

NATIONAL COUNCIL FOR EDUCATION AND TRAINING FOR WALES

Council's Report and Consolidated Financial Statements

31 March 2005

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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 fourth full year of operation, the year ended 31 March 2005. The Council is an Assembly Sponsored Public Body (ASPB) 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. These accounts are filed at and publicly available from Companies House.

Review of activities and developments

During the year the Council continued the development of the National Planning and Funding System. It also published the outcomes of its review of learning in the workplace and developed an action plan to implement the outcomes of this review. The initial geographical and sectoral pathfinders were launched in March 2005 following a programme of conferences on collaboration in Autumn 2004. The Council also awarded new contracts for Work Based Learning provision following a competitive tendering process that supported the Council's application for over £50m of additional European Social Fund (ESF) grants.

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. The Council and staff have worked with colleagues in other ASPBs and the Assembly Government since this date to support the merger process. This is referred to in note 25.

During the year the Council continued the process of placing the former TEC companies into liquidation. The only subsidiary that traded during the year was ELWa Trading Limited and in June 2004 the subsidiary disposed of its property, the Technocentre, for £1.9m. In accordance with the operating agreement with the Assembly Government the subsidiary repaid these proceeds in full to the Assembly Government.

The Group surplus for the period was £12,643,000 (2004 - £13,405,000) and has been transferred to reserves (note 17). The surplus during 2004-05 has arisen due to the timing of claims made for ESF grants and the accounting policy for the treatment of programme Grant-In-Aid (GIA) that the Council and all ASPBs (and in England, Non Departmental Public Bodies (NDPBs)) are required to adopt by HM Treasury. As this surplus has arisen as a result of this accounting policy timing difference, the surplus will be utilised in 2005-06 when the ESF income, receivable at 31 March 2005, is received and used to fund programme expenditure in 2005-06.

Expenditure on fixed assets amounted to £571,000 in the year (2004 - £787,000) (note 12).

The Council's 3 year business plan for the period 2005-08 sets out the key policies and objectives for that period. During 2005-06 the initial funding allocations using the National Planning and Funding System will be made as part of the process to focus providers more closely on delivering the Assembly Government's strategic priorities and meeting demand. The first geographical and sectoral pathfinders will report back and will support the Council's initiative to mitigate the destructive competition which exists between providers with appropriate choice in a better planned and more collaborative environment. The Council will also develop further the quality framework to reward excellence and challenge under-performance and continue its work to promote bilingual learning. The process to wind up and liquidate the former TEC companies will also continue as will work in support of the merger with the Assembly Government.

Foreword (continued)

Government's Better Payment Practice Code

The Council is fully committed to the prompt payment of its suppliers' bills and supports the Government's Better Payment Practice Code. During 2004-05 the Council made significant improvements in the promptness of its payments to suppliers and in March 2005, the payment of its liabilities took an average of 25 days and for the last quarter of 2004-05 took an average of 30 days. For the full year the payment of liabilities took an average of 34 days (2003-04 – 44 days). The Council settled 70% (50% - 2003-4) of the payments made during the year within the 30 day target and incurred statutory interest penalties of £44 during the year.

Employee involvement

At the start of the year the Council undertook its first staff attitude survey. Focus groups of staff contributed to the development of the action plan to address the issues arising from the survey and progress against the action plan has been reported on a regular basis during the year. A follow up survey is being undertaken in June 2005.

A monthly series of Chief Executive briefings is held in each region which supplements the regular team meetings and other feedback processes to and from the Executive Team via the Core Brief. These 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. During the year the Council introduced flexible working arrangements as part of an overall work / life balance policy.

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 "ELWaNNet".

Council membership

The following persons served as Council members during the year:

Sheila Drury OBE

(Chairman of the Council and of the Remuneration Committee)

Dr Tim Jones

(Chairman of the Finance and Performance Review and the South East Wales Regional Committees)

John Davies

Dr Haydn Edwards

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

Daniel Fellows OBE

(Chairman of the Quality Assurance, Human Resources and South West Wales Regional Committees)

James Gibson-Watt

(Chairman of the Mid Wales Regional Committee)

Keith McDonogh

(Chairman of the Audit and Risk and North Wales Regional Committees)

Dr Sonia Reynolds

Jacqueline Royall

Professor Sir Adrian Webb

Foreword (continued)

Council membership (continued)

In addition to the above, officers of 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.

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 9 to these accounts.

Post balance sheet events

At the date of signing these accounts there were no post balance sheet events.

Elizabeth Raikes
Chief Executive and Accounting Officer

26 August 2005

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. The system of internal control has been in place in the Council for the year ended 31 March 2005 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 policy and 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. The Corporate Senior Management Team also regularly review the register;
 - b) the Council's objectives are established through the preparation of an Operational Plan which is approved by the Assembly Government. Operational risks to achieving these objectives are identified within Directorate Risk Registers. Central oversight of these risk registers is provided through the Performance Management Group;
 - c) a risk register is developed for all projects within the Council. Consideration of the key risks relating to potential projects forms a key part of the approvals process;
 - d) all Council papers requiring a decision must be supported by an assessment of related risks;
 - e) 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
 - f) 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 On 14 July 2004, the First Minister of the Assembly Government announced the abolition of the Council and the merger of functions into the Assembly Government with effect from April 2006. The successful integration of operations into the Assembly Government has been a major corporate objective during the year and will continue to impact significantly upon the risk profile of the Council and key priorities for risk management.
- 6 Priority areas for risk management during the year have related to key developmental areas including the National Planning and Funding system (NPFS), the collaboration agenda and Pathfinder projects, learning in and for the workplace, Welsh medium learning, basic skills and the quality agenda. In terms of organisational development, the key priorities for risk management during the year relate to the management of the transition to the Welsh Assembly Government.

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 continuing improvements 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 and to the Executive Team and 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

26 August 2005

The Certificate 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 8 to 27 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 11 to 13.

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

As described on page 4, 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 5 and 6 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 2005 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.

See also my published report: *Work-Based Learning - National Council for Education and Training in Wales: 2004/05 Financial Statements*, which will be laid before the National Assembly for Wales on 22 March 2006.

Jeremy Colman Auditor General for Wales 21 March 2006	Wales Audit Office 2-4 Park Grove Cardiff CF10 3PA
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Consolidated income and expenditure account

For the year ended 31 March 2005

	Notes	2005 £'000	<i>Restated</i> 2004 £'000
Gross Income			
Grant in aid	2	513,364	480,811
Release of Government Grant Reserve	17	763	1,100
European programmes	3	15,251	5,286
Other income	4	<u>8,175</u>	<u>8,941</u>
		537,553	496,138
Expenditure			
<i>Funding of further education, training and development</i>			
Learner Provision Purchasing	5	445,030	423,884
Learner Commissioned Purchasing	5	7,504	6,107
Support for Learning	5	10,260	9,520
Learning Network Investment	5	31,652	11,921
Ring Fenced Funds	6	<u>9,604</u>	<u>11,001</u>
		504,050	462,433
<i>Administrative expenditure</i>			
Staff costs	7	13,390	14,021
Depreciation	12	763	1,215
Realisation of fair value of inherited assets	17	-	(97)
Other administrative costs	9	6,674	5,962
Notional cost of capital charge		<u>709</u>	<u>268</u>
		21,536	21,369
Operating surplus		11,967	12,336
Surplus on disposal of fixed assets		768	2
Repayment of disposal proceeds to the Assembly Government	12	(1,901)	-
Interest receivable	10	1,381	827
Realisation of fair value of inherited loans	17	103	180
Reversal of Notional cost of capital charge		<u>709</u>	<u>268</u>
Surplus for the year before taxation		13,027	13,613
Taxation	11	<u>(384)</u>	<u>(208)</u>
Surplus for the year transferred to reserves		<u>12,643</u>	<u>13,405</u>
Statement of total recognised gains and losses			
		2005	2004
		£'000	£'000
Surplus for the year		12,643	13,405
Movement on Government Grant Reserve	17	<u>(192)</u>	<u>(313)</u>
Total recognised gains and losses for the year		<u>12,451</u>	<u>13,092</u>

All activities are continuing
The notes on pages 11 to 27 form part of these accounts

Council and consolidated Balance Sheet

As at 31 March 2005

	Notes	Group 2005 £'000	2004 £'000	Council 2005 £'000	2004 £'000
Fixed Assets					
Tangible assets	12	869	2,184	869	1,062
Current Assets					
Debtors	13	12,809	4,761	13,032	5,023
Loans	14	273	376	273	376
Cash at bank and in hand		<u>36,887</u>	<u>29,016</u>	<u>32,878</u>	<u>25,003</u>
		49,969	34,153	46,183	30,402
Current Liabilities					
Creditors : amounts falling due within one year	15	<u>(21,228)</u>	<u>(18,501)</u>	<u>(21,205)</u>	<u>(18,484)</u>
Net current assets		<u>28,741</u>	<u>15,652</u>	<u>24,978</u>	<u>11,918</u>
Total assets less current liabilities		29,610	17,836	25,847	12,980
Provisions for liabilities and charges	16	<u>(3,175)</u>	<u>(3,749)</u>	<u>(274)</u>	<u>(792)</u>
Net assets		<u>26,435</u>	<u>14,087</u>	<u>25,573</u>	<u>12,188</u>
Financed by:					
Government grant reserve	17	862	1,054	862	1,054
Income and expenditure account	17	25,300	12,657	24,438	10,758
Inherited assets reserve	17	<u>273</u>	<u>376</u>	<u>273</u>	<u>376</u>
Government Funds	17	<u>26,435</u>	<u>14,087</u>	<u>25,573</u>	<u>12,188</u>

Elizabeth Raikes

Chief Executive and Accounting Officer

26 August 2005

The notes on pages 11 to 27 form part of these accounts

Consolidated cash flow statement

For the year ended 31 March 2005

	Notes	2005 £'000	2004 £'000
Operating Activities			
Net cash inflow from operating activities	22	6,781	4,647
Returns on investments and servicing of finance			
Interest received	10	1,381	827
Taxation			
	11	(384)	(208)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets	12	(571)	(787)
Net receipts from sale of tangible fixed assets		1,891	2
Repayment of disposal proceeds to the Assembly Government	12	(1,901)	-
Net Cash inflow before financing		7,197	4,481
Financing			
GIA received for purchase of fixed assets	2	571	787
Loan funds received	14	103	180
Increase in cash in the year		7,871	5,448
Reconciliation of net cash flow to movement in funds			
Increase in cash in the year		7,871	5,448
Loan repayment	14	(103)	(180)
Movement in net funds in the year		7,768	5,268
Net funds at start of the year		29,392	24,124
Net funds at end of year		37,160	29,392
Analysis of net funds			
Cash in hand and at bank		36,887	29,016
Debtors - secured loans	14	273	376
		37,160	29,392

The notes on pages 11 to 27 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 2005 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 2005 and include the financial statements of the Council and the former TEC companies (as detailed in the Foreword) up to 31 March 2005. 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 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 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 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 6th 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.

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 2004-5 the charge was calculated at 3.5 % (2003-04 – 3.5%).

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 8.

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

	Group and Council 2005 £'000	Group and Council 2004 £'000
Grant in aid received	513,935	481,598
Applied to purchase of fixed assets	<u>(571)</u>	<u>(787)</u>
Grant in aid per income and expenditure account	<u>513,364</u>	<u>480,811</u>

3 European programmes

	Group and Council 2005 £'000	Group and Council 2004 £'000
Match funding of European projects by HEFCW	-	294
Knowledge Exploitation Fund	-	2,087
ESF grants	15,251	1,564
ERDF grants	<u>-</u>	<u>1,341</u>
	<u>15,251</u>	<u>5,286</u>

4 Other Income

	Group 2005 £'000	Group 2004 £'000	Council 2005 £'000	Council 2004 £'000
Financial Contingency Funds	7,000	7,837	7,000	7,837
Other	<u>1,175</u>	<u>1,104</u>	<u>1,060</u>	<u>629</u>
	<u>8,175</u>	<u>8,941</u>	<u>8,060</u>	<u>8,466</u>

Notes to the Financial Statements (continued)

5 Funding of further education, training and development

	Group and Council 2005 £'000	Restated Group and Council 2004 £'000
Learner Provision Purchasing		
Further Education	250,232	230,416
School 6th form	105,269	100,581
Work Based Learning	84,823	88,166
Community Learning	4,706	4,721
	<u>445,030</u>	<u>423,884</u>
Learner Commissioned Purchasing		
Business Skills Development	5,134	3,260
Support for Redundant Workers	2,337	2,847
Learning Community Accounts	33	-
	<u>7,504</u>	<u>6,107</u>
Support for Learning		
Specialist Placements and students with learning difficulties	8,175	7,532
Marketing	1,066	1,132
Communications	605	421
Coleg Harlech Bursaries	414	435
	<u>10,260</u>	<u>9,520</u>
Learning Network Investment		
Capital Funding	20,990	-
E-Learning	2,118	1,128
Innovation & Development Projects (IDP) (1)	(97)	2,573
JISC	1,837	1,786
Learning Challenge Fund	1,639	522
Learner Worker Project	1,293	1,228
Research & Evaluation	1,357	1,527
Bilingual Learning	696	651
Skills Development Fund	506	533
Credit & Qualifications Framework for Wales	422	48
External European Funding	371	155
Merger Fund & Learning Network Investment	202	-
Investor in Quality	108	241
Other	210	1,529
	<u>31,652</u>	<u>11,921</u>

(1) 2005 IDP expenditure includes the reimbursement of £1.9m of project expenditure accounted for in prior years that was repaid to the Assembly Government during 2004-05

Prior year figures for certain programmes have been restated within the above analysis to present the programme expenditure in a consistent manner to the 2004-05 Operational Plan.

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 programme funds are subject to separate audits.

Notes to the Financial Statements (continued)

6 Ring Fenced Funds

	Group and Council	Restated Group and Council
	2005	2004
	£'000	£'000
Ringfenced expenditure		
ILA Wales	763	285
Ebbw Vale Learning Campus	565	-
5 Counties Learning Network	844	560
Corus/ASW Training Support	264	660
Financial Contingency Fund	7,168	7,805
Knowledge Exploitation Fund	-	1,691
	<u>9,604</u>	<u>11,001</u>

7 Staff Costs

The average number of staff (full time equivalents) including members of the Council during the year was 445 (2003–04:470). The breakdown of this figure by directorate is as follows:

	<u>2005</u>	Restated <u>2004</u>
Office of the Chief Executive & Chairman	14	6
Council Members	9	9
Corporate Services	68	73
Finance & Risk	57	68
Learning	217	258
Strategy & Communications	<u>56</u>	<u>39</u>
Total Council Employees	421	453
Less staff seconded out	(2)	(1)
Add staff seconded in	2	4
Temporary staff	<u>24</u>	<u>14</u>
	<u>445</u>	<u>470</u>

The 2004 figures have been restated to reflect the revised structure at the year end.

The aggregate payroll costs of these persons were as follows:

Staff Costs	Group and Council	Restated Group and Council
	2005	2004
	£'000	£'000
Wages and salaries	11,202	11,475
Social security costs	837	852
Other pension costs	1,562	1,620
Temporary staff	492	469
Staff seconded in	166	246
Restructuring costs (note 16)	<u>16</u>	<u>352</u>
Total Payroll costs	14,275	15,014
Less staff seconded out	(65)	(80)
Less payroll costs charged to programme expenditure	<u>(820)</u>	<u>(913)</u>
Administration payroll costs	<u>13,390</u>	<u>14,021</u>

Notes to the Financial Statements (continued)

8 Salary and pension disclosures

	Salary Emoluments £000s	Commitment (Days during 2004-05)
Council Members		
Sheila Drury OBE Chairman of Council and of the Remuneration Committee	54	3 days a week
Dr Tim Jones Chairman of the Finance and Performance Review and South Wales Regional Committees	15	45
John Davies	8	25
Dr Haydn Edwards Chairman of the Policy Development and Pwyllgor Iaith / Bilingual Expert Committees	8	25
Daniel Fellows OBE Chairman of Quality Assurance, Human Resources and South West Wales Regional Committees	15	45
James Gibson-Watt Chairman of the Mid Wales Regional Committee	15	45
Keith McDonogh Chairman of the Audit and Risk and North Wales Regional Committees	15	45
Dr Sonia Reynolds	8	25
Jacqueline Royall	8	25
Professor Sir Adrian Webb	8	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 2004-05 at £325. The number of days commitment is increased in respect of Chairs of regional committees.

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

The Assembly Government has approved the pension arrangements of the Chairman whereby contributions are made to a personal pension plan at 16.5%, the same as employer contributions to PCSPS. In respect of the former Chairman, the Assembly Government approved a pension arrangement that requires the Council to establish a provision (see note 16) to fund the future pension benefits from future Grant-In-Aid.

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

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

Notes to the Financial Statements (continued)

8 Salary and pension disclosures (continued)

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

Dr Sonia Reynolds	From 1 March 2003 to 28 February 2006
Jacqueline Royall	From 1 March 2003 to 28 February 2006
Dr Haydn Edwards	From 8 February 2001 to 28 February 2007
Daniel Fellows OBE	From 8 February 2001 to 28 February 2007
Keith McDonogh	From 8 February 2001 to 28 February 2007
James Gibson-Watt	From 8 February 2001 to 28 February 2007
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

Following the merger announcement, all Council members whose terms of appointment were due to expire before 31 March 2006 have agreed to stay on until the merger.

Directors	Salary Emoluments	Real increase in pension & related lump sum at age 60	Total accrued pension at age 60 at 31/3/05 and related lump sum	CETV at 31/3/04	CETV at 31/3/05	Real increase in CETV after adjustment for and changes in market investment factors
	£'000	£'000	£'000	£'000	£'000	£'000
Elizabeth Raikes Chief Executive (from 5/4/2004)	104	0-2.5	0-5	0	23	20
Grenville Jackson Director of Strategy & Skills	84	0-2.5	5-10	49	74	17
Mike Hopkins Director of Learning (from 1/5/2004)	89	0-2.5	0-5	0	16	13
Richard Thomas Director of Communications (from 1/9/2004)	54	0-2.5 plus 0-2.5 lump sum	0-5 plus 10-15 lump sum	29	39	6
Rob Rogers Director of Finance & Risk	84	5-7.5 plus 20-22.5 lump sum	20-25 plus 65-70 lump sum	204	318	90
Sue Olley Secretary & Solicitor to the National Council	56	12.5-15	10-15	4	196	43
Jo Thorne Director of Corporate Services (1/5/2004 to 31/1/2005)	56	0-2.5	0-5	0	9	7
Paul Humpherson Director of Corporate Services (to 30/6/2004)	77 (including redundancy payment)	0-2.5 plus 0-2.5 lump sum	0-5 plus 5-10 lump sum	48	53	4
George McKechnie Director (to 30/9/2004)	77 (including redundancy payment)	0-2.5 plus 0-2.5 lump sum	0-5 plus 10-15 lump sum	73	85	9

The Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme's benefits accumulated by a 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.

Notes to the Financial Statements (continued)

8 Salary and pension disclosures (continued)

All Directors are full time employees.

Jo Thorne left on 31 January 2005. No redundancy payment was made.

Paul Humpherson left the Council on 30 June 2004 and received a redundancy payment of £45,365. Mr Humpherson also had a company car, the taxable benefit of which has been assessed at £558.

George McKechnie left the Council on 30 September 2004 and received a redundancy payment of £39,459.

Relocation payments were paid during the year to Jo Thorne of £8,000 and Mike Hopkins of £2,549.

No other Directors received any other remuneration or benefits in kind.

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).

For 2004-05 employers contributions of £1,527,000 were payable to the PCSPS (2003-04 £1,581,000) at one of four rates in the range 12 to 18.5 per cent of pensionable pay, based on salary bands. For 2005-06 employers contributions are payable to the PCSPS at one of four rates in the range 16.2 to 24.6 percent. 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 accrued, 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 1/80th 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 commuting 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 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum, but members may commute some of their pension to provide a lump sum up to a maximum of 3/80th 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 3/80th 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 commuting 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.

Notes to the Financial Statements (continued)

8 Salary and pension disclosures (continued)

(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 (2004: £ 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.

9 Other administrative costs

	Group	Restated Group	Council	Restated Council
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Staff travel and subsistence	577	596	577	596
Other staff related costs	673	849	673	849
Council Members travel and subsistence	35	25	35	25
Office costs	955	925	955	911
Accommodation costs	2,002	1,726	2,002	1,637
Information Technology costs	664	686	664	686
Bought in services	524	550	381	462
Repayment of bank interest to NAW	1,064	415	1,064	415
Auditors' remuneration				
Annual audit fee of the AGW	98	103	98	103
Other annual external audit fees	21	21	-	-
Other external audit work (*)	16	17	16	17
Operating lease costs	<u>45</u>	<u>49</u>	<u>45</u>	<u>49</u>
	<u>6,674</u>	<u>5,962</u>	<u>6,510</u>	<u>5,750</u>

* In addition £39,000 was paid to the AGW for European grant claim audits out of programme funds

10 Interest receivable

	Group	Group	Council	Council
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Bank interest receivable	1,362	803	1,189	673
Loan interest receivable	<u>19</u>	<u>24</u>	<u>19</u>	<u>24</u>
Total interest receivable	<u>1,381</u>	<u>827</u>	<u>1,208</u>	<u>697</u>

Notes to the Financial Statements (continued)

11 Taxation

Analysis of UK corporation tax charge

	Group 2005 £'000	Group 2004 £'000	Council 2005 £'000	Council 2004 £'000
UK corporation tax				
Current tax on income for the period (at 20% - 30%)	384	208	354	187
Adjustment in respect of prior periods	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>384</u>	<u>208</u>	<u>354</u>	<u>187</u>

12 Tangible fixed assets

Group and Council

	Long Term Leasehold Land and Property £'000	Fixtures, Fittings and Equipment and Motor Vehicles £'000	Information Technology £'000	Total £'000
<u>Cost/Valuation</u>				
As at 1 st April 2004	1,200	1,128	1,811	4,139
Additions	-	201	370	571
Disposals	(1,200)	(23)	(12)	(1,235)
As at 31 March 2005	<u>-</u>	<u>1,306</u>	<u>2,169</u>	<u>3,475</u>
<u>Depreciation</u>				
As at 1 April 2004	78	711	1,166	1,955
Charge for the year	-	252	511	763
Disposals	(78)	(23)	(11)	(112)
As at 31 March 2005	<u>-</u>	<u>940</u>	<u>1,666</u>	<u>2,606</u>
Net book value at 31 March 2005	<u>-</u>	<u>366</u>	<u>503</u>	<u>869</u>
Net book value at 31 March 2004	<u>1,122</u>	<u>417</u>	<u>645</u>	<u>2,184</u>

In June 2004 the group disposed of the Technocentre building owned by ELWa Trading Limited a subsidiary. Proceeds of the sale were £1,901,000 which, in accordance with the operating agreement between the subsidiary and the Assembly Government were repaid to the Assembly Government in full.

Notes to the Financial Statements (continued)

13 Debtors

	Group 2005 £'000	Group 2004 £'000	Council 2005 £'000	Council 2004 £'000
Trade Debtors	7,671	196	7,635	138
VAT recoverable	19	14	-	-
Amounts owed by HEFCW	265	905	265	905
Amounts owed by group undertakings	-	-	323	379
Other debtors	1,213	1,535	1,192	1,490
Prepayments and accrued income	<u>3,641</u>	<u>2,111</u>	<u>3,617</u>	<u>2,111</u>
	<u>12,809</u>	<u>4,761</u>	<u>13,032</u>	<u>5,023</u>

14 Loans

	Group and Council 2005 £'000
At 1 April	376
Capital repayments	<u>(103)</u>
At 31 March	<u>273</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 2005.

Interest is charged at 6% per annum. Repayments of £119,000 (including interest) were receivable in the period.

Of the amount outstanding at 31 March 2005, £170,000 (2004 - £272,000) is due after more than one year.

15 Creditors

Amounts falling due within one year

	Group 2005 £'000	Group 2004 £'000	Council 2005 £'000	Council 2004 £'000
Trade Creditors	157	1,998	194	1,938
Corporation tax	381	204	351	182
Other taxes and social security	44	31	41	26
Other creditors	7	-	3	7
Accruals and income received in advance	<u>20,639</u>	<u>16,268</u>	<u>20,616</u>	<u>16,331</u>
	<u>21,228</u>	<u>18,501</u>	<u>21,205</u>	<u>18,484</u>

Notes to the Financial Statements (continued)

16 Provisions for liabilities and charges

Group	Restructuring £'000	Merger (note 25) £'000	Pension (note 8) £'000	TEC companies' cessation costs £'000	Repayable to the NAW £'000	Total £'000
At 1 April 2004	730	-	62	2,585	372	3,749
Charged / (released) in the year	16	77	3	(238)	271	129
Transfer	-	-	-	(434)	434	-
Utilised in the year	(614)	-	-	(78)	(11)	(703)
At 31 March 2005	132	77	65	1,835	1,066	3,175

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.

Council	Restructuring £'000	Merger (note 25) £'000	Pension (note 8) £'000	TEC companies' cessation costs £'000	Repayable to the NAW £'000	Total £'000
At 1 April 2004	730	-	62	-	-	792
Charged in the year	16	77	3	-	-	96
Utilised in the year	(614)	-	-	-	-	(614)
At 31 March 2005	132	77	65	0	0	274

17 Statement of movement on Government Funds

Group	Government grant reserve £'000	Income and expenditure account £'000	Inherited assets reserve £'000	Total £'000
At 1 April	1,054	12,657	376	14,087
Grant-In-Aid applied to the purchase of fixed assets	571	-	-	571
Released to the income and expenditure account	(763)	-	-	(763)
Realisation of inherited loans	-	-	(103)	(103)
Surplus for the period	-	12,643	-	12,643
At 31 March 2005	862	25,300	273	26,435

Council	Government grant reserve £'000	Income and expenditure account £'000	Inherited assets reserve £'000	Total £'000
At 1 April	1,054	10,758	376	12,188
Grant-In-Aid applied to the purchase of fixed assets	571	-	-	571
Released to the income and expenditure account	(763)	-	-	(763)
Realisation of inherited loans	-	-	(103)	(103)
Surplus for the period	-	13,680	-	13,680
At 31 March 2005	862	24,438	273	25,573

Notes to the Financial Statements (continued)

18 Capital commitments

	Group and Council 2005 £'000	Group and Council 2004 £'000
Contracted	<u>41</u>	<u>15</u>

19 Revenue commitments

	Group and Council 2005 £'000	Group and Council 2004 £'000
Revenue grants (a)	250,331	189,039
European projects (b)	<u>97,669</u>	<u>7,145</u>
	<u>348,000</u>	<u>196,184</u>

(a) These amounts will be funded by the National Assembly for Wales

(b) European projects will be funded as follows

	Group and Council 2005 £'000	Group and Council 2004 £'000
ESF/ERDF Grants	48,824	3,035
Grant in aid	43,356	2,465
Other match funding	<u>5,489</u>	<u>1,645</u>
	<u>97,669</u>	<u>7,145</u>

Operating leases

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

	Group and Council Land and Buildings 2005 £'000	Group and Council Land and Buildings 2004 £'000	Group and Council Other 2005 £'000	Group and Council Other 2004 £'000
Operating leases which expire :				
Within one year	55	-	-	5
In the second to fifth years inclusive	337	382	-	44
Over five years	<u>688</u>	<u>688</u>	<u>-</u>	<u>-</u>
	<u>1,080</u>	<u>1,070</u>	<u>-</u>	<u>49</u>

Notes to the Financial Statements (continued)

20 Losses and special payments

	Group and Council 2005 £'000	Group and Council 2004 £'000
Ex gratia payments	-	-
Fruitless payments	3	5
Bad/irrecoverable debts	-	<u>3</u>
	<u>3</u>	<u>8</u>

There were no individual cases of such payments in either 2005 or 2004 in excess of £100,000.

21 Contingent liabilities

There were no contingent liabilities at the Balance Sheet date (2004 – none).

22 Reconciliation of operating surplus to operating cashflows

	Group 2005 £'000	Group 2004 £'000
Operating surplus (before financing and appropriation)	11,967	12,336
Notional charges	709	268
Depreciation charges	763	1,215
Realisation of fair value of inherited assets	-	(97)
Grants for fixed assets released to operating income	(763)	(1,100)
(Increase) / decrease in debtors	(8,048)	2,167
Increase / (decrease) in creditors	2,727	(8,618)
Movement on provisions	(574)	<u>(1,524)</u>
Net cash inflow from operating activities	<u>6,781</u>	<u>4,647</u>

23 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.

Notes to the Financial Statements (continued)

24 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 transactions and the balances with the relevant parties at 31 March 2005 are summarised as follows:

Council Member	Relationship	Transaction value	Balance at 31/3/2005 (creditor) / debtor
Sheila Drury OBE	• Governor, NEWI to Aug 2004	£33,598	Nil
John Davies	• Corporation Member – Llysfasi Governing Body	£3,242,857	(£83,455)
	• Member, Princes Trust	£15,529	£920
Dr Haydn Edwards	• Principal & Chief Executive, Coleg Menai	£13,097,296	(£46,377)
Daniel Fellows OBE	• Vice Chairman, Pembrokeshire College	£12,122,771	(£42,884)
	• Vice Chairman, Milford Haven Port Authority	£2,585	Nil
James Gibson-Watt	• Member, Powys County Council	£6,227,468	(£8,054)
	• Governor, Gwernyfed High School	£705	£705
Keith McDonogh	• Member North Wales Economic Forum	£6,110	Nil
Jacqueline Royall	• Member, Wales Quality Centre	£14,389	Nil
	• Director, Perkin Elmer Ltd	£8,300	Nil
	• Director, Wales management Council	£470	Nil
Dr Sonia Reynolds	• Director, Dysg, LSDA Wales	£40,567	(£5,533)
	• Director, Amman Valley Enterprise Ltd	£587	Nil
Professor Sir Adrian Webb	• Spouse, Non Executive Director, Cardiff & Vale NHS Trust	£23,280	Nil
	• Vice Chancellor, University of Glamorgan – to 31/12/2004	£294,477	(£35,862)
	• Non-Executive Director & Chair of Corporate Governance, Welsh Assembly Government	See note above regarding transactions with the Assembly Government	

Director	Relationship	Transaction Value	Balance at 31/3/2005 (creditor) / debtor
Grenville Jackson	• Director, Wales European Centre Ltd	£83,750	Nil
Rob Rogers	• Observer on Governing Body, Coleg Llysfasi	£3,242,857	(£83,455)
Sue Olley	• Member, Treasurer, The Women's Workshop	£7,140	Nil

Notes to the Financial Statements (continued)

25 Merger with the National Assembly for Wales

As referred to in the foreword, on the 14 July 2004 the First Minister announced the decision to incorporate the work of the Council directly into the Welsh Assembly Government from 1 April 2006. Consequently from this date, the Council will cease to operate as a separate organisation and accountability for its work will fall directly to the Minister for Education and Lifelong Learning.

Work is currently underway and will continue during the coming year on developing and implementing the arrangements for how the new department will work. Continuity of business will be maintained throughout the transitional period.

At the time of signing these accounts a number of uncertainties exist, particularly surrounding staffing arrangements and accommodation issues. Consequently, the Council is unable to establish a reliable estimate of future merger related costs. Where a reasonable estimate of future costs can be made a provision has been provided within these accounts.

No material merger related expenditure has occurred in 2004-05.

The provision made within these accounts (see note 16) of £77,000 relates to the cost of co-locating the Council's Mid Wales office with the WDA office in Newtown.

26 Analysis of intra-government balances

The following balances are disclosed within notes 13 and 15.

	Debtors amounts falling due within one year		Creditors amounts falling due within one year	
	Group 2005 £'000	Group 2004 £'000	Group 2005 £'000	Group 2004 £'000
Balances with other central government bodies	11,185	2,849	1,700	1,050
Balances with local authorities and 6 th form schools	224	17	479	1,943
Balances with NHS Trusts	3	1	7	41
Balances with public corporations and trading funds	0	0	0	5

Notes to the Financial Statements (continued)

27 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.