

**NATIONAL COUNCIL FOR EDUCATION AND TRAINING FOR WALES**

**Council's report and consolidated financial statements**

**31 March 2004**

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## **Foreword**

### **Statutory background**

The National Council for Education and Training for Wales (the Council) was established under the Learning and Skills Act 2000. Publicly, the Council is referred to as 'ELWa'. These financial statements cover the Council's third full year of operation, the year ended 31 March 2004. The Council is an Assembly Sponsored Public Body and has responsibility for planning, funding, promoting and securing quality assurance of post-16 education and training in Wales, with the exception of Higher Education. This includes further education, private and voluntary sector training provision, adult continuing education and sixth forms. The Council has a duty to secure appropriate and reasonable provision, which will meet the needs of individuals, communities, employers and Wales as a whole, through the implementation of the policies and strategic priorities of the Welsh Assembly Government (the Assembly Government).

### **Basis of accounting and subsidiary undertakings**

The accounts are prepared in accordance with the requirements of the Companies Acts and Accounting Standards issued or adopted by the Accounting Standards Board, so far as these requirements are appropriate. These accounts comply with the direction made by the Assembly Government in accordance with paragraph 14(2) of schedule 4 to the Learning and Skills Act 2000. A copy of the accounts direction can be inspected and a copy of these accounts obtained from the registered office.

The consolidated accounts incorporate the results of the Council and its wholly owned subsidiary companies, the four former Welsh Training and Enterprise Council (TECs) companies, namely the North Wales, Mid Wales, South West Wales, and South East Wales TECs and the Council of Welsh TECs. South East Wales TEC changed its name to ELWa Trading Limited in June 2001.

### **Review of activities and developments**

During the year the Council undertook a significant programme of change and improvement. Progress continued on the development of the National Planning and Funding System and a comprehensive review of learning in the workplace commenced. The organisation's structure was fully revised to place the delivery of services to individuals, businesses and communities at its focus. The structure for a new Executive Team was put in place and action taken to strengthen systems and procedures and to improve financial risk and project management. A comprehensive review of the Council's activities and future development plans, together with its performance against key strategic targets are contained in the annual report.

During the year the Council commenced the process of placing the former TEC companies into liquidation. The only subsidiary that traded during the year was ELWa Trading Limited.

The Group surplus for the period was £13,405,000 (2003 - £2,472,000) and has been transferred to reserves (note 16). Expenditure on fixed assets amounted to £787,000 in the year (2003 - £1,043,000) (note 11).

During 2004-05 dual running of the National Planning and Funding System will commence and the organisational development of the Council will be completed so it is fit for purpose with both the capacity and capability to deliver post-16 learning in line with the Assembly Government agenda and which will recover Investors in People (IIP) status. The process to wind up and liquidate the former TEC companies will also continue.

On 14 July 2004 the First Minister announced an intention to incorporate the Council into the Assembly Government by April 2006. In the announcement the First Minister stated that continuity of service will be maintained and that all grants and contracts will be honoured.

### **Employee involvement**

Regular team meetings and a feedback process to and from the Executive Team via the Core Brief ensure good internal communications and provide opportunities for staff to contribute to the workings of the Council. The Works Council, through which representatives can raise issues of concern to staff, meets on a regular basis. The Council is committed to developing its Equal Opportunities Policy to ensure that all employees are treated fairly, irrespective of sex, age, marital status, disability, and racial or ethnic origin.

The Council's policy on recruitment is based on the ability of a candidate to perform the job. Full and fair consideration is given to applications for employment from people with disabilities where they have the appropriate skills and abilities to perform the job. The Council has also established a Health and Safety policy to ensure the health, safety and welfare of its staff and visitors. The policy and related procedures are available to all staff on the internal intranet "ELWaNet".

### **Government's Better Payment Practice Code**

The Council is fully committed to the prompt payment of its suppliers' bills and supports the Governments Better Payment Practice Code. During 2003-04 the payment of liabilities took an average of 44 days (2002-03 – 49 days). The Council settled 50% of the payments accounting for 95% of the value of the payments made during the year within the 30 day target and incurred statutory interest penalties of £1,320 during the year. Significant changes to payment procedures have been put in place to improve payment times and to meet the 30-day target during 2004-05.

## **Foreword (continued)**

### **Post balance sheet events**

In addition to the First Minister's announcement referred to above, since the year end the Technocentre building owned by ELWa Trading Limited has been disposed of for a price of £1,901,000. Subsequent to this sale it is intended that ELWa Trading Limited will cease to trade.

### **Auditors**

The accounts of the Council are audited by the Auditor General for Wales as required by paragraph 14(4) of schedule 4 to the Learning and Skills Act 2000. Audit fees payable to the Auditor General for Wales are set out in Note 8 to these accounts.

### **Council membership**

The following persons served as Council members during the year:

#### **Enid Rowlands**

(Chairman and Chairman of the Remuneration committee until 31 October 2003)

#### **Sheila Drury OBE**

(Member then Chairman from 1 November 2003, Chairman of the North Wales regional committee to 31 October 2003, Chairman of Remuneration committee from 1 November 2003)

#### **Dr Tim Jones**

(Deputy Chairman, Chairman of the Finance and Performance Review committee and South East Wales regional committee Chairman)

#### **John Davies**

#### **Dr Haydn Edwards**

(Chairman of the Policy Development and Pwyllgor Iaith/Bilingual Expert committees)

#### **Daniel Fellows OBE**

(Chairman of Quality Assurance and Human Resources committees and South West Wales regional committee Chairman)

#### **James Gibson-Watt**

(Mid Wales regional committee Chairman)

#### **Keith McDonogh**

(Chairman of the Audit and Risk Committee, North Wales regional committee Chairman from 1 November 2003)

#### **Dr Sonia Reynolds**

#### **Jacqueline Royall**

#### **Professor Sir Adrian Webb**

In addition to the above, the Assembly Government attend Council meetings as observers.

The register of members' interests is available for inspection through the Secretary to the Council at the Council's registered office.

#### ***Elizabeth Raikes***

**Chief Executive and Accounting Officer**

**31 August 2004**

## Statement of Council's and Chief Executive's responsibilities

Under paragraph 14(2) of schedule 4 to the Learning and Skills Act 2000, the Council is required to prepare a statement of accounts for each financial period in the form, and on the basis, determined by the Assembly Government. The accounts are prepared on an accruals basis and must show a true and fair view of the Council's state of affairs at the period end and of its income and expenditure and cash flows for the financial period.

In preparing the financial statements the Council is required to:

- observe the accounts direction issued by the Assembly Government, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to do so.

The Principal Accounting Officer of the Assembly Government has designated the Chief Executive of the Council as the Accounting Officer for the Council. Her responsibilities as Accounting Officer, including the responsibility for the propriety and regularity of the public finances for which she is answerable and for the keeping of proper records, are set out in the Assembly Government's Accounting Officers Memorandum.

## Statement on internal control

### ***Scope of responsibility***

- 1 As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Council's policies, aims and objectives whilst safeguarding the public funds and other assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Government Accounting*. My role and responsibilities as Accounting Officer for the Council are set out in the memorandum *The Responsibilities of an ASPB Accounting Officer*. I also attend regular meetings with officers in the Lifelong Learning Division of the Assembly Government where the priorities for the Council and the key risks facing the organisation are reviewed.

### ***The purpose of the system of internal control***

- 2 The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims, and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. With the exception of an element of development work not completed fully until June 2003, the system of internal control has been in place in the Council for the year ended 31 March 2004 and up to the date of approval of the annual report and accounts, and accords with Treasury Guidance.

### ***Capacity to handle risk***

- 3 The following processes have been established to manage risk within the Council:
  - a) an *Opportunity and Risk Management Policy and Guidelines* was initially established during 2001-02 and was updated during 2003-04. Training on the updated policy and guidelines was provided to senior staff who then took responsibility for championing the revised guidance within their teams;
  - b) a *Project Management Handbook* has been developed and training provided to relevant staff on its operation. The manual provides guidance on the identification and management of risks throughout the lifetime of projects;
  - c) the Council has a Risk Assurance section that provides the Council's internal audit service. The Risk Assurance section takes the lead on the development and embedding of risk policies and guidelines and is available to provide advice and guidance to groups of staff and individual managers; and
  - d) the Council's Performance Management Group provides a review function, overseeing the link between operational planning, risk management and performance management and identifying areas that require strengthening.

### ***The risk and control framework***

- 4 The key elements of the Council's risk management strategy are as follows:
  - a) the Council's Executive Team has ownership of the risk register covering organisation-wide risks. The register is reviewed on a monthly basis by the Council's Executive Team and its Performance Management Group and at each meeting of the Audit and Risk Committee;
  - b) the Council's objectives are established through the preparation of an Operational Plan which is approved by the Assembly Government. The system of identifying operational risks to achieving these objectives are then identified within Directorate Risk Registers was revised during the year to reflect the Council's new directorate structures. A process was also introduced to provide central oversight of these risk registers through the Performance Management Group;
  - c) risks are prioritised according to their likelihood and impact and actions are identified to be proportionate with the scale of the exposure. Procedures for regular review of risk registers have been established; and
  - d) the Council, advised by myself as Chief Executive and Accounting Officer and by the Audit and Risk Committee as part of its routine consideration of the risk register, ultimately determines the Council's risk appetite.

## Statement on internal control (continued)

- 5 Priority areas for risk management during the year have related to key development projects including the National Planning and Funding system and Work Based Learning re-tendering. In terms of organisational development, the restructuring of the Council's staffing structures and the further development of the overarching framework of control for the management of the Council's business have represented key priorities for risk management during the year.
- 6 On 14 July 2004, the First Minister of the Assembly Government announced the abolition of the Council, the Welsh Development Agency and the Wales Tourist Board and the merger of functions into the Assembly Government with effect from April 2006. The successful integration of operations into the Assembly Government will be a major corporate objective in the intervening period and will impact significantly upon the risk profile of the Council and key priorities for risk management.

### **Review of effectiveness**

- 7 As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and executive managers within the Council who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Council, the Audit and Risk Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.
- 8 The following processes have been established to review the effectiveness of the system of internal control within the Council:
  - a) Directors prepare a statement of internal control relating to the internal control systems within their own area of responsibility. The Directors also have responsibility for identifying suitable remedial action to address any weaknesses identified;
  - b) The Council's internal audit service operates in accordance with Government Internal Audit Standards; audit plans are based on an assessment of risk linked to the organisation-wide risk register. The Head of Risk Assurance provides an independent opinion on the adequacy and effectiveness of the Council's systems of risk management, control and governance each year, together with recommendations for improvement; and
  - c) the work of the Risk Assurance section is overseen by the Audit and Risk Committee, which reports regularly to Council the findings and conclusions of audit work.
- 9 The internal audit service reported a substantial improvement in the internal control systems operated during the year and up to the date of signature of this statement, but nevertheless identified a number of areas where controls require further strengthening before unqualified assurance can be given overall. In each case an action plan has been established by the relevant Director for addressing the weaknesses found. The internal audit service review progress in implementing recommendations on a monthly basis and the results of this review are reported through the Performance Management Group to the Executive Team, Finance and Performance Committee, and to the Audit and Risk Committee who advise me and the Council on the adequacy of management responses.
- 10 Weaknesses identified by individual Directors through their own statements on internal control are addressed by the responsible Director. The assessments are also used to inform and prioritise the internal auditor's Audit Strategy in order to obtain independent assurance regarding the action taken in key areas.

**Elizabeth Raikes**

**Chief Executive and Accounting Officer**  
**31 August 2004**

## **The Certificate and Report of the Auditor General for Wales to the Members of the National Assembly for Wales**

I certify that I have audited the financial statements on pages 7 to 26 in accordance with paragraph 14 (4) of Schedule 4 to the Learning and Skills Act 2000. These financial statements have been prepared under the modified historical cost convention and the accounting policies set out on pages 10 to 12.

### **Respective responsibilities of the National Council, the Chief Executive and Auditor**

As described on page 3, the National Council for Education and Training for Wales and the Chief Executive are responsible for the preparation of the financial statements in accordance with the Learning and Skills Act 2000 and National Assembly for Wales' directions made thereunder, and for ensuring the regularity of financial transactions. The National Council and the Chief Executive are also responsible for the preparation of the other contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Learning and Skills Act 2000 and with the directions made thereunder by the National Assembly for Wales, and whether in all material aspects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the National Council has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on pages 4 and 5 reflects the National Council's compliance with Treasury's guidance 'Corporate Governance: statement on internal control'. I report if it does not meet the requirements specified by the Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Chief Executive's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the National Council's corporate governance procedures or its risk and control procedures.

### **Basis of audit opinion**

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the National Council and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the National Council's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the National Council for Education and Training for Wales and the Group at 31 March 2004 and of the surplus, total recognised gains and losses and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Learning and Skills Act 2000 and directions made thereunder by the National Assembly for Wales; and
- in all material respects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

**John Bourn**  
**Auditor General Wales**  
**20 September 2004**

**3 – 4 Park Place**  
**Cardiff**  
**CF10 3DP**

## Consolidated income and expenditure account

For the year ended 31 March 2004

	Notes	2004 £'000	Restated 2003 £'000
<b>Gross Income</b>			
Grant in aid	2	480,811	486,227
Release of Government Grant Reserve	16	1,100	548
European programmes	3	5,286	16,323
Other income	4	8,941	9,881
		<u>496,138</u>	<u>512,979</u>
<b>Expenditure</b>			
<i>Funding of further education, training and development</i>			
Learners in FE institutions & Schools	5	331,432	304,502
Work based learning for Young People & Adults	5	91,976	92,614
Learning Fund & Capital	5	5,133	43,357
Increasing participation across the post -16 sector	5	13,805	15,629
Learning Development Across Post -16 Sector	5	5,067	7,239
Business skills	5	4,075	8,510
RingFenced Funds	5	10,945	17,274
		<u>462,433</u>	<u>489,125</u>
<i>Administrative expenditure</i>			
Staff costs	6	14,021	15,919
Depreciation	11	1,215	760
Realisation of fair value of inherited assets	16	(97)	(186)
Other administrative costs	8	5,962	6,071
Notional cost of capital charge / (credit)		268	(4)
		<u>21,369</u>	<u>22,560</u>
<b>Operating surplus</b>		<b>12,336</b>	<b>1,294</b>
Surplus on disposal of fixed assets		2	31
Interest receivable	9	827	1,403
Realisation of fair value of inherited loans	16	180	98
Adjustment for notional cost of capital charge / (credit)		268	(4)
		<u>13,613</u>	<u>2,822</u>
<b>Surplus for the year before taxation</b>		<b>13,613</b>	<b>2,822</b>
Taxation	10	(208)	(350)
		<u>13,405</u>	<u>2,472</u>
<b>Surplus for the year transferred to reserves</b>		<b>13,405</b>	<b>2,472</b>
<b>Statement of total recognised gains and losses</b>			
		2004 £'000	2003 £'000
<b>Surplus for the year</b>		<b>13,405</b>	<b>2,472</b>
Movement on Government Grant Reserve	16	(313)	495
<b>Total recognised gains or (losses) for the year</b>		<b><u>13,092</u></b>	<b><u>2,967</u></b>

All activities are continuing.

The notes on pages 10 to 26 form part of these accounts.

## Council and consolidated Balance Sheet

As at 31 March 2004

	Notes	<b>Group 2004 £'000</b>	<i>2003 £'000</i>	<b>Council 2004 £'000</b>	<i>2003 £'000</i>
<b>Fixed Assets</b>					
Tangible assets	11	<b>2,184</b>	2,612	<b>1,062</b>	1,464
<b>Current Assets</b>					
Debtors	12	<b>4,761</b>	6,928	<b>5,023</b>	6,660
Loans	13	<b>376</b>	556	<b>376</b>	556
Cash at bank and in hand		<b><u>29,016</u></b>	<u>23,568</u>	<b><u>25,003</u></b>	<u>15,119</u>
		<b><u>34,153</u></b>	<u>31,052</u>	<b><u>30,402</u></b>	<u>22,335</u>
<b>Current Liabilities</b>					
Creditors : amounts falling due within one year	14	<b><u>(18,501)</u></b>	<u>(26,888)</u>	<b><u>(18,484)</u></b>	<u>(22,187)</u>
<b>Net current assets</b>		<b><u>15,652</u></b>	<u>4,164</u>	<b><u>11,918</u></b>	<u>148</u>
<b>Total assets less current liabilities</b>		<b>17,836</b>	6,776	<b>12,980</b>	1,612
Creditors : amounts falling due after more than one year	14	-	(231)	-	-
Provisions for liabilities and charges	15	<b><u>(3,749)</u></b>	<u>(5,273)</u>	<b><u>(792)</u></b>	<u>(2,223)</u>
<b>Net assets / (liabilities)</b>		<b><u>14,087</u></b>	<u>1,272</u>	<b><u>12,188</u></b>	<u>(611)</u>
<b>Financed by:</b>					
Government Grant Reserve	16	<b>1,054</b>	1,367	<b>1,054</b>	1,367
Income and expenditure account	16	<b>12,657</b>	(748)	<b>10,758</b>	(2,631)
Inherited assets reserve	16	<b><u>376</u></b>	<u>653</u>	<b><u>376</u></b>	<u>653</u>
<b>Government Funds</b>	16	<b><u>14,087</u></b>	<u>1,272</u>	<b><u>12,188</u></b>	<u>(611)</u>

*Elizabeth Raikes*

Chief Executive and Accounting Officer  
31 August 2004

The notes on pages 10 to 26 form part of these accounts

## Consolidated cash flow statement

For the year ended 31 March 2004

	Notes	2004 £'000	2003 £'000
<b>Operating Activities</b>			
Net cash inflow from operating activities	21	4,647	5,925
<b>Returns on investments and servicing of finance</b>			
Interest received	9	827	1,403
<b>Taxation</b>			
	10	(208)	(350)
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets	11	(787)	(1,043)
Receipts from sale of tangible fixed assets		2	31
<b>Net Cash inflow before financing</b>		<b>4,481</b>	<b>5,966</b>
<b>Financing</b>			
GIA received for purchase of fixed assets	2	787	1,043
Loan funds received	13	180	98
<b>Increase in cash in the year</b>		<b>5,448</b>	<b>7,107</b>
<b>Reconciliation of net cash flow to movement in funds</b>			
Increase in cash in the year		5,448	7,107
Loan repayment	13	(180)	(98)
<b>Movement in net funds in the year</b>		<b>5,268</b>	<b>7,009</b>
Net funds at start of the year		24,124	17,115
<b>Net funds at end of year</b>		<b>29,392</b>	<b>24,124</b>
<b>Analysis of net funds</b>			
Cash in hand and at bank		29,016	23,568
Debtors - secured loans		376	556
		<b>29,392</b>	<b>24,124</b>

The notes on pages 10 to 26 form part of these accounts

## Notes to the Financial Statements

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements.

#### Basis of preparation

Under Section 91 of the Learning and Skills Act 2000, the Further Education Funding Council for Wales was dissolved on 1 April 2001 and its property, rights and liabilities transferred to the Council. Section 93 of this Act also provided for certain assets to be transferred from the Training and Enterprise Councils (TECs) to the Council on 1 April 2001, in accordance with the Transfer of property, rights and liabilities Scheme 2001 drawn up by the Assembly Government. The former TEC companies currently remain in existence under the control of the Council. Their results for the year ended 31 March 2004 have been incorporated into these consolidated accounts which have been prepared in accordance with the Accounts Direction issued by the Assembly Government on 30 April 2002. This direction, issued with the consent of the Treasury, exercises the powers conferred by paragraph 14 (2), schedule 4 of the Learning and Skills Act 2000 along with all other relevant guidance.

The accounts have been prepared under the modified historic cost convention in accordance with applicable accounting standards and the historical cost accounting rules so far as these requirements are appropriate. With the exception of land and buildings, fixed assets are valued at historic cost less depreciation and have not been revalued as in the opinion of the Council such adjustments would not be material.

#### Basis of consolidation

The consolidated financial statements cover the year to 31 March 2004 and include the financial statements of the Council and the former TEC companies (as detailed in the Foreword) up to 31 March 2004. The financial position of Work Connect, a joint venture, has been excluded from the consolidation as in the Council's opinion it is not considered to be material to these financial statements.

#### Funding

Grant in Aid:- Grant-in-Aid received from the Assembly Government is accounted for on a receipts basis. Grant-in-Aid is received to fund both operating expenditure and capital expenditure. Where Grant-in-Aid has been used for the purchase of tangible fixed assets, the grant is treated as deferred Government Grant and released to the Income and Expenditure Account over the useful estimated economic lives of the relevant fixed assets on a basis consistent with the depreciation policy.

European Grants:- European grants are credited to the Income and Expenditure account in the year in which expenditure is incurred to the extent that the terms and conditions of funding have been complied with.

Other income:- Other income is credited to the Income and Expenditure Account at the date the service is provided, consistent with the normal accrual convention.

#### Expenditure

Grants payable in respect of programme funds are recorded as expenditure at the date the activity is undertaken.

Those grants of a recurring nature, mainly the funding provided to Further Education Institutions, School 6<sup>th</sup> Forms and Community Learning, are brought to account when paid. It is considered that this treatment achieves in all material respects a match between grant funding brought to account and the pattern of financial activity at the funded bodies.

All running costs expenditure is charged to the Income and Expenditure Account at the date the service is received.

#### Bad debts

The Council provides fully for all debts still outstanding 6 months from date of invoice.

## Notes to the Financial Statements (continued)

### 1 Accounting policies (continued)

#### Financial Instruments

The Council has no borrowings and relies primarily on Grant-in-Aid that is drawn down on a monthly basis from the Assembly Government in line with forecast expenditure and is therefore not exposed to liquidity risks. Under the terms of the Financial Memorandum the Council is required to retain no more than 2% of its annual Grant-In-Aid as a cash balance at any time unless otherwise agreed by the Assembly Government. All such funds are placed in deposit accounts with the Council's bankers and therefore there are no complex or high risk financial instruments. All material assets and liabilities are denominated in sterling, so there is no significant currency exchange risk.

#### Tangible fixed assets and depreciation

Fixed assets are valued at historic cost less depreciation except for those transferred to the Council by the former TEC companies, which were included in these financial statements at their fair value to the Council on acquisition. An inherited assets reserve was established in respect of these assets and this reserve is released to the Income and Expenditure account in line with the depreciation charge on those assets.

IT equipment costing more than £500 is capitalised. Other equipment and fixtures and fittings costing more than £1,000 per item is capitalised.

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Property	-	50 years
Fixtures, fittings and equipment	-	3 to 5 years
Motor vehicles	-	4 years

A full year's depreciation is charged in the year of acquisition.

Assets purchased as part of programme operations are expensed in the year.

All software costs, both internal development costs and external license fees, are charged direct to the Income and Expenditure account.

#### Leases

Operating lease rentals are charged to the Income and Expenditure account on a straight-line basis over the period of the lease.

#### Notional charges

As directed by the Assembly Government a notional capital charge reflecting the cost of capital employed is included in operating costs. In accordance with Treasury guidance for 2003-04 the charge was calculated at 3.5 % (2002-03 - 6%).

#### Taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

#### Post-retirement benefits

Staff are entitled to participate in the Principal Civil Service Pension Scheme (PCSPS) providing benefits based on final pensionable pay. As permitted by FRS 17 "Retirement benefits", the scheme is accounted for as if it were a defined contribution scheme. As a result the amount charged to the Income and Expenditure Account represents the contributions payable to the scheme in respect of the accounting period. The group also participates in other schemes, both defined benefit and defined contribution schemes. The assets of these schemes are held separately from those of the group in independently administered funds. Details of the nature of these schemes is set out in Note 7.

## Notes to the Financial Statements (continued)

### 1 Accounting policies (continued)

#### Loans

As noted above, on 1 April 2001 certain assets were transferred to the Council from the former TECs. These assets included loans that were incorporated into the Council's balance sheet at their fair value at that date and a loan reserve was established to reflect the unrealised nature of this asset. As capital repayments are made these are realised through the release from the Inherited Assets Reserve to the Income and Expenditure account.

### 2 Grant in Aid

	<b>Group and Council 2004 £'000</b>	Group and Council 2003 £'000
Grant in aid received	<b>481,598</b>	487,270
Applied to purchase of fixed assets	<b><u>(787)</u></b>	<u>(1,043)</u>
	<b><u>480,811</u></b>	<u>486,227</u>

### 3 European programmes

	<b>Group 2004 £'000</b>	Restated Group 2003 £'000	<b>Council 2004 £'000</b>	Restated Council 2003 £'000
Match funding of European projects by HEFCW	<b>294</b>	2,503	<b>294</b>	2,503
Knowledge Exploitation Fund	<b>2,087</b>	5,750	<b>2,087</b>	5,750
ESF grants	<b>1,564</b>	3,370	<b>1,564</b>	3,370
ERDF grants	<b><u>1,341</u></b>	<u>4,700</u>	<b><u>1,341</u></b>	<u>4,700</u>
	<b><u>5,286</u></b>	<u>16,323</u>	<b><u>5,286</u></b>	<u>16,323</u>

### 4 Other Income

	<b>Group 2004 £'000</b>	Restated Group 2003 £'000	<b>Council 2004 £'000</b>	Restated Council 2003 £'000
Financial Contingency Funds	<b>7,837</b>	7,045	<b>7,837</b>	7,045
Other	<b><u>1,104</u></b>	<u>2,836</u>	<b><u>629</u></b>	<u>2,308</u>
	<b><u>8,941</u></b>	<u>9,881</u>	<b><u>8,466</u></b>	<u>9,353</u>

## Notes to the Financial Statements (continued)

### 5 Funding of further education, training and development

	<b>Group and Council 2004 £'000</b>	(Restated) Group and Council 2003 £'000
<b>Learners in FE Institutions &amp; Schools</b>		
FE Formula	230,851	214,650
School 6th form	100,581	89,852
	<u>331,432</u>	<u>304,502</u>
<b>Work Based Learning for Young People &amp; Adults</b>		
Work Based Learning	89,129	88,975
React	2,847	3,639
	<u>91,976</u>	<u>92,614</u>
<b>Learning Fund &amp; Capital</b>		
Learning Challenge Fund	673	5,715
FE Capital	-	21,700
Innovation & Development projects	2,394	12,318
JISC	1,735	1,480
Broadband installation	-	1,650
Other	331	494
	<u>5,133</u>	<u>43,357</u>
<b>Increasing Participation post-16 sector</b>		
Participation & Communication	1,552	4,486
Community Learning	4,721	4,701
Specialist Placements	7,532	5,901
ILA (original scheme)	-	541
	<u>13,805</u>	<u>15,629</u>
<b>Learning Development post-16 sector</b>		
Research & Evaluation	1,254	1,754
Programme Development & Pilots	1,257	3,245
Quality	242	701
E-learning	1,128	715
Bilingual Learning	650	518
MIS Development programme	536	306
	<u>5,067</u>	<u>7,239</u>
<b>Business Skills</b>		
Business Skills Development	3,260	5,891
Education Business Links (1)	815	2,619
	<u>4,075</u>	<u>8,510</u>
<b>Ringfenced expenditure</b>		
ILA Wales	280	-
Corus	378	1,857
KEF (Phase 1) (2)	1,922	8,372
Financial Contingency Fund	7,804	7,045
Learning Networks	561	-
	<u>10,945</u>	<u>17,274</u>
	<u><b>462,433</b></u>	<u><b>489,125</b></u>

(1) Responsibility for Education Business Links transferred via the Assembly Government to Careers Wales with effect from 1 August 2003.

(2) Responsibility for KEF (Phase 2) transferred to the WDA on 14 January 2004, see note 24.

Prior year figures for certain programmes have been restated within the above analysis to present the programme expenditure in a consistent manner to the 2003-04 Operational Plan.

## Notes to the Financial Statements (continued)

### 5 Funding of further education, training and development (continued)

#### *Further Education Expenditure*

Included in these accounts are grants to institutions, which are subject to audit by the recipients' external auditors. Any adjustments arising from the previous year's audit of institutions will have been repaid to the Council and are reflected in these accounts.

#### *European Expenditure*

The amounts relating to the grant payments made under the European Social and Regional Development programme funds are subject to separate audits.

### 6 Staff costs

The average number of staff (full time equivalents) including members of the Council during the year was 466 (2003 - 523). The breakdown of this figure by directorate is as follows:

	<u>2004</u>	Restated <u>2003</u>
Chief Executive & Chairman	11	10
Corporate Services	73	81
Finance & Risk	68	73
Learning	258	284
Strategy and Communication	<u>39</u>	<u>48</u>
<b>Total Council employees</b>	<b>449</b>	496
Less staff seconded out	(1)	(1)
Add staff seconded in	4	2
Temporary staff	<u>14</u>	<u>26</u>
	<b><u>466</u></b>	<b><u>523</u></b>

The 2003 figures have been restated to reflect the new directorate structure following the restructuring process and to incorporate temporary staff numbers previously not included.

The aggregate payroll costs of these persons were as follows:

<b>Staff Costs</b>	<b>Group and Council 2004 £'000</b>	Restated Group and Council 2003 £'000
Wages and salaries	11,475	11,651
Social security costs	852	789
Other pension costs	1,620	1,636
Temporary staff	469	498
Net cost of seconded staff	166	77
Restructuring costs	<u>352</u>	<u>2,304</u>
Total Payroll costs	<b>14,934</b>	16,955
Less payroll costs charged to Programme expenditure	<u>(913)</u>	<u>(1,036)</u>
Administration payroll costs	<b><u>14,021</u></b>	<b><u>15,919</u></b>

Prior year figures have been restated to include the cost of temporary staff. These costs were previously disclosed under note 8 administration costs.

## Notes to the Financial Statements (continued)

### 7 Salary and pension disclosures

<b>Council Members</b>	<b>Salary Emoluments £000s</b>	<b>Commitment (Days during 2003-04)</b>
<b>Enid Rowlands</b> Chairman, and Chairman of the Remuneration committee until 31 October 2003	30	3 days a week
<b>Sheila Drury OBE</b> As Council member to 31 October 2003 Chairman of the North Wales regional committee to 31 October 2003 As Chairman from 1 November 2003 Chairman of Remuneration committee from 1 November 2003	7 21	26 3 days a week
<b>Dr Tim Jones</b> Chairman of the Finance and Performance Review committee and South Wales regional committee Chairman	12	45
<b>John Davies</b>	7	25
<b>Dr Haydn Edwards</b> Chairman of the Policy Development and Pwyllgor Iaith / Bilingual Expert committees	7 *	25
<b>Daniel Fellows OBE</b> Chairman of Quality Assurance and Human Resources committees and South West Wales regional committee Chairman	12	45
<b>James Gibson-Watt</b> Mid Wales regional committee Chairman	12	45
<b>Keith McDonogh</b> Chairman of the Audit and Risk committee and from 1 November 2004 North Wales regional committee Chairman	9	33
<b>Dr Sonia Reynolds</b>	7	25
<b>Jacqueline Royall</b>	7	25
<b>Professor Sir Adrian Webb</b>	7	25

The emoluments of the Chairman and Council members are determined by the Assembly Government. The Chairman is paid an annual salary, Council members are paid a 'per diem' rate which was set by the Assembly Government for 2003-04 at £262. The number of days commitment is increased in respect of Chairs of regional committees.

\* These emoluments are paid directly to the member's employer organisation rather than to the individual.

With the exception of the Chairman, none of the Council members receive any pension.

The Assembly Government has approved pension arrangements for both the current and former Chairman. In respect of Enid Rowlands, these require the Council to establish a provision in each year (see note 15) to fund the future pension benefits from future Grant-In-Aid. In respect of Sheila Drury, contributions are made each year to a personal pension plan at 16.5%, the same rate as employer contributions to PCSPS.

No members of Council receive any other remuneration or benefits in kind.

## Notes to the Financial Statements (continued)

### 7 Salary and pension disclosures (continued)

The Chairman has a three-year contract from 1 November 2003.

Other members of the Council have been appointed for fixed terms as follows:

Dr Haydn Edwards	From 8 February 2001 to 28 February 2007
Daniel Fellows OBE	From 8 February 2001 to 28 February 2007
James Gibson-Watt	From 8 February 2001 to 28 February 2007
Keith McDonogh	From 8 February 2001 to 28 February 2007
Dr Sonia Reynolds	From 8 February 2001 to 28 February 2006
Jacqueline Royall	From 1 March 2003 to 28 February 2006
Dr Tim Jones	From 8 February 2002 to 28 February 2005
Professor Sir Adrian Webb	From 8 February 2002 to 28 February 2005
John Davies	From 31 March 2002 to 28 February 2005

Directors	Salary Emoluments £'000	Real increase in pension and related lump sum at age 60 £'000	Total accrued pension at age 60 at 31/3/04 and related lump sum £'000	CETV at 31/3/03 £'000	CETV at 31/3/04 £'000	Real increase in CETV after adjustment for and changes in market investment factors £'000
<b>Peter Higson</b> Interim Chief Executive	79	N/A	N/A	N/A	N/A	N/A
<b>Richard Hart</b> Interim Director of Learning	69	0 - 2.5 plus 5 - 7.5 lump sum	15 - 20 plus 55 - 60 lump sum	263	308	38
<b>Rob Rogers</b> Director of Finance and Risk	70	2.5 - 5 plus 7.5 - 10 lump sum	10 - 15 plus 40 - 45 lump sum	153	204	40
<b>Grenville Jackson</b> Director of Strategy & Communications	77	0 - 2.5	0 - 5	28	49	18
<b>Paul Humpherston</b> Director of Corporate Services	75	0 - 2.5 plus 2.5 - 5 lump sum	0 - 5 plus 5 - 10 lump sum	29	48	17
<b>George McKechnie</b> Director of Communications	68	0 - 2.5 plus 2.5 - 5 lump sum	0 - 5 plus 10 - 15 lump sum	50	73	22
<b>Linda Bloomfield</b> Director of Operations (to 30/9/2003)	40	0 - 2.5 plus 0 - 2.5 lump sum	0 - 5 plus 5 - 10 lump sum	29	38	8
<b>David Morgan</b> Regional Director	67	2.5 - 5 plus 7.5 - 10 lump sum	0 - 5 plus 10 - 15 lump sum	28	81	5
<b>Robin Beckmann</b> Regional Director	63	0 - 2.5	0 - 5	20	32	10
<b>Katie Whittaker</b> Regional Director	67	0 - 2.5 plus 0 - 2.5 lump sum	0 - 5 plus 5 - 10 lump sum	11	19	7
<b>Steve Causley</b> Acting Regional Director	Consent to disclosure withheld					

The Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme's benefits accumulated by the member at a particular point in time. The benefits valued are the members' accumulated benefits and any contingent spouse's pension payable from the scheme.

Dr. Peter Higson was on secondment for the year from the NHS in Wales from which his costs were invoiced. For this reason relevant pension disclosures are not appropriate.

Paul Humpherston has a company car. The taxable benefit has been assessed at £2,397.

No other Directors receive any other remuneration or benefits in kind. All Directors are full time employees.

## Notes to the Financial Statements (continued)

### 7 Salary and pension disclosures (continued)

#### Pension scheme

Pension benefits are provided through the Principal Civil Service Pension Scheme. This is an unfunded multi-employer defined benefit scheme but the Council is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2003-04 employers contributions of £1,581,000 were payable to the PCSPS (2002-03 £1,626,000) at one of four rates in the range 12 to 18.5 per cent of pensionable pay, based on salary bands. Rates will remain the same next year, subject to revaluation of the salary bands. Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are incurred, not when the costs are actually incurred, and reflect past experience of the scheme.

From 1 October 2002, staff may participate in one of three statutory based 'final salary' defined benefit schemes (**classic**, **premium** and **classic plus**). New entrants after 1 October 2002 may choose between membership of **premium** or joining a 'money purchase' stakeholder based arrangement with a significant employer contribution (**partnership pension account**).

#### (a) Classic Scheme

Benefits accrue at the rate of  $1/80^{\text{th}}$  of pensionable salary for each year of service. In addition, a lump sum equivalent to three years pensionable salary is payable on retirement. Members pay contributions of 1.5 per cent of pensionable earnings. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial valuation and with service enhanced as for widow(er) pensions.

#### (b) Premium Scheme

Benefits accrue at the rate of  $1/60^{\text{th}}$  of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum, but members may contribute some of their pension to provide a lump sum up to a maximum of  $3/80^{\text{th}}$  of final pensionable earnings for each year of service or 2.25 times pension if greater (the commutation rate is £12 of lump sum for £1 of pension given up). Members pay contributions of 3.5 per cent of pensionable earnings. On death, pensions are payable to the surviving spouse or eligible partner at a rate of  $3/80^{\text{th}}$  of the member's pension (before any commutation). On death in service, the scheme pays a lump-sum benefit of 3 times pensionable earnings and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction. Where the member's ill health is such that it permanently prevents them undertaking any gainful employment, service is enhanced to what they would have accrued to the age of 60.

#### (c) Classic Plus Scheme

This is essentially a variation of **premium**, but with benefits in respect of service before 1 October 2002 calculated broadly as per **classic**.

Pensions payable under **classic**, **premium** and **classic plus** are increased in line with the Retail Price Index.

#### (d) Partnership Pension Account

This is a stakeholder type arrangement where the employer pays a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product. The employee does not have to contribute but where they do make contributions, these will be matched by the employer up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of risk benefit cover (death in service and ill health retirement). The member may retire at any time between the ages of 50 and 75 and use the accumulated fund to purchase a pension. The member may choose to take up to 25% of the fund as a lump sum.

The group also operates several other schemes, both defined benefit and defined contribution, which are in the process of being wound up. No contributions were paid in the year (2003: £ nil). Further details of these schemes can be found in the individual statutory financial statements for ELWa Trading Limited, Mid Wales Training and Enterprise Council Limited, North Wales Training and Enterprise Council Limited, West Wales Training and Enterprise Council Limited and the Council of Welsh TECs.

## Notes to the Financial Statements (continued)

### 8 Other administrative costs

	Group 2004 £'000	Restated Group 2003 £'000	Council 2004 £'000	Restated Council 2003 £'000
Staff travel and subsistence	596	692	596	690
Other staff related costs	849	546	849	546
Council Members travel and subsistence	25	26	25	26
Office costs	925	1,359	911	1,320
Accommodation costs	1,726	1,969	1,637	1,855
Information Technology costs	686	572	686	566
Bought in services	488	719	462	708
Bank interest repaid to the Assembly Government	415	-	415	-
Auditors remuneration				
Annual audit fee of the AGW	103	100	103	100
Other annual external audit fees	21	21	-	-
* Certification of European Grant Claims	9	-	9	15
Additional assurance report work	8	-	8	-
Operating leases	49	49	49	49
Other expenditure	62	18	-	-
	<u>5,962</u>	<u>6,071</u>	<u>5,750</u>	<u>5,875</u>

\* In addition to the above payments funded from running costs, £58,000 was paid to the auditors for European Grant Claims Audits from programme funds.

### 9 Interest receivable

	Group 2004 £'000	Group 2003 £'000	Council 2004 £'000	Council 2003 £'000
Bank interest receivable	803	1,374	673	1,080
Loan interest receivable	24	29	24	29
Total interest receivable	<u>827</u>	<u>1,403</u>	<u>697</u>	<u>1,109</u>

### 10 Taxation

#### Analysis of UK corporation tax charge

	Group 2004 £'000	Group 2003 £'000	Council 2004 £'000	Council 2003 £'000
Current tax on income for the period ( at 20% - 30%)	208	377	187	322
Adjustment in respect of prior periods	-	(27)	-	-
	<u>208</u>	<u>350</u>	<u>187</u>	<u>322</u>

The tax charge for the period relates to provisions for UK Corporation tax on interest received. The level of provisions within the Group range between 20% - 30%, determined by the amounts actually received by the Council and its subsidiaries.

## Notes to the Financial Statements (continued)

### 11 Tangible fixed assets

#### Group and Council

	Long Term Leasehold Land and Property £'000	Fixtures, Fittings and Equipment £'000	Information Technology £'000	Total £'000
<b><u>Cost/Valuation</u></b>				
As at 1 April 2003	1,200	1,752	1,100	4,052
Additions	-	6	781	787
Disposals	-	(2)	(3)	(5)
Eliminations	-	(628)	(67)	(695)
As at 31 March 2004	<u>1,200</u>	<u>1,128</u>	<u>1,811</u>	<u>4,139</u>
<b><u>Depreciation</u></b>				
As at 1 April 2003	52	713	675	1,440
Charge for the year	26	628	561	1,215
Disposals	-	(2)	(3)	(5)
Eliminations	-	(628)	(67)	(695)
As at 31 March 2004	<u>78</u>	<u>711</u>	<u>1,166</u>	<u>1,955</u>
<b>Net book value at 31 March 2004</b>	<b><u>1,122</u></b>	<b><u>417</u></b>	<b><u>645</u></b>	<b><u>2,184</u></b>
Net book value at 31 March 2003	<u>1,148</u>	<u>1,039</u>	<u>425</u>	<u>2,612</u>

The only tangible fixed assets attributable to the subsidiaries is the Technocentre building owned by ELWa Trading Limited, shown under "Long Term Leasehold Land and Property" in the table above. The Technocentre is shown at an open market valuation undertaken in 2001 by Cooke and Arkwright, Chartered Surveyors.

Subsequent to the year end the disposal of the Technocentre has taken place. The proceeds of sale were £1,901,000.

As a consequence of the change in capitalisation limits for equipment, assets with a gross cost of £695,000 have been removed from the fixed asset register during the year. Additional depreciation of £408,000 has been charged against these assets in the year to fully write off their value in line with the new capitalisation limits. In addition, the new limits now remove from fixed assets those small value assets, individually below the capitalisation limit but previously capitalised as part of a group of assets.

## Notes to the Financial Statements (continued)

### 12 Debtors

	<b>Group</b>	Group	<b>Council</b>	Council
	<b>2004</b>	2003	<b>2004</b>	2003
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
Trade Debtors	196	407	138	293
Recoverable taxes	-	28	-	-
VAT recoverable	14	13	-	2
Amounts owed by HEFCW	905	848	905	848
Amounts owed by group undertakings	-	-	379	-
Other debtors	1,535	104	1,490	53
Prepayments and accrued income	<u>2,111</u>	<u>5,528</u>	<u>2,111</u>	<u>5,464</u>
	<u>4,761</u>	<u>6,928</u>	<u>5,023</u>	<u>6,660</u>

### 13 Loans

	<b>Group and Council</b>
	<b>2004</b>
	<b>£'000</b>
At 1 April	556
Capital repayments	<u>(180)</u>
At 31 March	<u>376</u>

The loans relate to two secured loans made to Coleg Yal and one unsecured loan made to the North Wales Tourism Alliance by the North Wales Training and Enterprise Council Limited. The three loans were transferred to the Council on 1 April 2001 for nil consideration, and were subject to a fair value adjustment to introduce them at their value to the Council.

The inherited loans to Coleg Yal are for £287,500 and £341,785 and are long term (between 5 and 7 years). The loan to the North Wales Tourism Alliance was for £25,000 and was a short-term loan of which £10,000 remains outstanding at 31 March 2004.

Interest is charged at 6% per annum. Repayments of £204,000 (including interest) were receivable in the period.

Of the amount outstanding at 31 March 2004, £272,000 (2003 - £376,000) is due after more than one year.

### 14 Creditors

#### Amounts falling due within one year

	<b>Group</b>	Restated Group	<b>Council</b>	Restated Council
	<b>2004</b>	2003	<b>2004</b>	2003
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
Trade Creditors	1,998	3,847	1,938	3,788
Corporation tax	204	377	182	321
Other taxes and social security	31	51	26	48
Other creditors	-	221	7	165
Due to the Assembly Government	-	2,641	-	-
Accruals and income received in advance	<u>16,268</u>	<u>19,751</u>	<u>16,331</u>	<u>17,865</u>
	<u>18,501</u>	<u>26,888</u>	<u>18,484</u>	<u>22,187</u>

## Notes to the Financial Statements (continued)

### 14 Creditors (continued)

Amounts falling due after more than one year

	<b>Group</b> <b>2004</b> <b>£'000</b>	Group 2003 £'000	<b>Council</b> <b>2004</b> <b>£'000</b>	Council 2003 £'000
Accruals and deferred income	=	<u>231</u>	=	=

### 15 Provisions for liabilities and charges

<b>Group</b>	Restructuring £'000	Pension £'000	TEC companies' cessation costs £'000	Repayable to the NAW £'000	<u>Total</u> £'000
At 1 April 2003	2,200	23	1,303	1,747	5,273
Reclassification from creditors	-	-	1,768	2,641	4,409
Charged / (released) in the year	352	39	33	-	424
Transfer	-	-	(484)	484	-
Utilised in the year	(1,822)	-	(35)	(4,500)	(6,357)
<b>At 31 March 2004</b>	<b>730</b>	<b>62</b>	<b>2,585</b>	<b>372</b>	<b>3,749</b>

The Group's provision for amounts repayable to the National Assembly of Wales represents the estimated cash surplus on the final liquidation of the former TEC companies.

<b>Council</b>	Restructuring £'000	Pension £'000	TEC companies' cessation costs £'000	Repayable to the NAW £'000	<u>Total</u> £'000
At 1 April 2003	2,200	23	-	-	2,223
Charged in the year	352	39	-	-	391
Utilised in the year	(1,822)	-	-	-	(1,822)
<b>At 31 March 2004</b>	<b>730</b>	<b>62</b>	<b>-</b>	<b>-</b>	<b>792</b>

## Notes to the Financial Statements (continued)

### 16 Statement of movement on Government Funds

Group	Government Grant reserve	Income and expenditure account	Inherited assets reserve	Total
	£'000	£'000	£'000	£'000
At 1 April 2003	1,367	(748)	653	1,272
Grant-in-aid applied to the purchase of fixed assets	787	-	-	787
Released to the income and expenditure account	(1,100)	-	-	(1,100)
Realisation of fair value of inherited assets	-	-	(97)	(97)
Realisation of inherited loans	-	-	(180)	(180)
Surplus for the period	-	<u>13,405</u>	-	<u>13,405</u>
<b>At 31 March 2004</b>	<b><u>1,054</u></b>	<b><u>12,657</u></b>	<b><u>376</u></b>	<b><u>14,087</u></b>

  

Council	Government Grant reserve	Income and expenditure account	Inherited assets reserve	Total
	£'000	£'000	£'000	£'000
At 1 April 2003	1,367	(2,631)	653	(611)
Grant-in-aid applied to the purchase of fixed assets	787	-	-	787
Released to the income and expenditure account	(1,100)	-	-	(1,100)
Realisation of fair value of inherited assets	-	-	(97)	(97)
Realisation of inherited loans	-	-	(180)	(180)
Surplus for the period	-	<u>13,389</u>	-	<u>13,389</u>
<b>At 31 March 2004</b>	<b><u>1,054</u></b>	<b><u>10,758</u></b>	<b><u>376</u></b>	<b><u>12,188</u></b>

### 17 Capital commitments

	Group 2004 £'000	Group 2003 £'000	Council 2004 £'000	Council 2003 £'000
Contracted	<u>15</u>	<u>53</u>	<u>15</u>	<u>53</u>

### 18 Revenue commitments

	Group and Council 2004 £'000	Group and Council 2003 £'000
Revenue grants	<b>189,039</b>	180,964
European projects	<b><u>7,145</u></b>	<u>12,834</u>
	<b><u>196,184</u></b>	<u>193,798</u>

Revenue grants will be funded by the National Assembly for Wales. European projects will be funded as follows:

	Group and Council 2004 £'000	Group and Council 2003 £'000
ESF/ERDF Grants	<b>3,035</b>	5,502
Knowledge Exploitation Funds from the National Assembly for Wales	-	426
Grant in aid	<b>2,465</b>	2,871
Match funding from the HEFCW	-	426
Other match funding	<b><u>1,645</u></b>	<u>3,609</u>
	<b><u>7,145</u></b>	<u>12,834</u>

## Notes to the Financial Statements (continued)

### 18 Revenue commitments (continued)

#### Operating leases

Annual commitments under non-cancellable operating leases are as follows:

	Group and Council			
	Land and Buildings 2004 £'000	Land and Buildings 2003 £'000	Other 2004 £'000	Other 2003 £'000
Operating leases which expire :				
Within one year	-	-	5	-
In the second to fifth years inclusive	382	262	44	49
Over five years	<u>688</u>	<u>808</u>	<u>-</u>	<u>-</u>
	<u>1,070</u>	<u>1,070</u>	<u>49</u>	<u>49</u>

### 19 Losses and special payments

	Group	Group	Council	Council
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Fruitless payments	5	22	5	22
Bad/irrecoverable debts	<u>3</u>	<u>82</u>	<u>3</u>	<u>68</u>
	<u>8</u>	<u>104</u>	<u>8</u>	<u>90</u>

There were no individual cases of such payments in either 2004 or 2003 in excess of £100,000.

### 20 Contingent liabilities

There were no contingent liabilities at the Balance Sheet date (2003 – none) other than those arising from the transfer of KEF activity as set out in note 24.

### 21 Reconciliation of operating surplus to operating cashflows

	Group	Restated Group
	2004 £'000	2003 £'000
Operating surplus	12,336	1,294
Notional charges / (credits)	268	(4)
Depreciation charges	1,215	760
Realisation of fair value of inherited assets	(97)	(186)
Grants for fixed assets released to operating income	(1,100)	(548)
Decrease/(increase) in debtors	2,167	(3,527)
(Decrease)/increase in creditors	(8,618)	8,806
Movement on provisions	<u>(1,524)</u>	<u>(670)</u>
Net cash inflow from operating activities	<u>4,647</u>	<u>5,925</u>

## Notes to the Financial Statements (continued)

### 22 Work Connect

These accounts do not include the Council's share of the net assets of Work Connect, a joint venture between the Council, the Careers Company, the Welsh Development Agency, Conwy County Council, Gwynedd County Council and Ynys Mon County Council. A financial summary for Work Connect for 2003/2004 has been made available to the Council. Work Connect ceased its activities in May 2003 and the dissolution of the joint venture is now being progressed. It is considered that the exclusion of this balance is not material to an understanding of these accounts.

### 23 Related party disclosures

The Assembly Government is regarded as a related party. During the year, the Council had various material transactions with the Assembly Government and with other entities for which the Assembly Government is regarded as the parent department. These have included HEFCW and the WDA.

During the year the Council also entered into a number of transactions in its ordinary course of business with organisations in which those who were Board Members or Directors during the year had an interest. These are summarised as follows:

Council Member	Relationship	Transaction value	Balance at 31/3/2004
Enid Rowlands (to 31/10/2003)	• Director, Taro Consultancy Ltd	NIL	NIL
	• Director, Taro Property Ltd	NIL	NIL
	• Member, S4C Authority	£35,252	NIL
Sheila Drury OBE	• Governor, NEWI	£31,052	£146
Dr Tim Jones	• Nil declaration received	N/A	N/A
John Davies	• Brother in law employed, XL Wales	£28,500	NIL
	• Member, CBI Wales Council	NIL	NIL
	• Member, Prince's Trust Wales	£134,182	£15,022
	• Trustee, E.F. Sparkes Charity	NIL	NIL
Dr Haydn Edwards	• Spouse employed by North West Wales NHS Trust	NIL	NIL
	• Daughter employed by Gwynedd County Council	£2,861,428	NIL
	• Principal & Chief Executive, Coleg Menai	£11,586,280	£73,494
	• Board member of Careers Wales North West	£71,255	NIL
Daniel Fellows OBE	• Member, Welsh Industrial Development Board	NIL	NIL
	• Vice Chairman, Pembrokeshire College	£10,391,987	£272,486
	• Vice Chairman, Milford Haven Port Authority	NIL	NIL
	• Chairman, Investing in Pembrokeshire Society	NIL	NIL
	• Member, Pembrokeshire Partnership Management Board	NIL	NIL
	• Member, South Wales Economic Forum	NIL	NIL
James Gibson-Watt	• Member, Powys County Council	£5,768,139	NIL
	• Governor, Gwernyfed High School	NIL	NIL
Keith McDonogh	• Trustee, Diocese of Wrexham	NIL	NIL
	• Member, Diocese of Wrexham Schools' Committee	NIL	NIL
	• Board Member, Clwyd Theatre Cymru	NIL	NIL
	• Trustee, Clwyd Theatre Cymru Development Trust	NIL	NIL
	• Board Member of Careers Wales North East	£70,101	NIL
Jacqueline Royall	• Director, Wales Management Council	NIL	NIL
	• Member, Wales Quality Centre	£46,031	NIL
	• Accelerate Wales Panel Member, WDA	£144,634	NIL
	• Employed, Perkin Elmer Ltd	NIL	NIL
Dr Sonia Reynolds	• Director, Dysg, LSDA Wales	£91,769	£150
	• Member OCN Wales Steering Group	NIL	NIL
	• Director Amman Valley Enterprise Limited	NIL	NIL
	• Member CITB Equality & Diversity Committee	£2,172,012	£297,680
	• Spouse, employee of Corus Plc	NIL	NIL
Professor Sir Adrian Webb	• Member, H.M. Treasury Public Sector Productivity Panel	NIL	NIL
	• Spouse, Non Executive Director, Cardiff & Vale NHS Trust	£43,960	£8,315
	• Trustee, Bevan Foundation	NIL	NIL
	• Vice Chancellor, University of Glamorgan	£283,582	£160

## Notes to the Financial Statements (continued)

### 23 Related party disclosures (continued)

Director	Relationship	Transaction Value	Balance at 31/3/2004
Peter Higson	• Nil declaration received	N/A	N/A
Rob Rogers	• Nil declaration received	N/A	N/A
Richard Hart	• Nil declaration received	N/A	N/A
Paul Humpherson	• Nil declaration received	N/A	N/A
George McKechnie	• Nil declaration received	N/A	N/A
Grenville Jackson	• Director, Wales European Centre Ltd	£58,750	£29,735
Linda Bloomfield (to 30/9/2003)	• Nil declaration received	N/A	N/A
Robin Beckmann	• Nil declaration received	N/A	N/A
Steve Causley	• Governor, Ysgol Gyfun Cwrt Sart • Member, Neath Port Talbot Objective 1 Partnership Board • Member, South West Wales Economic Forum • Member, Unitary Authority Community Plan Steering Group / Executive for Neath Port Talbot, Swansea, Carmarthenshire and Pembrokeshire	NIL NIL NIL NIL	NIL NIL NIL NIL
David Morgan	• Observer on governing body, Merthyr College	£4,631,265	£17,708
Katie Whittaker	• Member, RNID • Member, Howells School Denbigh • Spouse employed by Ellesmere College • Observer on governing body, Coleg Lllysfasi	NIL £1,500 NIL £2,963,982	NIL NIL NIL NIL

### 24 Transfer of the Knowledge Exploitation Fund

In May 2003 the Assembly Minister for Economic Development requested that the Welsh Development Agency (the Agency) take over responsibility for the Knowledge Exploitation Fund (KEF), a fund that was set up to encourage entrepreneurship and innovation in Further and Higher Education Institutions in Wales. This Fund was previously managed by the Council and the Higher Education Funding Council for Wales (HEFCW).

The transfer took place on 14 January 2004, by which time Phase 1 of the KEF Programme was substantially complete. An arrangement to manage Phase 1 was therefore agreed between the Agency, the Council and HEFCW, under which the Agency is required to administer the remaining elements of Phase 1 on behalf of the Council and HEFCW until its completion; although the ultimate responsibility for Phase 1 remains with the Accounting Officers of the Council and HEFCW. From the date of transfer, responsibility for the operation, delivery and completion of Phase 2 passed in its entirety to the Agency.

As a consequence of the transfer of responsibility, the Council is required to pay to the Agency £572,691 of European grant previously claimed and received by the Council in respect of Phase 2 KEF European projects; and release to the Assembly Government £3,152,309 of its 2003-04 Grant-In-Aid.

In addition, the Council is required under this agreement to fund any shortfall to cover all KEF commitments previously entered into by the Council that remained outstanding to 31 March 2004.

The financial commitments detailed in the Transfer Agreement have been brought to account in these financial statements.

### 25 Post Balance Sheet Event

In addition to the First minister's announcement referred to in the foreword, subsequent to the year end ELWa Trading Limited disposed of the Technocentre building. The proceeds of sale were £1,901,000.

## Notes to the Financial Statements (continued)

### 26 Subsidiary undertakings

The names of all of the Council's subsidiary undertakings are set out below.

- ELWa Trading Limited
- West Wales Training and Enterprise Council Limited
- North Wales Training and Enterprise Council Limited
- Mid Wales Training and Enterprise Council Limited
- Council of Welsh TECs

All of the subsidiaries:

- are companies limited by guarantee and have no share capital;
- have a director of the Council and the Council as the corporate entity as directors and members of the company;
- were incorporated in England and Wales; and
- are included in the consolidated accounts.

With the exception of ELWa Trading Limited, all subsidiaries have ceased trading.

The principal business of ELWa Trading Limited has been the operation of the Technocentre Building. This building was sold subsequent to the year end. It is intended that the company will now cease trading.