
Contributions paid by the employer	916	900
Actuarial (losses)/gains	(3,734)	567
Estimated benefits paid	(304)	(377)
Closing fair value of employer assets	11,051	12,925

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

Year ended:	31 March, 2009		31 March, 2008	
	£'000	% of pay	£'000	% of pay
Current service cost	641	12.0	855	16.9
Interest cost	979	18.4	707	14.0
Expected return on employer assets	(873)	(16.4)	(748)	(14.8)
Past service costs/(gains)	175	3.3	-	-
Losses/(gains) on curtailments	79	1.5	-	-
	1,001	18.7	814	16.1
Actual return on employer assets	(2,808)		(268)	

Notes to the financial statements

15 Pension costs (continued)

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

	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Fair value of employer assets	11,051	12,925	10,722	9,121	6,610
Present value of defined benefit obligation	(14,136)	(13,708)	(12,708)	(11,878)	(9,106)
Surplus/(deficit)	(3,085)	(783)	(1,986)	(2,757)	(2,496)
Experience gains/(losses) on assets	(3,734)	567	91	1,133	174
Experience gains/(losses) on liabilities	-	(1,662)	2	-	(768)
Actuarial gains/(losses) recognised in the SoFA	(2,217)	1,065	889	(346)	(766)
Cumulative actuarial gains/(losses)	(1,384)	833	(223)	(1,112)	(766)

(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.

16 Commitments

Operating lease payments amounting to £301,000 (2008: £337,000) are due within one year. The leases to which these amounts relate expire as follows:

	2009		2008	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire in:				
Less than one year	-	-	42	16
One to five years	184	31	188	33
After five years	86	-	58	-
	270	31	288	49

17 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.

The income of the Trust is reinvested to maximise growth. The trustees will consider proposals to utilise the income and transfer it to NIACE at such time as it may be used beneficially.

Notes to the financial statements

17 Connected charities (continued)

The BSA Residual Company Ltd (formerly the Basic Skills Agency registered company 02638345, charity number 1003969) was dissolved on 12 May 2009 following the orderly wind-up of the Basic Skills Agency. An application has been made to the Charity Commission to remove the associated charity (number 1003969) from the register in June 2009. The Trustees of the BSA Residual Company Ltd were independent from NIACE.

18 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. On the basis that this funding does not materially affect the focus of NIACE's work, the Trustees do not consider the transactions to be disclosable.

19 Financial derivatives

There were no financial derivatives at 31 March 2009 or 31 March 2008.

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)	Graham Lane (to October 2008)
Bryn Davies (from January 2009)	Ann Risman
Richard Ely	Gordon Stokes

Finance and General Purposes Committee

Deborah Cooper	Judith Norrington
Margaret Davey	Eddie Playfair
Michael Davis	David Sherlock
Jeff Greenidge	Nick Stuart
Mike Langhorn (Chair)	Dan Taubman
Anthony Lawton	Nick Wilson

NIACE Dysgu Cymru Management Group

Sian Cartwright	Carol Revell (from October 2008)
Bryn Davies (Chair)	Danny Saunders
Viv Davies	Joan Smith
Maggie Dawson	Joanne Thomas
Jayne Dingle	Alan Watkin
John Gates	Arwyn Watkins
John Graystone (from June 2009)	Annie Williams
Jeff Greenidge	Jane Williams
Gerry Jenson	

Policy Committee

Tracey Burke (observer)	Mike Langhorn
Deborah Cooper (Chair)	Jill Lanning
Margaret Davey	Liz Lawson (observer)
Peter Davies	Bethan Norfor
Sue Dutton (observer)	David Sanderson (observer)
Lorna Fitzjohn (observer)	David Sherlock
Bob Fryer	Carole Stott
Leisha Fullick	Nick Stuart
Jon Gamble (observer)	Judith Summers
Jeff Greenidge	Dan Taubman
Richard Hart (observer)	Richard Taylor
Paul Head	Peter Templeton
Sue Hinde	Martin Tolhurst

Legal and Administrative Details (part two)

Policy Committee (cont'd)

Susan Howlett
Graham James (to December 2008)
Anne Jamieson
Graham Lane

Lorna Unwin
Beth Walker (from March 2009)
Nick Wilson

Investment Committee

Graeme Allinson
Richard Ely
Nick Stuart (Chair)

Remuneration Committee

Richard Coldwell
Deborah Cooper (Chair of Policy Committee)

Mike Langhorn (Treasurer and Chair of Finance
& General Purposes
Committee)

Margaret Davey

Nick Stuart (Chair of Company Board)

Search Committee

Lorna Fitzjohn
Tom Schuller

David Sherlock
Nick Stuart

Senior Management:

Alan Tuckett
Margaret Conner
Peter Lavender
Sue Meyer
Mark Ravenhall
Richard Spear
Carol Taylor

Chief Executive
Director for Resources
Deputy Chief Executive
Deputy Director
Operational Director
Director for NIACE Dysgu Cymru
Operational Director

Legal and Administrative Details (part two)

Solicitors:

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business advisors:**

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Internal auditor:

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