



**Trustees' report and financial statements
For the year ended 31 March 2021**

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Foreword

The year has been dominated by the coronavirus pandemic. Economic support, including the Coronavirus Job Retention Scheme, has helped to limit the economic damage and has protected millions of jobs. Nonetheless, unemployment has risen significantly and the pandemic has had unequal effects. Young people, lone parents, areas of already-high unemployment, and people from ethnic minorities have all been among those harder hit.

We have worked tirelessly to analyse and highlight the economic effects of the pandemic and propose solutions. This includes showing who has been most affected, highlighting their experiences, and making a difference in practice with the Government's Plan for Jobs picking up many of the changes we had called for.

We are proud to have played a role in shining a light on the social and economic impacts of the pandemic, identifying future challenges, and having an influence on the policy response.

The success of the vaccine programme means thoughts are turning to reopening the economy. We must grasp the opportunity to forge a brighter future, not just recovering from the impacts of the pandemic but thinking too about how we build prosperity and fairness. The context includes many of the issues we faced before the crisis: the UK's future now we have left the EU; the combination of longer working lives and accelerating economic change; the transition to a net zero economy; and the imperative to narrow inequalities between groups and areas.

Widening access to learning and work are central to all of these. Throughout the year, we have tried to make the case for this, build the evidence base, shape policy, and test new ways of working.

This included: celebrating the best in adult learning through Festival of Learning and Adult Learners' Week; developing projections for the likely rise in long-term unemployment to make the case for more support; identifying and analysing an explosion of interest in online lockdown learning; and continuing to evaluate what works.

We work across a wide range of issues. Our thanks go to our staff and Trustees for making a real difference, especially at a time when they are adapting in their own working and personal spheres to life in a world shaped by a pandemic. Our work has never been more important and, even as we change our own ways of working as an organisation, we are determined to do all we can to fulfil our mission.

We are proud of the impact we have had and look forward to continuing this work in the year ahead.

Maggie Galliers and Stephen Evans

Report of the Trustees: impact report

The following pages summarise the key impacts we have achieved over the year.

Strategic priorities and impact

Our vision is for a prosperous and fair society in which learning and work provide opportunities for everyone to realise their potential and ambitions throughout life.

Our strategic plan sets out how we seek to achieve our vision, including our mission, and values. Our work is organised into six priorities:

1. Lifelong learning.

Learning through life, for any reason and none, improves work, health, wellbeing and citizenship. People learn in many ways, including family and community learning. Yet participation in learning is unequal and has fallen. Our focus is on the case for participating in learning and policy and practice to achieve this.

2. Employment and social security.

Everyone who can work should have the chance to do so, yet employment fell dramatically as a result of the pandemic and participation in work varied significantly by group and areas beforehand. Our focus is on support responding to the impacts of the pandemic, and in particular on groups, such as people with disabilities, and areas that have lower employment.

3. Essential and life skills.

Capabilities like literacy, language, numeracy, digital, citizenship and health and financial skills are fundamental to life and work. Yet nine million adults lack functional skills and participation in learning is falling. Our focus is on developing new ways to engage people and deliver learning.

4. Pay, progression and security.

Work should be good quality and provide opportunities for progression and development. Yet five million people are low paid, and too many people become stuck in low pay. Our focus is on support for people in low pay to progress, including careers advice and skills improvements, and developing and spreading best practice on the quality of work.

5. Apprenticeships and technical education.

High-quality apprenticeships and world-class technical education should be open to all who can benefit from them. Yet the number of apprenticeships has fallen, access to them is unequal and the quality of provision variable. Our focus is on the quality of and access to apprenticeships, and technical education that works for adults and young people.

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6. Social justice and inclusion.

Everyone should have the chance to go as far as their efforts will take them - life chances should not be constrained by background. Yet social mobility is lower than in other countries. Our focus is on advocating for better support for groups that often miss out and trying new ways of delivering this with partners.

We have helped shape policy nationally and locally

A significant part of our work has been understanding the economic impacts of **coronavirus** and developing policy solutions to these. Highlights of our work included:

- establishing a cross-sector group to share and develop thinking, and work with Government officials in building solutions;
- analysis of the early impacts of the crisis, identifying that groups like young people and areas like Greater Manchester were more likely to face job losses and have jobs in shutdown sectors;
- identifying the differential impact of the crisis on groups including young people, older workers, lone parents and people from ethnic minorities;
- working with others to call for an Opportunity Guarantee so all young people are offered a job, training place or apprenticeship;
- producing reports jointly with others to call for more retraining support for furloughed workers, rapid support for those who have recently lost their jobs, and an intensive effort to help people who are long-term unemployed to look for work;
- arguing for targeted extensions of the furlough scheme, as well as a focus on employment growth and helping those out of work to look for new jobs; and
- identifying policy and delivery priorities for recovery from the pandemic and renewal.

We produced a report, supported by Open College Network Northern Ireland (OCNNI), projecting **skills and qualifications in Northern Ireland through to 2030** and compared to other countries. This showed that, on current trends, Northern Ireland's skills profile was poised to improve but remain significantly behind other countries. We discussed the implications for economic growth and social justice, as well as ways to make progress, at an online event attended by over 200 people.

A lack of people qualified in **higher technical skills** (levels 4 and 5) have been identified by independent reviews and the Government as a key shortfall holding back productivity. We undertook research, supported by the Gatsby Charitable Foundation, to understand how providers could stimulate employer demand for higher technical skills and provision, and made proposals including for pilots to test new ways of working. The Government's Skills for Jobs White Paper for England subsequently confirmed plans for such pilots.

Our events aim to influence policy. Our July 2020 **Employment and Skills Convention** took place online for the first time. More than 1200 delegates heard from Andy Burnham, Mayor of Greater Manchester, Gillian Keegan MP, Skills Minister, and Mims Davies MP, Employment

Minister. Debate focused on the jobs and skills impacts of the pandemic, and future priorities for protecting jobs and household incomes. Our November 2020 **Wales Employability and Skills Convention** saw 160 attendees consider the employability challenges from the pandemic, including hearing from Ken Skates MS, the Minister for Economy and Transport. Our **Housing, Learning and Work** conference, held jointly with Communities that Work, attracted more than 360 delegates to hear from speakers including Welfare Delivery Minister Will Quince MP.

In addition, we responded to several inquiries and Government consultations. This included our chief executive giving evidence to the Lords Economic Affairs Committee on employment and coronavirus, and to the Work and Pensions Select Committee on the Government's Restart programme to help long-term unemployed people find work.

There is a growing trend toward local leadership of learning, skills and employment systems. We developed projections for how long-term unemployment may grow in different parts of the country following the crisis, gaining national media coverage and making recommendations for a partnership between national and local government to tackle this. We also worked with a number of housing associations to explore their role in improving employment and skills.

Our chief executive was a member of the Greater Manchester Employment and Skills Advisory Panel, and West Yorkshire Combined Authority Future Skills Commission. In addition, we undertook a range of work with a number of Local and Combined Authorities, including to explore their experiences of changing commissioning responsibilities and their roles in the jobs and skills recovery from coronavirus.

In Wales, we continued to work closely with the Welsh Government and partners to influence policy and practice. We continued to work with the Welsh Government with the development and implementation of the Personal Learning Account pilot, and supported them with the response to the challenge of youth unemployment during the pandemic. We continue to support the community learning sector through the Adult Learning Partnership and the English for Speakers of Other Languages (ESOL) sector through providing ongoing training and development opportunities for practitioners.

We inspired more adults to take up learning for life

The Festival of Learning in England and Adult Learners' Week in Wales have celebrated the best in adult learning and inspired people to learn for more than a quarter of a century, inspiring similar celebrations around the world.

In England, Festival of Learning sponsors include NOCN, Workers Education Association (WEA), City Lit, the Education and Training Foundation and Skills and Education Group, and we worked with organisations such as HOLEX, Association of Colleges, Association of Employment and Learning Providers (AELP), World Skills UK and Open University. Award winner announcements took place during our inaugural Lifelong Learning Week in November and the twelve winners and six finalists were selected from over 200 nominations. The awards ceremony livestream was viewed by over 1,400 individuals and our Twitter hashtag achieved 1.1 million impressions. Award winner stories received widespread sector and local press

coverage, including Tes, FE Week, FE News, Lancaster Guardian, Islington Gazette and Wiltshire Times. Our Lifelong Learning Week hashtag achieved over six million impressions.

In Wales, Adult Learners' Week co-created the largest bank of online learning resources working with 200 partners, including BT, the Open University in Wales, Wales TUC, Sport Wales and the network of community learning, further and higher education and training providers. Over 550 courses and resources were registered, combined with a week of live online events and taster sessions. More than 10,000 people took part in online courses and tasters, the Adult Learners' Week platform had 139,000 page views. Advertising for the campaign, supported by Welsh Government, generated over 15 million opportunities to see promotional messages. Alongside this, the Inspire! Awards were presented recognising the achievements of individuals and community projects.

We developed solutions to meet the big challenges

Here is a snapshot of our wide-ranging research and development work.

Improving outcomes for young people. Our **Youth Commission** looked at how to improve education and employment outcomes for 16-24 year olds in England. It published its final report making recommendations for delivering a new higher ambition for young people by 2030, following five analytical reports to understand the challenge and develop new ideas. We will continue to analyse life chances for young people, and work for improvements in policy and practice. This includes via a new data dashboard on our website.

Understanding what works. We published new analysis for the Social Mobility Commission, looking at the impact of training and adult learning on progression from low pay, including differences by group and type of learning, and made policy recommendations. Supported by Nesta, we published a toolkit for evaluating adult learning and career change programmes. We also explored how data driven information, advice and guidance could support people to navigate a changing labour market as part of the DfE sponsored CareerTech Challenge Prize.

Understanding adult participation in learning. Our long running survey identified significant interest in learning during lockdown, with people finding new ways to access learning including online. However, inequalities in participation in learning between demographic groups remain significant, meaning there is much more to do to ensure fair access to learning. The survey's findings on people's motivations for learning are helping to inform the development of policy, including the National Skills Fund in England and Personal Learning Account pilot in Wales.

Improving literacy, numeracy and life skills. Good English, maths and digital skills are crucial for: finding work; helping children at school; accessing public services; and learning through life. But nine million adults lack these skills and adult participation in learning is falling. Our annual English, Maths and ESOL conference, delivered online to 440 participants, featured a keynote by Skills Minister Gillian Keegan MP and highlighted the role of essential and life skills in recovering from the pandemic. Working with Learning Unlimited, we developed Volunteers, English Language Learners and Conversation Clubs, a substantial national resource commissioned by the Ministry of Housing, Communities and Local Government to support

delivery of informal English language provision. Over 300 participants attended the launch webinars, with over 4,500 unique views of the webpage. We also advised the Department for Education on the national standards for adult basic skills, the role of public services in referrals to adult basic skills provision, and providers' management of supply and demand for ESOL.

High quality, accessible apprenticeships and technical education. To work for employers and people, apprenticeships and technical education need to be high quality and accessible. We are working with SDN to deliver the Government's T level employer support programme, developing resources, case studies, events and one to one support for employers. We evaluated the Welsh Government's Traineeship programme and worked with the Department for Education in England to understand how progression from traineeships to apprenticeships could be improved and to inform policy. We researched how levy paying employers are using the apprenticeship levy, how apprenticeship progression can be supported, and the extent to which apprenticeships at Level 4 and above are supporting social mobility. We also evaluated the Department for Education's Opportunities Through Apprenticeships programme, which aimed to increase the supply and take up of high-value apprenticeships in disadvantaged areas.

Engaging adults in career learning. The pandemic has likely accelerated the need for people to change careers and update their skills more often. We announced a new flagship New Futures programme, funded by the Covid-19 Support Fund established by the insurance and long-term savings industry, to test ways of helping people reskill and change career. We also published the final report of our Cost and Outreach pilots, working with the Department for Education to test how to engage adults in learning in five Local Enterprise Partnership or Combined Authority areas in England.

Valuing lifelong learning. We continued to help influence a new policy commitment to develop a right to lifelong learning in Wales. This included a roundtable for the sector with partners from Europe to better understand international best practice to widening participation, as well as discussion at our March 2021 Adult Learners' Conference.

Improving skills and employment opportunities. Employment rate and skills profiles vary by group and area, with the pandemic intensifying many of these inequalities. We are evaluating the health-led employment trials for the Work and Health Unit, the Work and Health Accelerator Programme for the Health London Partnership, and Future Workforce Programme for the Prince's Trust. We also published evaluations of Crisis UK's Tackling Multiple Disadvantage programme and Commonweal Housing's Move On Up project.

Helping people on low pay to progress and build skills. Around five million people in Britain are low paid, relatively high by international standards despite the National Living Wage reducing the number of people in low pay. Our work focuses on how to support progression and good work. We analysed the impacts of training on progression from low pay, supported by the Social Mobility Commission. We completed an evaluation of Wakefield's Step-up progression pilot, informing the roll-out of a city-wide programme. We partnered with Carnegie Trust to explore the impact of increasing the minimum wage on workers, employers and the economy. Our Better Work Network – a policy and practice-based initiative dedicated to tackling low pay,

underemployment and job insecurity in London and across the UK – has over 460 members. It continued to share good practice and influence policy, and we published analysis on the impact of coronavirus on employment and job quality in London. We also held events on the challenges facing low paid workers in London and the role flexible work can play.

Ensuring everyone can get the help they need. We worked with the Department for Education to explore the impact of the National Minimum Wage on care leavers' access to apprenticeships, and, through our work on pre-apprenticeships, have raised awareness of the importance of high quality, targeted programmes that provide supported pathways to employment. There are over 300,000 young adult carers in England and Wales. They are five time more likely to drop out of college compared to their peers. Our Driving Change project is working directly with colleges across the UK to review and improve the support they have in place for young adult carers, so that they are enabled to achieve good outcomes.

Supporting under-represented groups. We have grown our ESOL Network in Wales by offering online development workshops during the pandemic and helping practitioners to come together with policymakers to understand the challenges facing the sector. We have supported the Welsh Government with their policy response to the challenge of tackling the skills and employment challenge of different minority ethnic communities.

International work. As UK National Coordinator for the European Agenda for Adult Learning we hosted Impact Forums in each of the UK nations, focusing on participation in learning and essential skills. In partnership with Belfast Learning City, the Northern Ireland Impact Forum published a report on adult learning, health and wellbeing. We continued to play an active role in the European Association for the Education of Adults and the European Basic Skills Network.

We increased the breadth and depth of our impact

We received around 2,100 pieces of media coverage in 2020-21, up 60% on the previous year. Our work on the impact of the pandemic has regularly featured in national and regional print and broadcast media, including Financial Times, The Mirror, Independent, The Times, LBC Radio, BBC Radio 4, BBC Wales, Evening Standard, Yorkshire Post and City AM. In addition, our work has been covered in sector press including FE Week, FE News, Tes and People Management.

Notable coverage included work on the impact of coronavirus on older people featured on BBC Breakfast and in the Telegraph; our work with Prince's Trust and HSBC on youth employment covered by Sky News, BBC News, Times Radio, Telegraph and BBC Radio 4; and our report on digital skills with World Skills UK and Ingenuity featured in BBC News and the Guardian. Our regular labour market analysis featured in national, regional and sector outlets including Personnel Today, Guardian, Telegraph, Daily Express, FE News and BBC Radio London.

Our new website launched in June 2020 with 280,803 page views in the year, including spikes around the adult participation in learning survey, Raymond Williams lecture, resources for English language learning and conversation clubs, and our reports on digital skills and youth employment. The number of followers for our @LearnWorkUK account rose 1,200 in the year, to 17,800. Our YouTube channels had 21,000 views with 43,600 minutes of footage viewed.

Report of the Trustees - continued

The Company Board who are the Directors of the Company and Trustees of the Charity present their report together with the audited financial statements for the year ended 31 March 2021. This report constitutes the Trustees' Annual Report for the purposes of charity law, and both the Directors' report and Strategic Report for the purposes of company law. The Strategic (Impact) Report is on pages 4-9.

Results

The statement of financial activities is set out on page 22 and shows the net movement in funds for the year.

Tax status

The Company is a registered charity, number 1002775, and is exempt from corporation tax and income tax to the extent that its income is applied to its charitable activities.

Our objectives

Learning and Work Institute is established for the advancement of all forms of adult education and the relief and prevention of unemployment and poverty.

Our vision

A prosperous and fair society in which learning and work provide opportunities for everyone to realise their potential and ambitions through life.

Our mission

- We are an independent research and development organisation dedicated to promoting lifelong learning, full employment and inclusion.
- We research what works, influence policy, develop new ways of thinking and help implement new approaches.
- Working with partners, we inspire people to learn and help transform people's experiences of learning and employment.
- What we do benefits individuals, families, communities and the wider economy.

Our values

Learning and Work Institute's work is informed by core values, notably:

- **Ambition:** the leading and powerful voice for the benefits of lifelong learning and economic inclusion;
- **Independence:** the highest standards and an unshakeable commitment to being open-minded, honest and fair;
- **Collaboration:** partnership and networking at the heart of what we do and how we operate;

- **Expertise:** evidence-based thinking delivering real-world change in learning, skills and employment.

Public benefit

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

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

Learning and Work Institute seeks to benefit all members of the public in England and Wales, with no exclusions. Its focus is on those adults who have benefited least from initial education and training. For further information please see the impact report on page 4.

Structure, governance & management

Constitution

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

Governance structure

The Company Board consists of a maximum of 10 members, including the L&W President as specified in the Articles of Association. The Board membership comprises:

- President.
- Chair of Company Board.
- Honorary Treasurer.
- Chair of Audit Committee.
- Chair of Learning and Work Institute Wales Strategy Group.
- Up to 5 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.

Currently the Company Board has nine members.

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 maintains a strategic overview of the work of the organisation and its annual work programme and is responsible for all National Learning and Work Institute 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.

However, the Company Board establishes as standing committees:

- The Audit Committee is responsible for advising the Board on the effectiveness of risk management, internal control and governance arrangements within the organisation.
- The Remuneration Committee oversees the principles and process of the remuneration relationship with staff and unions. It also oversees the process of determining annual awards. Remuneration of the CEO is also determined by the Remuneration Committee.
- Learning and Work Institute Wales Strategy Group is the Committee established to oversee all the Institute's operations in Wales and has devolved responsibility for Learning and Work Institute activities in Wales.

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 42 and 43.

The Chief Executive of L&W is appointed by the Company Board, which is responsible for all the arrangements relating to this appointment. The Chief Executive is the Company Secretary. It is the responsibility of the Chief Executive to carry forward the agreed policies and work programmes of L&W and to ensure continuity of action and policy between meetings of the governing bodies. The Chief Executive is the accounting officer of L&W 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.

The Haldane Trust

Two trustees of L&W are also the sole trustees of the Haldane Trust, created in 1934 to commemorate the work of Viscount Haldane of Cloan in connection with Adult Education. The Haldane Trust holds investments with a market value of £124,000 at 31 March 2021 (2020: £92,000). Due to the common control and materiality this year, the investments of the Haldane Trust have been consolidated into the L&W accounts. Further details are provided in note 21 to the financial statements.

Recruitment, induction and training of Trustees

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. Members can also nominate Trustees.

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

The members' handbook details the responsibilities of New Directors and Trustees are inducted and given the members' handbook detailing their responsibilities.

L&W hosts an annual residential meeting for Board Members to discuss strategy and various issues of policy and practice. Periodically governance is formally assessed for effectiveness and training requirements assessed as part of this process.

Financial review for the year ended 31 March 2021

Trustees are confident that L&W continues to operate on a going concern basis. The organisation is in control of its annual income and expenditure and enters 2021-22 having already secured a very significant proportion of the income required for the year ahead. Furthermore, resilience is derived from reserves held in the form of investments that have a current market value in excess of one year of income. Trustees note that following the outbreak of Covid 19 in March 2020 the organisation seamlessly switched to homeworking with negligible effect on operations and that this continued throughout 2020-21.

More generally, as for many organisations in the third sector during 2020-21, L&W continued to experience funding pressures. L&W increased income from non-government sources, but not enough to compensate for the reduction government commissioning observed this year. Focus continues to be placed on pipeline development to increase funding from sources other than government grants. L&W continues to have a positive impact and uses its funds carefully to deliver on all contracts and grant agreements.

Our major funders include the Department for Education who provide a core grant, part of which is used to fund the successful Festival of Learning in England. The Welsh Government provides ongoing funding under a grant arrangement, supporting a range of work as well as Adult Learners' Week activities in Wales. We are grateful to all our funders including but not limited to Blackstork, Carnegie Trust, Charities Aid Foundation, Central London Forward, Department of Work and Pensions the Education and Training Foundation, European Commission, EY Foundation, Gatsby, Greater London Authority, Guy's and St Thomas' Charity, Joseph Rowntree Foundation, JP Morgan, Local Government Association, Ministry of Defence, the Ministry of Housing Communities and Local Government, National Lottery Community Fund, Princes Trust, Trust for London and many others.

Year on year income increased by £825,000. Please note that this includes a £2,145,000 grant received from Charities Aid Foundation in February 2021 which under accounting regulations we are obliged to recognise in full in 2020-21 whilst nearly all the work and associated costs will be delivered over 2021-22 and 2022-23. This effectively overstates underlying financial performance in 2020-21 by £2,134,000 and will correspondingly understate 2021-22 and 2022-23 when the work is performed with no revenue remaining to recognise in these years.

L&W also raises income from conference activities and sponsorship. Any surplus generated from these and other sources is used to fund L&W's advocacy and information work and initiatives of importance to our strategic objectives and to strengthen the reserves as specified in the Reserves Policy. Expenditure supporting each activity is a combination of direct costs, salary costs for staff directly employed on that activity and support costs. Direct costs are incurred as part of contracts or are specific to an event or campaign.

Net income before changes in the valuation of the pensions scheme under FRS102 assumptions is £2,538,000. This includes the £2,134,000 grant income referred to above.

This year the pension scheme deficit as calculated under the requirements of FRS 102 worsened by £5,846,000 as a result of the assumptions used by the actuary. This includes a

notional interest charge on the FRS 102 calculated deficit. Last year the FRS102 calculation yielded an improvement of £2,095,000.

The FRS 102 adjustment leads to a net reduction in funds for the year of £3,309,000, last year this was a positive £800,000.

To understand the underlying performance and financial health of the organisation it is informative to consider the £3,309,000 deficit, remove the £2,134,000 CAF grant income recognised in advance of work being done, add back the FRS 102 adjustment £5,846,000 and add back the notional interest on the FRS 102 calculated deficit of £248,000. Making these adjustments demonstrates an underlying surplus of £651,000. The equivalent figure for the prior year was a deficit of £1,008,000.

Pension schemes

The organisation operates two main pension schemes, the Teachers' Pension scheme and the Local Government Pension Scheme (LGPS) which is administered by the Local Pensions Partnership (LPP),

The Teachers' Pension scheme is accounted for as a defined contribution scheme, as the organisation is unable to identify its share of the underlying assets and liabilities of the scheme. Only one employee was a member of the Teachers' Pension scheme and the employee retired in the year. Further details of this scheme appear in note 19b of the accounts.

The LGPS scheme is a funded multi-employer defined benefit pension scheme. The FRS 102 deficit is large in comparison to the size of the organisation due to significant downsizing in the recent past. The March 2021 FRS 102 calculation from the scheme's actuaries showed a deficit of £17,090,000 (2020 £10,751,000 deficit, 2019 £12,098,000 deficit).

Whilst asset values increased by over £4,203,000 in the year, this was not enough to offset the aggregate £10,542,000 adverse changes in assumptions underpinning the liability calculation. The FRS 102 calculation is sensitive to the discount rate used by the actuaries, in 2020 this was 2.00% (2020 2.35% 2019 2.4%). Note that a 0.1% decrease in the discount rate negatively impacts the liability by approximately £1m. This year, the actuary also assumed significant increases in pensions 2.85% (1.9% prior year) and significant increases in Salaries at 3.85% (2.9% prior year).

It should be noted that the scheme's administrator (LPP) performed a triennial valuation as at 31 March 2019. This was calculated using different methodology and assumptions to the FRS102 valuations. The triennial valuation is used by the LPP to set the contribution rates paid by the organisation for three years from 1 April 2020 to fund the pension scheme. The 2019 triennial valuation of the deficit was £1,231,000 with a 96% funding level (2016 £3,491,000 deficit, 86%).

In February 2017, the organisation provided the LPP with a first charge over investments capped at £1,000,000 and continues to work closely with the LPP in an open and collaborative manner to discuss future funding and financial management when appropriate.

Although the fund deficit poses a serious issue for L&W, the Trustees recognise that by L&W making additional contributions to the pension fund that the deficit should improve in the long term. However, the risk will be continually managed on a proactive basis in partnership with the LPP.

Reserves policy

The Trustees reviewed their desired reserves policy in December 2020. The overriding principle is that L&W should use its reserves to maintain financial stability of the organisation and meet the needs of the organisation's beneficiaries both current and future. Reserves are held for the following purposes:

- To cover statutory obligations and to wind up its own affairs in an orderly way;
- To cover any fixed expenditure commitments in the event of loss of income on a temporary basis and to provide the Company with time to plan its future strategy;

- To provide for the net costs of continued operations of projects and to fund initiatives of importance to adult learning which do not meet their costs;
- To meet any potential deficit in the pension scheme,
- To meet any permanent shortfall in the operational cash requirements of the charity;
- To meet the costs of planned major capital expenditure;
- All these calls on reserves are interrelated, so whilst reserves are ultimately held to cover statutory obligations they 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 targeted level of reserves is calculated as follows:

- To cover all statutory costs in the event of closure;
- To cover a 25% loss of income;
- To cover 6 months operational costs of continued operation;
- To cover the known capital expenditure costs for the next 6 months;
- To cover the pension costs using latest actuarial valuation.
- To cap reserves at the greater of one year's turnover or the FRS102 pension deficit.
- In the event that reserves, currently held as investments, should fall below £5m market value, then the Board will create and implement a strategy to return reserves to that level or above.

The reserves target range is between the lower cap of £5,000,000 and the upper cap of £17,090,000 being the FRS 102 pension deficit at March 2021. The deficit is large compared to the size of the organisation due to recent significant downsizing.

Organisation reserves at the end of March 2021 before the FRS 102 calculated pension liability were £9,065,000 (March 2020 £6,066,000). This is reduced by the FRS 102 calculated pension liability to a net balance sheet liability of £8,025,000 (March 2020 liability £4,685,000).

Whilst the organisation does not have sufficient reserves to meet its policy requirement, the Trustees note that the triennial valuation of the pension scheme deficit at 31 March 2019 was £1.2m and that the organisation holds investments with a market value of £6,972,000 at 31 March 2021. In conjunction with a viable three year plan the Trustees consider the organisation to be a going concern.

Investment policy

Investment performance is overseen by a nominated Trustee, the CEO and Director of Finance and Operations. Reviews are held with the Investment Managers and reports are made to the Board of Trustees. The Trustees have approved an Investment Policy that has the objective of increasing reserves towards and to meet the reserves policy. The Investment Policy was last reviewed in December 2020. The current investment approach is to achieve a target return in a well-diversified portfolio comprising the appropriate asset classes and individual investments for a UK charity, which are quoted on the most widely used stock exchanges and regulated markets. The risk profile is medium, which will allow for a significant exposure to global equities

along with other diversifying investments, such as bonds, that will be held within a balanced portfolio. The objective is to increase the value of the portfolio by targeting total nominal return of 5-6% over the longer term of 5-10 years predicated on a range on inflation between 2-4%.

Risk management

The Trustees have overall responsibility for ensuring that the organisation has an appropriate system of controls to manage risk and safeguard its assets. A risk management framework and process is in place to assess business risks and implement risk management strategies. This involves identifying the types of risks the organisation 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 at each of their meetings. Any risks that could have a significant impact on the organisation's success in achieving its objectives are considered by the Trustees.

The strategic risk register includes a clear articulation of the specific actions that will be undertaken to mitigate risk. The major risks and mitigations are summarised as follows:

Risk	Mitigation
Failure to influence the policy changes we want to see.	Maintenance of strong relationships with officials. Controls on external communication. Strategic plan to sets clear priorities.
Failure to influence the changes in practice we advocate	Use of Evidence to support our work. Strategic plan and key strategic relationships underpin our credibility.
Failure to secure adequate Income	Strategic plan underpinned by funding plans which are regularly reviewed.
Cashflow – inability to pay staff and suppliers on time	Regular cashflow reviews by management and Board. Ability to call on £5m+ of investments immediately.
Failure to service pension scheme	Three year agreement in place with the Scheme's Administrator
Governance and Systems are not robust	Independent internal audit opinion is positive
Insufficient capacity and capability to deliver funder contracts	Mechanisms to monitor capacity in place. Engaged staff.

RSM are appointed as internal auditors, they advise on risk management, adequacy of internal control and governance arrangements. 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.

During the year the organisation has dealt with uncertainty arising from COVID 19 and internally seamlessly transitioned to homeworking without issue. The Trustees consider that through ongoing consideration of risks and mitigating actions and the level of the organisation's reserves it is appropriate to adopt the going concern bases for these accounts.

Financial risk

L&W 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 from any potential shortfall in funding. The organisation has a strategic plan which is underpinned by programmes of work. These in turn are underpinned by a funding plan. Funding is reviewed every month by the Management team of L&W and on a quarterly basis by the Trustees. A significant proportion of funding required for the year ahead has already been secured. As mentioned earlier in this report, further comfort is derived from having investments valued at broadly a year's worth of income.

Grant making

Occasionally L&W manages and distributes grants on behalf of other agencies and government departments. L&W may distribute 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 L&W and payment to the grant recipients are recognised in the accounts at the time of entitlement. The reader will have already noted in the financial review on pages 12-13 the impact of the £2.145m grant received in February 2021 from the Charities Aid Foundation which is recognised in full in the accounts to the year 31 March 2021 despite the delivery of the project materially occurring during the years to 31 March 2022 and 31 March 2023.

Remuneration policy

Sets out the principles and process of the remuneration relationship with staff and unions. It also includes the process of determining annual awards. Remuneration of the CEO and his direct reports are also determined by the Remuneration Committee who make an objective assessment of the appropriate level considering factors such as the market, needs of the organisation and comparable benchmarks. This was fully reviewed in 2017/18 in consultation with staff and recognised unions and further refined in 2018/19 then reviewed again each year in September. L&W seeks to offer a competitive salary and benefits package to attract and retain quality staff in the context of:

- Affordability
- Equality – no discrimination
- Simplicity and ease of understanding and application by everyone in the organisation
- Committing to pay at least the living wage to all staff.

Disability policy

L&W promotes Inclusion, Equality and Diversity throughout its work and this commitment underpins the organisation's staffing policies and recruitment and selection processes. This is articulated through L&W's People Strategy.

L&W has processes in place to support staff with disclosed disabilities; including for example making reasonable adjustments to the workplace and taking advice and guidance from Access to Work. We also work closely with staff to review working patterns and ways of working.

Staff training and continuous professional development

L&W's staff development plan is part of our wider commitment to continuous quality improvement. The plan is based on input from our personal development review process and an organisational skill needs analysis. Learning and development starts with the induction process and continues throughout the lifecycle through role specific development, individual career paths and any other development in pursuit of our strategic aims. During the year a range of formal and informal learning took place. Within our performance review process, objectives are cascaded from the strategic plan to all staff ensuring everybody understands how their role contributes to L&W's strategic aims.

Sharing information with employees

L&W has several mechanisms to inform and consult with staff on matters of significance.

- The Chief Executive holds monthly briefing sessions for all staff.
- The Senior Management Team meets on a fortnightly basis and then cascades information and holds discussions with departmental teams.
- A Staff Reference Group meets periodically with a member of the Senior Management Team to discuss matters of significant change or importance. The responsibility of the members of the Staff Reference Group members are responsible for seeking staff ideas and opinions to present at meetings and to feedback from meetings
- Matters of major change such as Appraisal, Remuneration and other HR Policy changes and restructuring are discussed with staff and unions.
- L&W staff periodically hold several different peer group meetings
- Policies and procedures are available to all staff.
- Information is shared with staff at away days.

Trustees' responsibilities for the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the organisation and of the profit or loss of the organisation for that period. In preparing these financial statements, the directors are required to:

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

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

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

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.

Trustees' liability insurance

L&W maintained Trustees liability insurance during the year.

Creditor payment policy and practice

It is the policy of L&W 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 at the end of the year were £189,000 equating to 18 creditor days (2020 £564,000 and 34 days)

Auditors

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

Future plans

L&W's strategic plan 2021-24 is available at www.learningandwork.org.uk. L&W seek a prosperous and fair society in which learning and work provide opportunities for everyone to realise their potential and ambitions throughout life. To progress this, L&W will prioritise work in the areas of lifelong learning, employment and social security, essential and life skills, good work and progression, apprenticeships and technical education, social justice and inclusion. Trustees consider the combination of the strategic plan, careful financial and operational management and reserves will ensure any challenges from Covid 19 or otherwise will be overcome. This report which includes the Strategic Report required by company law, has been approved by the Board both as company directors and charity Trustees.

ON BEHALF OF THE TRUSTEES

Maggie Galliers
Chair of Company Board
8th July 2021



Stephen Evans
Company Secretary
8th July 2021



Independent auditor's report to the members of National Learning and Work Institute

Opinion

We have audited the financial statements of National Learning and Work Institute for the year-ended 31 March 2021 which comprise the Consolidated Statement of Financial Activities, the Consolidated and Organisation Balance Sheets, the Consolidated Statement of Cash Flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent charitable company's affairs as at 31 March 2021 and of the group's net movement in funds, including the income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the Trustees' and Impact Reports. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustee and Strategic Report (which includes the strategic report and the directors' report prepared for the purposes of company law) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report included within the Trustees and Strategic Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustee and Strategic Report (which incorporates the strategic report and the directors' report prepared for the purpose of company law).

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

- adequate accounting records have not been kept by the parent charitable company; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees for the financial statements

As explained more fully in the trustees' responsibilities statement set out on pages 19-20, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group's and the parent charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the group or the parent charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the group/charitable company and the environment in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to registered charities, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and the Charities Act 2011, and other factors such as income tax, payroll tax and sales tax.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to areas of estimation uncertainty and to manual accounting journals. Audit procedures performed by the engagement team included:

- Inspecting correspondence with regulators and tax authorities;
- Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluating management's controls designed to prevent and detect irregularities;
- Identifying and testing journals, in particular journal entries posted with unusual account combinations, postings by unusual users or with unusual descriptions; and
- Challenging assumptions and judgements made by management in their critical accounting estimates.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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



Richard Weaver (Senior Statutory Auditor)
For and on behalf of Haysmacintyre LLP, Statutory Auditor

10 Queen Street Place
London
EC4R 1AG

Date: 17 September 2021

Consolidated statement of financial activities (incorporating the income and expenditure account)

	Note	Unrestricted funds £'000	Restricted funds £'000	Endowed funds £'000	2021 Total funds £'000	2020 Total Funds £'000
Income						
Investment income	2	132	-	2	134	182
Income from charitable activities – from core projects	3	1,851	3,501	-	5,352	4,379
Income from other charitable activities	4	6	-		6	107
Total income		1,989	3,501	2	5,492	4,668
Expenditure						
Cost of raising investment funds	5	36	-	-	36	375
Cost of core charitable activities	5	2,987	1,296	-	4,283	5,145
Cost of other charitable activities	5	151	-	-	151	160
Total expenditure		3,174	1,296	-	4,470	5,342
Net income (expenditure) before gains on investment assets		(1,185)	2,205	2	1,022	(674)
Realised and unrealised gains / (losses)		1,485	-	30	1,515	(621)
Net income (expenditure)		300	2,205	32	2,537	(1,295)
Change in financial assumptions on defined benefit pension scheme		(5,846)	-	-	(5,846)	2,095
Net movement in funds for the year		(5,546)	2,205	32	(3,309)	800
Reconciliation of funds						
Total funds brought forward as restated		(4,685)	-	92	(4,593)	(5,393)
Total funds carried forward		(10,231)	2,205	124	(7,902)	(4,593)

All activities are continuing and are in furtherance of the objectives of the organisation. The net income for the purposes of the Companies Act was £2,505,000 (2020: £1,295,000 net expenditure).

Balance sheets

	Note	Organisation		Group	
		2021 £'000	2020 £'000	2021 £'000	2020 £'000
Fixed assets					
Tangible assets	10	30	68	30	68
Investments	11	6,972	5,392	7,096	5,484
Total fixed assets		7,002	5,460	7,126	5,552
Current assets					
Debtors	12	830	1,301	830	1,301
Cash at bank and in hand		2,800	1,217	2,800	1,217
Total current assets		3,630	2,518	3,630	2,518
Creditors falling due within one year	13	1,547	1,880	1,547	1,880
Net current assets		2,083	638	2,083	638
Total assets less current liabilities		9,085	6,098	9,209	6,190
Creditors falling due after more than one year	15	21	32	21	32
Net assets excluding pension liabilities		9,064	6,066	9,188	6,158
Defined benefit pension scheme liability	19	(17,090)	(10,751)	(17,090)	(10,751)
Net assets including pension liability		(8,026)	(4,685)	(7,902)	(4,593)
The funds of the charity					
Unrestricted funds excluding pension liability		6,859	6,066	6,859	6,066
Pension reserve	16	(17,090)	(10,751)	(17,090)	(10,751)
Restricted funds		2,205	-	2,205	-
Haldane Trust endowment	21	-	-	124	92
Total charity funds		(8,026)	(4,685)	(7,902)	(4,593)

The financial statements were approved and authorised for issue by the Board of Trustees on 8 July 2021

Maggie Galliers
Trustee



Tim Render
Trustee



Consolidated cash flow statement

	Note	2021 £'000	2020 £'000
Cash used in operating activities	18	1,387	(688)
Cash flows from investing activities			
Interest and dividend income		134	182
Sales of investments		945	1,097
Purchase of investments		(867)	(1,304)
Purchase of tangible fixed assets		(16)	(13)
Cash provided by (used in) investing activities		196	(38)
Cash flows from financing activities			
Repayment of borrowing		-	-
Cash used in financing activities		-	-
Increase (decrease) in cash in the year		1,583	(726)
Cash at the beginning of the year		1,217	1,943
Total cash at the end of the year		<u>2,800</u>	<u>1,217</u>

The accompanying accounting policies and notes form an integral part of these financial statements. The company had no borrowing; therefore no statement of net debt is shown.

Notes to the financial statements

1 Accounting policies

L&W is a Private company by guarantee incorporated in England and Wales with the registered office detailed on Page 42. It is a public benefit entity as defined by FRS 102. The principal accounting policies adopted in the preparation of the financial statements are as follows;

a) Basis of preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK (FRS102) (effective 1 January 2019) -(Charities SORP(FRS102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) and the Companies Act 2006. The financial statements are prepared in thousands of pounds (£'000s).

b) Basis of consolidation

In 2021 the trustees reviewed the accounting treatment in respect the Haldane Trust, a charity controlled by L&W. On the basis that the Haldane Trust is now material, they have elected for it to be consolidated into L&W's financial statements on a line-by-line basis. The comparative figures have been adjusted.

c) Preparation of the accounts on a going concern basis

Trustees have reviewed the forecast results, cashflow and reserves for the foreseeable future and a minimum period of twelve months from the approval of the financial statements as well as future potential effects of COVID 19 and any likely reduction in Government funding. Trustees are confident L&W will continue and there is no material uncertainty over its ability to operate as a going concern.

d) Estimates and judgements

The financial statements include estimates and judgements which are susceptible to change in subsequent periods. The defined benefit pension scheme liability is calculated by the scheme's actuary and based on the assumptions set out in note 19. Dilapidation liabilities are estimated for leasehold properties and based on the expected cost of fulfilling L&W's obligation under the leases. The actual amounts payable may vary from the amounts calculated with landlords

e) Income and expenditure account

The Statement of Financial Activities on page 23 discloses the information required within the Income and Expenditure account and as such no separate Income and Expenditure account has been prepared.

f) Income

The recognition of income as receivable varies according to the nature of the income. 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. Donations and general grants are credited to the Statement of Financial Activities as they become due. For grants which are not specifically performance-related income is recognised once NLWI is entitled to the funds, receipt is considered probable, and the amount can be reliably measure. Unspent amounts related to such grants are carried forward as funds. Attention is drawn to the CAF grant of £2.145m received in February 2021, recognised in full in the year to 31 March

2021, but where nearly all of the work will be done in the years to 31 March 2022 and 2023. Accordingly, the SOFA shows a large surplus in the year to 31 March 2021 but will be followed by two years of large deficits.

g) Expenditure

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. Expenditure is classified under the following activity headings:

- Costs of raising funds comprise the management costs incurred by professional advisors in the management of the organisation's investments.
- Expenditure on the charitable activities in furtherance of the organisation's objectives and any associated support costs.
- Costs of carrying out other trading activities namely the provision of publications and conference and event activities
- Other expenditure representing those items not falling into any other heading.

h) Allocation of support costs

Support costs are those functions that assist the work of the organisation but do not directly undertake charitable activities. Support costs include back office costs, finance, human resources, payroll and governance costs which all support the charitable objectives. The bases on which support costs have been allocated are set out in note 6.

i) Operating leases

The organisation classifies the lease of printing equipment as operating leases. The title to the equipment remains with the lessor and the equipment is replaced every 3-5 years. The organisation also has leases for the office buildings from which it operates. Rentals payable under operating leases are charged as an expense on a straight line basis over the term of the lease.

j) 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.

k) Tangible fixed assets

Individual fixed assets costing more than £1,000 are capitalised at cost and are depreciated over the estimated useful economic life on a straight line basis as follows;

Tangible fixed assets are stated at cost net of depreciation.

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

l) Creditors

Creditors are recognised where the organisation has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amounts due to settle the obligation can be measured or estimated reliably. Creditors are normally recognised at their settlement amount after allowing for any trade discounts due.

m) Provisions

An assessment of dilapidations liabilities is made for leasehold properties. The provision is based on an assessment of the nature of each lease, risk of materialisation and size of each property.

n) 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.

o) Pension costs

Employees are automatically enrolled into the Local Government Pension Scheme (LGPS) administered by the Local Pensions Partnership (LPP) scheme formerly known as the London Pension Funds Authority (LPFA). This is funded by contributions from employee and employer.

For the year ended 31 March 2021, all but one of the employees were in the LGPS scheme, the other is in the Teachers Pension Scheme.

The LGPS scheme administered by the LPP is a multi-employer defined benefit scheme administered for the benefit of local authorities and other bodies and is managed in accordance with the Local Government Pension Scheme Regulations 1997 (as amended).

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 organisation. The assumptions made by the actuary have a material effect on the net liability, these are disclosed in note 19.

2. Investment income

The income derived from dividends and interest received from the charity's investments held and managed in the UK, and interest arising from money held in interest bearing accounts.

	2021 Total £'000	2020 Total £'000
Dividends	99	149
Interest on investments	33	24
Interest on Bank accounts	2	9
Total Investment Income	134	182

3. Income from charitable activities – core projects

	Contract & sales 2021 £'000	Recurrent grant 2021 £'000	Total 2021 £'000
L&W Wales	32	515	547
Research and development	3,409	1,164	4,573
Campaigns, promotions and advocacy	6	226	232
Total charitable activities income	3,447	1,905	5,352

	Unrestricted 2021 £'000	Restricted 2021 £'000	Total 2021 £'000
L&W Wales	547	-	547
Research and development	1,298	3,248	4,546
Campaigns, promotions and advocacy	6	253	259
Total charitable activities income	1,851	3,501	5,352

	Contract & sales 2020 £'000	Recurrent grant 2020 £'000	Total 2020 £'000
L&W Wales	19	501	520
Research and development	1,662	1,862	3,524
Campaigns, promotions and advocacy	-	335	335
Total charitable activities income	1,681	2,698	4,379

	Unrestricted 2020 £'000	Restricted 2020 £'000	Total 2020 £'000
L&W Wales	520	-	520
Research and development	1,668	1,856	3,524
Campaigns, promotions and advocacy	75	260	335
Total charitable activities income	2,263	2,116	4,379

Income analysed by funding source

	Total 2021 £'000	Total 2020 £'000
Departments for Education	1,031	1,900
The Skills Funding Agency	0	-
Welsh Government	547	553
Department of Work and Pensions	69	113
Ministry of Defence	58	97
Other Government	72	505
European Funding	217	319
Public sector	346	233
Charitable trusts	2,610	158
Other project funding	402	501
	5,352	4,379

4. Income from other charitable activities

	2021 Total £'000	2020 Total £'000
Conference and events income	0	103
Other income	6	4
Total income from other charitable activities	6	107

5. Analysis of total expenditure

	L&W Wales 2021 £'000	Research & Dev 2021 £'000	Campaigns 2021 £'000	Total 2021 £'000
Direct project costs	80	705	70	855
Direct salary costs associated with projects	441	1,761	168	2,370
Allocation of support costs	115	749	68	932
Allocation of governance costs	16	101	9	126
Total costs of core charitable activities	652	3,316	315	4,283
Other charitable activity direct costs				52
Other charitable activity direct salary costs				66
Allocation of support costs				29
Allocation of governance costs				4
Total costs of other charitable activities				151
Investment management fees				36

	L&W Wales 2020 £'000	Research & Dev 2020 £'000	Campaigns 2020 £'000	Total 2020 £'000
Direct project costs	141	1,134	95	1,370
Direct salary costs associated with projects	339	2,055	171	2,565
Allocation of support costs	131	851	76	1,058
Allocation of governance costs	19	122	11	152
Total costs of core charitable activities	630	4,162	353	5,145
Other charitable activity direct costs				46
Other charitable activity direct salary costs				76
Allocation of support costs				33
Allocation of governance costs				5
Total costs of other charitable activities				160
Investment management fees				37

6. Analysis of support and governance costs

	2021 Total £'000	2020 Total £'000
Support costs		
FRS 102 Cost of Defined Benefit Pension Scheme	80	118
Support Staff Salaries	406	378
Additional Defined Benefit Pension contributi	13	17
Accommodation	220	254
Computer	62	86
Depreciation	54	51
HR Costs	66	50
Travel	3	66
Policy and publicity	9	10
Telephone	34	34
Printing and stationery	13	22
Finance costs Recoverable VAT	0	5
Total support costs	961	1,091
Governance costs		
Salaries and FRS102 Cost of Defined Benefit Pension Scheme	75	99
Audit services	40	46
Legal and insurances	15	8
Meeting costs	0	4
Total governance costs	130	157

Notes on basis of allocation

Support and governance cost are identified and then allocated on income earned. Cost of the defined benefit pension scheme shown above is an allocation of the total charge shown in note 19, based upon the cost of support staff as a proportion of all staff.

7. Net expenditure for the year

This is stated after charging:	2021 £'000	2020 £'000
Operating leases		
Land and buildings	115	133
Others	6	2
Depreciation	53	51
Auditors remuneration		
External audit fees	24	25
Services provided by internal auditors	18	24
Trustee's indemnity insurance	10	9

8. Analysis of staff costs, trustee expenses and the cost of key management personnel

	2021 £'000	2020 £'000
Salaries and wages	1,876	1,963
Social security costs	195	200
Pension costs		
Employer contributions paid	396	329
Addition Defined Benefit Pension Scheme Charges	494	748
Teachers' Pension scheme	11	13
	<u>2,972</u>	<u>3,253</u>

Not included in the above are termination costs of £122,044 (2020: nil)

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

	2021 Number	2020 Number
£ 60,001 - £ 70,000	2	3
£ 80,001 - £ 90,000	1	1
£100,001 - £110,000	1	1
	<u>4</u>	<u>5</u>

Pension contributions in respect of the above employees were £67,816 (2020: £49,202)

The key management personnel of the organisation comprise the trustees, the Chief Executive Officer and the Senior Management Team. The organisation Trustees were not paid any remuneration for their services. Three Trustees were reimbursed expenses for travel and subsistence of £nil (2020: 3 Trustees - £1,019). The total employment benefits for the senior management team, including the CEO, was £553,641 (2020: £651,935).

9. Staff numbers

The average annual headcount of employees, employed by L&W during the year:

	2021	2020
Employees	<u>50</u>	<u>51</u>

L&W has a number of part-time employees. The average number of full-time equivalents employed during the year was as follows:

	2021	2020
Employees – full time equivalents	<u>48</u>	<u>49</u>

10. Tangible fixed assets – Group and organisation

	Computer equipment £'000	Office equipment £'000	Total £'000
Cost			
At 1 April 2020	231	55	286
Additions	16	0	16
At 31 March 2021	247	55	302
Depreciation			
At 1 April 2020	164	54	218
Charge for the year	51	1	52
At 31 March 2021	215	55	270
Net book value At 31 March 2021	30	-	30
At 31 March 2020	67	1	68

All tangible fixed assets are held by the parent charitable company.

11. Investments

	£'000 Group
At 1 April 2020	5,484
Additions at cost	867
Disposal at proceeds	(945)
Realised and unrealised gains	1,515
Movement in cash	173
At 31 March 2021	7,094

The fixed asset investments were held as follows

	2021 £'000	2020 £'000
Listed stocks and shares	6,857	5,420
Cash	234	64
Market value at 31 March	7,094	5,484

All investments are held and managed in the UK. The book cost of listed stock and shares was £5,582,064 (2020 £5,385,751).

The group investments include the Haldane Trust portfolio valued at £124,000 at 31 March 2021 (2020: £92,000). The organisation only investments were valued at £6,970,000 at 31 March 2021 (2020: £5,392,000)

12. Debtors – group and organisation

	2021 £'000	2020 £'000
Trade debtors	510	1,130
Prepayments and accrued income	320	170
Other debtors	0	1
	<u>830</u>	<u>1,301</u>

13. Creditors: amounts falling due within one year - group and organisation

	2021 £'000	2020 £'000
Trade creditors	189	564
Other creditors	97	8
Tax and social security	131	176
Accruals	25	60
Deferred income (see note 14)	937	914
Provision for costs of relocation on new premises	166	158
	<u>1,547</u>	<u>1,880</u>

14. Deferred income

	Balance at 1 April 2020 £'000	Movement In year £'000	Balance at 31 March 2021 £'000
Restricted funds charitable activities	456	(35)	421
Unrestricted funds charitable activities	454	27	481
Unrestricted funds other trading activities	4	31	35
	<u>914</u>	<u>23</u>	<u>937</u>

The increase in deferred income of £23,000 is made up of amounts released of £914,000 and new deferrals of £937,000. The deferrals arise from contractual or output-related funding received in advance of the related work being undertaken.

15. Creditors: amounts falling due after more than one year

	2021 £'000	2020 £'000
Provision for costs of relocation on leased premises	<u>21</u>	<u>32</u>

16. Analysis of charitable funds

Analysis of movement in restricted funds

	Restricted funds Group and organisation £'000
At 1 April 2020	-
Income	3,501
Expenditure	(1,296)
At 31 March 2021	<u>2,205</u>

L&W gratefully acknowledge the following restricted grant income recovered and receivable (group and organisation).

Funder and project details	Income	Expenditure	Surplus / (deficit)	Transfer from/(to) unrestricted funds
	2021	2021	2021	2021
	£'000	£'000	£'000	£'000
DFE	775	704	71	-
Core funding for agreed projects				
DFE	253	253	-	-
Festival of Learning England				
DFE – specific projects	0	0	-	-
agreed, incremental to core funding				
European Programmes	217	217	-	-
Various				
Charitable Trusts				
Charities Aid Foundation	2,145	11	2,134	
ETF	17	17		
The National Lottery	94	94	-	-
Community Fund				
Other consultancy/research				
Various	0	0	-	-
	<u>3,501</u>	<u>1,296</u>	<u>2,205</u>	<u>-</u>

In addition, there was £2,000 (2020: £nil) of income in the year related to the Haldane endowment fund.

2020 comparative

Funder and project details	Income	Expenditure	Surplus / (deficit)	Transfer from/(to) unrestricted funds
	2020	2020	2020	2020
	£'000	£'000	£'000	£'000
DFE	1,047	1,047	-	-
core funding for agreed projects				
DFE	260	260	-	-
Festival of Learning England				
DFE – specific projects agreed, incremental to core funding	423	423	-	-
 European Programmes				
Various	320	320	-	-
 Charitable Trusts				
Bell Foundation	2	2	-	-
ETF	54	54	-	-
 Other consultancy/research				
Various	10	10	-	-
	<u>2,116</u>	<u>2,116</u>	<u>-</u>	<u>-</u>

17. Analysis of net assets between funds

	Restricted funds 2021 £'000	Unrestricted funds 2021 £'000	Endowment Funds 2021 £'000	Total funds 2021 £'000
Fund balances at 31 March 2021 are represented				
Tangible fixed assets	-	30	-	30
Investments	-	6,972	124	7,096
Cash at bank	2,505	295	-	2,800
Current assets	(371)	1,120	-	749
Current liabilities	-	(1,466)	-	(1,466)
Creditors of more than one year	-	(21)	-	(21)
Defined benefit pension scheme liability	-	(17,090)	-	(17,090)
Total net assets	<u>2,134</u>	<u>(10,159)</u>	<u>124</u>	<u>(7,902)</u>

	Restricted Funds 2020 £'000	Unrestricted Funds 2020 £'000	Endowment Funds 2020 £'000	Total Funds 2020 £'000
Fund balances at 31 March 2020 are represented				
Tangible fixed assets	-	68	-	68
Investments	-	5,392	92	5,484
Cash at bank	456	761	-	1,217
Current assets	(456)	1,757	-	1,301
Current liabilities	-	(1,880)	-	(1,880)
Creditors of more than one year	-	(32)	-	(32)
Defined benefit pension scheme liability	-	(10,751)	-	(10,751)
Total net assets	-	(4,685)	92	(4,593)

18. **Reconciliation of net movements in funds to net cash flow from operating activities**

	2021 £'000	2020 £'000
Net movement in funds	(3,309)	800
FRS 102 Non cash adjustment	6,339	(1,347)
Add back depreciation charge	52	51
Deduct interest income shown in investing activities	(134)	(182)
Decrease (increase) in debtors	471	(332)
Increase (decrease) in creditors	(333)	(417)
Increase (decrease) in creditor long term	(11)	32
Investments (gains)	(1,515)	614
Movement in investment cash	(173)	93
Net cash used in operating activities	1,387	(688)

19. Pension costs

The organisation contributes to two defined benefit pension schemes, the Local Government Pension Scheme (LGPS) administered by the Local Pensions Partnership 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. For the year to March 2021 all employees but one were in the LGPS scheme and one employee was in the Teachers' scheme.

(a) The LGPS scheme

Although this is a multi-employer scheme the actuaries have advised the Trustees that they are able to identify L&W's share of the scheme's underlying assets and liabilities. The valuation of the fund has been calculated in accordance with FRS102 by the actuary appointed by the scheme's administrator using their standard assumptions as follows:

	31	31
	March	March
	2021	2020
RPI Rate of inflation	3.2%	2.7%
Rate of increase in pensions and CPI rate of inflation	2.85%	1.9%
Rate of increase in salaries	3.85%	2.9%
Rate used to discount scheme liabilities	2.0%	2.4%

To assess the value of the Employer's liabilities at 31 March 2021, the actuaries have rolled forward the value of the liabilities calculated for the funding valuation as at 31 March 2019, using financial assumptions that comply with FRS102.

To calculate the asset share the actuaries have rolled forward the assets allocated to the Employer at 31 March 2019 allowing for investment returns (estimated where necessary), contributions paid into, and estimated benefits paid from, the Fund by and in respect of the Employer and its employees.

The actuaries adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2019. The post retirement mortality tables have been constructed based on Club Vita analysis. These base tables are then projected using the CMI 2020 Model, allowing for a long-term rate of improvement of 1.25% p.a., smoothing parameter of 7.0, an additional parameter of 0.5% and a 2020 weighting of 25%.

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

	31 March 2021 £'000	31 March 2020 £'000
Fair value of employer assets:		
Equities	16,525	14,198
LDI/Cashflow matching	0	0
Target return funds/Bonds	7,159	6,389
Infrastructure	2,578	1,840
Commodities	0	0
Property	2,768	2,394
Cash	1,386	1,392
Total	30,416	26,213
Present value of funded liabilities	(47,506)	(36,964)
Net pension liability	(17,090)	(10,751)

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

	2021 £'000	2020 £'000
Opening defined benefit obligation	36,964	40,312
Current service cost	597	638
Interest cost	859	958
Contributions paid by members	132	127
Changes in financial assumptions	10,820	(3,740)
Changes in demographic assumption	(387)	(138)
Estimated benefits paid net of transfers in	(919)	(939)
Experience loss / (gain) on defined benefit obligation	(560)	(370)
Past service costs incl. curtailments – Mcloud/Sergeant judgements	0	116
Closing defined benefit obligation	47,506	36,964

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

	2021 £'000	2020 £'000
Opening fair value of employer assets	26,213	28,214
Interest on assets	611	671
Return on assets less interest	4,027	(1,302)
Other actuarial gains/(losses)	0	(844)
Administration expenses	(34)	(37)
Contributions paid by members	132	127
Contributions paid by the employer	386	323
Estimated benefits paid	(919)	(939)
Closing fair value of employer assets	30,416	26,213

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

	2021	2020
	£'000	£'000
Administration expenses	34	37
Current service cost	597	754
Net interest on the defined liability (asset)	248	287
	879	1,078

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

	2021	2020
	£'000	£'000
Fair value of employer assets	30,416	26,213
Present value of defined benefit obligation	(47,506)	(36,964)
Surplus/(deficit)	(17,090)	(10,751)
Return on fund assets in excess of interest	4,207	(1,302)
Change in financial assumptions	(10,820)	3,740
Remeasurement of the net assets/(defined liability)	(5,846)	2,102

(b) 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 FRS102 (Retirement Benefits), the scheme is a multi-employer pension scheme. The organisation is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the organisation has accounted for its contribution as if it were a defined contribution scheme.

20. Commitments

Operating lease payments amounted to £114,500 during 2020/21. The leases to which these amounts relate expire as follows:

	2021		2020	
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
Operating leases which expire in:				
Less than one year	33	2	96	2
One to five years	264	3	369	1
Total	297	6	465	3

21. Connected charities and related parties

Two trustees of L&W are also the sole trustees of the Haldane Trust, created in 1934 to commemorate the work of Viscount Haldane of Cloan in connection with Adult Education. The Haldane Trust holds investments with a market value of £124,000 at 31 March 2021 (£92,000 as at 31 March 2020). Due to the common control and materiality this year, the investments of the Haldane Trust have been consolidated into the L&W accounts. The Haldane Trust has not been consolidated in prior years as it was immaterial

The Statement of Financial Activities shown on page 23 is now prepared on a group basis rather than an organisation basis. The group statement differs from the organisation only statement disclosed in the 2020 accounts as follows: increase in endowment fund brought forward at 1 April 2010 £99,000; increase in investment losses £7,000; and therefore increase in funds at 31 March 2020 £92,000.

22. Trustees and other bodies

Certain trustees of L&W can be trustees of other bodies who may in turn provide funding to L&W. Trustees declare their interests in line with the policies of L&W and the funding bodies and do not participate in decisions affecting L&W. There were no other connected charities and related parties during the year to 31 March 2021 or the year to 31 March 2020. There were no related party transactions requiring disclosure in either year.

23. Financial derivatives

There were no financial derivatives at 31 March 2021 or 31 March 2020

Legal and administrative details

Company registration number: 2603322

Charity registration number: 1002775

Registered office: 4th Floor Arnhem House
31 Waterloo Way
Leicester
LE1 6LP

Patron: HRH The Princess Royal

**Chief Executive and
Company Secretary:** Stephen Evans

Trustees: Nick Stuart (President)
Margaret Galliers (Chair)
Jeffrey Greenidge
Mike Langhorn
Haf Merrifield
Jeremy Moore
Ruth Spellman
Timothy Render
Charlotte Bosworth

Committees

Learning and Work has established two Committees and a Strategy Group. The members during the relevant period are as follows:

Audit Committee

Mike Langhorn (Chair)
Jeff Greenidge
Jamie Hutchinson
Andrew Weatherill
Ruth Spellman
Paul Greening

Learning and Work Institute Wales Strategy Group

Jeff Greenidge (Chair)
Rachel Bowen
Lynette Thomas
Joshua Miles
Alan Felstead
Deri Bevan
Margaret Phelan

Cath Hicks
Michelle Matheron
Jeff Protheroe
Phil Southard
Catherine Jenkins
Katy Stevenson
Amanda Wilkinson

Remuneration Committee

Maggie Galliers
Timothy Render
Nick Stuart

Senior Management:

Stephen Evans – Chief Executive
Fiona Aldridge – Director of Policy & Research
Robert Gill – Director of Finance & Operations

Solicitors:

Shakespeare Martineau
Two Colton Square
Leicester, LE1 1QH

External auditor and accountants

Haysmacintyre LLP
10 Queen Street Place
London, EC4R 1AG

Internal auditor:

RSM
The Poynt
45 Wollaton Street
Nottingham, NG1 5FW

Bankers:

Bank of Scotland
8 Humberstone Gate
Leicester, LE1 3PH

Investment advisors:

Brewin Dolphin
9 Colmore Row
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B3 2BJ