

NATIONAL COUNCIL FOR EDUCATION AND TRAINING FOR WALES

Annual Report and Consolidated Financial Statements

31 March 2006

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Annual Report

Introduction and background

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 was referred to as 'ELWa'. The Council was an Assembly Sponsored Public Body (ASPB) and had responsibility for planning, funding, promoting and quality assuring post-16 education and training in Wales, with the exception of Higher Education. This included further education institutions, private and voluntary sector training providers, adult continuing education providers and school sixth forms. The Council had a duty to secure proper and reasonable provision which met 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 National Council for Education and Training for Wales was abolished on 1 April 2006 under SI 2005/3238: The National Council for Education and Training for Wales (Transfer of Functions to the National Assembly for Wales and Abolition) Order 2005. At that date the property rights and liabilities of the Council as at 31 March 2006 were transferred to the National Assembly for Wales.

The business of the Council

The National Council consisted of the Chairman, 9 members and the Chief Executive. The Chairman and the members of the National Council were appointed by the Welsh Assembly Government.

The following persons served as National Council members during the year:

Sheila Drury OBE
(Chairman of the National Council and of the Remuneration Committee and from 1 October 2005 Executive Chairman)

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)

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

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

Dr Sonia Reynolds

Jacqueline Royall

Professor Sir Adrian Webb

The Chief Executive and Accounting Officer

The Chief Executive was appointed by the Council. The Chief Executive was also designated as the Council's Accounting Officer by the Permanent Secretary to the Assembly and was personally responsible for the proper stewardship and expenditure of public funds and the day-to-day operations and management of the Council.

During the year Elizabeth Raikes held the role of Chief Executive and Accounting Officer for the period 1 April 2005 to 30 September 2005.

From 1 October 2005 to 31 March 2006 Sheila Drury undertook the role of Executive Chairman and Rob Rogers, the Director of Corporate Resources, was designated the Accounting Officer for that period.

Annual Report (continued)

The business of the Council (continued)

The Executive Team

The Council was supported by an Executive Team of corporate directors. The Executive Team during the year were:

Elizabeth Raikes	-	Chief Executive (to 30 September 2005)
Sheila Drury	-	Executive Chairman (1 October 2005 to 31 March 2006)
Mike Hopkins	-	Deputy Chief Executive and Director of Learning
Grenville Jackson	-	Director of Strategy and Skills
Rob Rogers	-	Director of Corporate Resources
Richard Thomas	-	Director of Communications
Susan Olley	-	Secretary and Solicitor to the Council
Richard Hart	-	Deputy Director of Learning (member of the Executive Team from September 2005)

Register of interests

The register of members' interests is available for inspection at the Welsh Assembly Government's office at Bedwas.

Basis of accounting and subsidiary undertakings

These financial statements cover the Council's fifth and final year of operation, the year ended 31 March 2006. 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 Welsh Assembly Government's office at Bedwas. The accounts also comply with the requirements of the Government Financial Reporting Manual (FRM).

The accounts have been prepared on a going concern basis because the activities of the Council continue to be provided by the Welsh Assembly Government from 1 April 2006.

The consolidated accounts incorporate the results of the Council and its wholly owned subsidiary companies (the Group), the four former Welsh Training and Enterprise Council (TECs) companies, 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 are publicly available from Companies House.

Merger with the Welsh Assembly Government

On 14 July 2004 the First Minister announced the merger of the Council into the Assembly Government on 1 April 2006. Consequently as a result of the Abolition Order referred to above, from 1 April 2006, the Council ceased to operate as a separate organisation and all assets and liabilities transferred to the National Assembly for Wales. Accountability for its work now falls directly to the Minister for Education, Lifelong Learning and Skills.

During the year work was undertaken to secure the transfer of staff and the operations of the Council, primarily to the Department for Education, Lifelong Learning and Skills, but also to other Welsh Assembly Government departments. The full cost in the year of incremental costs associated with the merger was £597,000 (2004-05 - £77,000). This is referred to in note 24. None of these costs relate to staff redundancies or early retirements.

Charitable donations

The Council made no charitable donations during the year.

Research and development

During the year the Council continued to deliver the Future Skills Wales research programme as well as developing and maintaining baseline data about the learning and labour markets, and implementing a programme of policy and market research in accordance with the marketing and communications plan.

Annual Report (continued)

Financial instruments

With the exception of ESF grants and partner contributions, the Council's activities were primarily funded by Grant-In-Aid from the Welsh Assembly Government through a monthly cash drawdown process, the Council was therefore not exposed to any significant cash flow risk.

The Council undertook no borrowing activities during the year.

The Council banked with a commercial bank and received interest at a market rate on the combined balance of its current accounts. With the exception of its ESF bank accounts, where advances are retained to fund project activity over the life of the ESF projects, the Council was required to minimise its cash holding to within 2% of its total Grant-In-Aid funding. At the year end the Council was allowed to retain more than this 2% limit to enable the funding of year end creditors and so facilitate the closure of the Council's ledgers as part of the merger process.

On its inception the Council inherited three loans, two of which were secured. These loans are referred to in Note 13 to the accounts. During the year the two secured loans were repaid in full and the remaining balance on the unsecured loan was written off. With the exception of these loans the Council has not undertaken any lending activities.

All of the Council's assets and liabilities are denominated in sterling and it undertakes a minimal level of transactions in currency other than sterling and is therefore not exposed to currency risk.

Government's Better Payment Practice Code

The Council was fully committed to the prompt payment of its suppliers and supported the Government's Better Payment Practice Code. During 2005-06 the Council continued to make improvements in the promptness of its payments to suppliers and took an average of 30 days to pay suppliers (2004-5 – 34 days). The Council settled 70% (2004-05 – 70%) of the payments made during the year within the 30 day target and incurred no statutory interest penalties during the year.

Employee involvement

A monthly series of staff briefings were led by the Chief Executive / Executive Chairman in each region which supplemented the regular team meetings and other feedback processes to and from the Executive Team via the Core Brief. The Chief Executive and Executive Chairman also provided an informal weekly 'news letter' to all staff. These ensured good internal communications and provided opportunities for staff to contribute to the workings of the Council. The Works Council, through which staff representatives can raise issues, met on a regular basis.

During the year the Council undertook its second staff survey. The results of this survey highlighted the progress taken to respond to issues raised in the first survey. A further action plan to address outstanding issues was developed.

During the year the Council sought and was successful in obtaining IIP accreditation. This provided external evidence of the progress made by the Council to ensure staff involvement in both the business of the Council as well as their own training and personal development.

Equality and diversity

The Council was committed to developing its Equal Opportunities Policy to ensure that all employees were treated fairly, irrespective of sex, age, marital status, disability, and racial or ethnic origin. Throughout the year the Council continued to operate flexible working arrangements as part of an overall work / life balance policy.

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

During the year the Council employed 5 disabled staff.

Annual Report (continued)

Pensions

Pension benefits were provided through the Principal Civil Service Pension Scheme (PCSPS) referred to in note 6 to the accounts. This is an unfunded multi-employer defined benefit scheme and therefore the Council was 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).

The group also operated several other schemes, both defined benefit and defined contribution, which are in the process of being wound up. 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.

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 7 to these accounts. No remuneration was paid to the auditors for non-audit work. The subsidiary companies are audited by private sector audit firms and the audit fees payable to these firms are also set out in Note 7.

Disclosure of relevant audit information to the auditors

So far as the Accounting Officer is aware, there is no relevant audit information of which the entity's auditors are unaware, and the Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

Annual Report (continued)

Management commentary

Introduction

The Council was established under the Learning and Skills Act 2000. Publicly, the Council was referred to as 'ELWa'. Its remit covered further education, government-supported training, adult community learning and school sixth forms.

The Council's main statutory responsibilities were to:

- Secure the provision of facilities for post-16 education and training in Wales (with the exception of higher education);
- Encourage young people and adults to participate in learning; and
- Encourage employers to participate in, and contribute to the costs of, post-16 education and training.

The Council started from the belief that economic and social success for individuals, businesses and communities in Wales will be achieved through learning.

The Council's Corporate Strategy set out the vision of 'Making learning work for you – Mynnwch elwa ar ddysg' and the Council's mission 'to promote lifelong learning and provide world class learning opportunities for all in Wales to fulfil their potential'.

The delivery of these over arching aims was demonstrated through:

- Stimulating more interest in learning amongst individuals, businesses and communities (**Demand**);
- Translating that demand into growing levels of active involvement in education and training (**Participation**);
- Promoting a wide range of flexible, high quality education routes (**Delivery**);
- Facilitating rising levels of learner attainment (**Achievement**);
- Encouraging individuals, businesses and communities to extend their involvement in learning (**Progression**); and
- Securing provision at competitive prices and leveraging additional contributions from the European Union and other sources (**Efficiency**).

The Council adopted four cross-cutting themes which it was mainstreaming into the way it does business. All policies and projects were assessed for their contribution to:

- Achieving sustainable development;
- Assuring equal opportunities;
- Promoting social inclusion; and
- Developing bilingualism.

The Council's approach was:

- To base all it did on the learning needs of individuals, businesses and communities, and to measure its contribution by success in meeting those needs;
- To recognise the distinctive needs of the different parts of Wales and to be flexible and decentralised in the way in which it responded to them;
- Whilst recognising and building on what already worked well to be radical in its approach to achieving the huge improvements needed, and to keep a broad perspective to bring new ideas to Wales from elsewhere;
- To work wholeheartedly in the partnerships in Wales, UK and Europe, which are essential to achieving our strategy;
- To be committed to maximum effectiveness, high quality and efficiency in all that it did and funded; and
- To be open and accountable to those it served.

Annual Report (continued)

Resources

For 2005-06 the Council was able to allocate £565m to its programme expenditure as set out in the Corporate Plan for the year, an increase of over 8% on 2004-05. The Welsh Assembly Government also allocated £23.6m for the running costs of the Council.

The average number of staff (full time equivalents) including members of the Council during the year was 460 (see note 6 the accounts)

In addition to these resources, the Council was able to develop and utilise a range of formal and informal partnerships during the year to assist in meeting its strategic objectives. Significant support, knowledge and guidance were provided from the external members of the Expert Committees, Regional Committees and CCETs, as well as through contributions from the learning network to formal consultations and ad-hoc working groups.

The ongoing work of the Future Skills Wales Partnership enabled the Council to obtain the views and opinions of learners, learning providers and business across a range of issues to inform the evaluation and development of policy.

The learning network in Wales represents a key resource available to the learners of Wales to promote lifelong learning and provide world class learning opportunities. The Council's regional and sectoral pathfinder projects commenced during the year with the objective of identifying how that resource can be best used to widen opportunities for learners, increase responsiveness to business and share knowledge. The imperative being to incentivise greater collaboration between providers so that more effective use of resources can be achieved, learning opportunities broadened and expertise disseminated more quickly.

Strategic Performance Indicators and Programme Output Targets

A set of high-level performance indicators (termed Strategic Performance Indicators or SPIs) were developed to enable the Council to evaluate progress against its long term strategy.

The SPIs were constructed to summarise the learning outcomes that the Council was seeking to achieve from its Corporate Strategy:

- **Demand** – stimulating growing levels of interest in learning amongst individuals, businesses and communities;
- **Participation** – translating demand into growing levels of active involvement in learning;
- **Achievement** – fostering rising levels of learner attainment and achievement;
- **Delivery** – fostering a wide range of flexible and high quality learning routes; and
- **Progression** – encouraging individuals, businesses and communities to extend their involvement in learning.

In addition to the five elements above, the SPIs cover a sixth element - efficiency. The efficiency related SPIs are designed to measure the Council's efficiency at purchasing learning at competitive prices and its ability to secure additional funding.

In order to enable the Council to evaluate progress against its long term strategy, it was important that the SPIs are measured over time. Therefore the indicators need to be compatible with data being reported from year to year, so that trends and the impact of the Council's strategy can be determined. The date of implementation of each indicator takes account of proposed developments by the Council (e.g. National Planning Framework and Funding System; LLWR data collection system; etc.). The SPIs are supplemented with relevant performance indicators (PIs) required for operational performance management.

The new Department of Education, Lifelong Learning and Skills (DELLS) will need to review and enhance the suite of performance indicators. A consultation process on developing performance measures for post-16 learning in Wales based on the Lifelong Learning Wales Record (LLWR) has commenced. This consultation addresses measures that will focus on learner success such as completion, attainment, value for money, and learner destinations. This process will, for the first time, result in a consistent set of measures for learning outcomes that can be applied across further education, work based learning, community learning and school sixth forms.

Annual Report (continued)

Monitoring and achievement of performance indicators

The Council monitored performance during the year through the use of an integrated performance monitoring system. Formal monthly performance reports, including progress against SPIs and business plan objectives were subject to review by the Performance Management Group of senior managers, the Executive Team, the Finance and Performance Review Committee and the National Council.

During 2005-06 the Council completed 86% (84% - 2004-05) of the business plan objectives. In addition, of the 33 statistical performance measures in place during 2005-06, 17 (51%), were either achieving or exceeding the target when data was collected in April 2006. A further 10 of the statistical performance measures were within 15% of the target.

The substantial achievement of the business plan objectives during the year leading to the merger demonstrates the extent to which the Council and staff were able to remain focused on the delivery of the core business.

Development and performance of the Council during the year

The performance indicators reported above provide a statistical measure of the achievements of the Council during the year. The key elements of the 2005-06 business plan delivered during the year in accordance with the ministerial priorities set out in the remit letter for the year were:

- The first allocations of funding for School 6th forms and FEIs through the National Planning and Funding System;
- The commencement of the regional and sectoral pathfinders;
- The introduction of the Common Investment Fund (CIF) to support collaboration across the learning network;
- The introduction of the Provider Performance Review (PPR) process and the supporting quality improvement initiatives;
- The development of the new workforce development programme to assist individual employers to meet their skills needs;
- The establishment of the first four Sector Skills Agreements; and
- The delivery of the cross sector benchmarking pilot project.

In addition to the above the Council responded to the Minister's request during the year to develop a work based learning improvement plan which was presented to the Education and Lifelong Learning committee in March 2006.

Internally, the Council obtained IIP accreditation in December 2005, completed the co-location of its Mid Wales regional office with the WDA in Newtown and contributed to the transfer of its activities to the Welsh Assembly Government on 1 April 2006.

Financial performance for the year and financial position at the year end

The Group's deficit for the year was £12,145,000 (2004 - 05 : surplus - £12,643,000). This deficit reflects the utilisation of the surplus generated in 2004-05 which arose 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.

During the year the Council continued the process of preparing the former TEC companies for liquidation. ELWa Trading Limited, the last subsidiary still trading, ceased trading in December 2005 following the assignment of the Cleppa Park lease. The pre liquidation process has involved the realisation of assets, the settlement of existing liabilities and an assessment of potential future liabilities. This process has realised a further £166,000 during the year that can be returned to the Welsh Assembly Government after accounting for net additional provisions of £1,420,000 arising mainly from the Astley Case referred to in note 27 to the accounts and later in this commentary. At 31 March 2006 a total of £1,412,000 was available to be returned to the Welsh Assembly Government (notes 8 & 15).

Expenditure on fixed assets amounted to £528,000 (2004-05 - £571,000), as set out in note 11

Annual Report (continued)

Financial performance for the year and financial position at the year end (continued)

The Group's cash balances at 31 March 2006 included the following:

- Advances received for ESF projects to provide cash flow funding over the life of the project;
- Funds repayable to the Assembly Government on the liquidation of the TECs;
- Grant-In-Aid funds drawn down to fund creditors, accruals and provisions at 31 March 2006; and
- Accumulated surpluses over the life of the Council.

Risk management

The following processes were in place to manage risk:

- a) The Council had an Opportunity and Risk Management Policy and Guidelines providing a consistent approach to the management of risk in line with Treasury standards;
- b) A Project Management Handbook that provided guidance on the identification and management of risks throughout the lifetime of projects;
- c) The Council's Risk Assurance section provided a risk based internal audit service in compliance with the Government Internal Audit Standards. The Risk Assurance section took the lead on the development and embedding of risk policies and guidelines and was available to provide advice and guidance to groups of staff and individual managers; and
- d) the Council's Performance Management Group, comprised of members of the Senior Management Team, provided a review function, overseeing the link between operational planning, risk management and performance management.

The key elements of the Council's risk management strategy were as follows:

- a) the Council's Executive Team had ownership of the risk register covering corporate risks. The register was 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 reviewed the register;
- b) the Council's objectives were established through the preparation of an Operational Plan which was approved by the Assembly Government. Operational risks to achieving these objectives were identified within Directorate Risk Registers. Central oversight of these risk registers was provided through the Performance Management Group;
- c) a risk register was developed for all projects within the Council. Consideration of the key risks relating to potential projects formed a key part of the approvals process;
- d) all Council papers requiring a decision were required to be supported by an assessment of related risks; and
- e) risks were prioritised according to their likelihood and impact and actions were identified to be proportionate with the scale of the exposure. Procedures for regular review of risk registers had been established.

The successful integration of operations into the Assembly Government was a major corporate objective during the year and impacted significantly upon the risk profile of the Council and key priorities for risk management. Priority areas for risk management during the year have continued to relate to key developmental areas including the National Planning and Funding System (NPFs), the strengthening of the assurance mechanisms at work based learning providers and the quality agenda. In terms of organisational development, the key priorities for risk management during the year related to the management of the transition to the Assembly Government.

Partnership working

The Council's effectiveness in delivering its remit was based upon the effective partnerships it established with a wide range of stakeholders in the public, private and voluntary sectors. The support and co-operation of these stakeholders has been critical to both the development of policy and the delivery of the key business plan priorities including the National Planning and Funding System, the Pathfinder projects, Provider Performance Review, the Workforce Development Programme and Sector Skills Agreements.

Annual Report (continued)

Social and community learning

The Council's corporate strategy is based on the belief that economic and social success for individuals, businesses and communities in Wales will be achieved through learning. Accordingly, the focus of the Council's policies have been to identify, stimulate and meet the learning needs of individuals, business and communities. The pilot projects for Learning Community Accounts have been designed to empower communities to make choices about their own education and training whilst our work with the Voluntary Sector to implement the Voluntary Sector Compact Action Plan will realise the vision of creating an inclusive learning society.

People

During the year Council staff performed outstandingly in the face of difficult and changing conditions. Many staff took on new responsibilities, while all staff faced uncertainty about the nature of their future roles in the merged organisation. The Council has provided support to staff to meet these pressures either through the established performance development process and the provision of bespoke training or through the Employee Assistance Programme.

The Council also implemented the action plan arising from the first Staff Attitude Survey in 2004-05. This action plan complemented the IIP action plan and together contributed to the Council's IIP accreditation in December 2005.

However, the greatest focus on people during the year was to ensure that as many staff as possible had clarity of and certainty regarding their new roles in the Welsh Assembly Government as soon as possible. For the majority of staff this was achieved by Christmas with all except a small number of staff being placed in new posts by 31 March 2006.

Future development of the business

With effect from 1 April 2006 the activities of the Council are being delivered by the Welsh Assembly Government. All activities relating to the core business of further education, work based training, adult community learning and school sixth forms, is being delivered by the Department for Education, Lifelong Learning and Skills.

The core priorities and strategies for the delivery of the business are set out in "*The Learning Country 2*", published on 7 April 2006. This reaffirms the importance of the delivery of the common National Planning and Funding System (NPF5), the programme of strategic investment and the pathfinder reviews of learner provision.

The merger of the Council, ACCAC, the Wales Youth Agency and DYSG, with the Assembly Government, creates a strong department with greater capacity to deliver results for learners, employers and communities. Part of this involves delivering on the principles of "*Making the Connections*". The intention is to secure real performance gains across the full range of activities and to generate savings for reinvestment at the front line for learners.

Post balance sheet events

Subsequent to the year end the Council's activities have been undertaken by the Welsh Assembly Government.

On 21 June 2006 the House of Lords gave its judgement on the 'North Wales Training and Enterprise Council Limited v Astley & others' case. This was a test case where the Council's subsidiary (known as CELTEC) was the defendant to proceedings brought by former and current employees in respect of the continuous service rights of employees transferred to the TECs in the early 1990s from the Civil Service. CELTEC, and some of the other subsidiaries, have been carrying provisions in respect of the potential costs arising from this case and, where appropriate, have revised their estimates of the costs that they might incur as a result of this judgement – these are set out in note 15 to the accounts. Until such a time as any claims arising from this judgement are settled there remains uncertainty as to the amount of the liability that might fall to the relevant TECs and this contingent liability is set out in note 20 to the accounts.



Steve Marshall
DELLS Sub Accounting Officer

24 August 2006

Annual Report (continued)

Remuneration Report

Remuneration Policy

The remuneration of the Chairman and Council members, the Chief Executive and the Deputy Chief Executive was set by the Welsh Assembly Government.

The remuneration of the Chairman and Council members was governed by the Welsh Assembly Government's Scheme for Remunerating Chairs and Members of ASPBs and NHS Bodies introduced on 1 April 2004.

The Chief Executive's remuneration was set by the Assembly Government and was able to include a performance related bonus of up to 10% based on the assessment of performance against targets set by the Chairman of the Council.

The remuneration of the corporate directors was set in accordance with the approved pay and grading system within the Council, which applies to all staff appointments. The Council's overall levels of remuneration and its annual pay remit, which applied to all staff, including corporate directors, was approved by the Welsh Assembly Government.

No specific bonuses were payable to corporate directors although annual performance awards equivalent to one step increment on salary bandings could be made in accordance with the performance appraisal process which applied to all staff appointments.

The Deputy Chief Executive's remuneration, whilst approved separately by the Assembly Government, was based on the same pay and grading system and performance appraisal process applicable to other corporate directors and all members of staff.

Remuneration committee

The Council had a Remuneration Committee, which was responsible for reviewing annually the performance of the Chief Executive and corporate directors. The Committee consisted at any time of at least three members at least one of whom was a Council member and had delegated authority to consider matters affecting the pay and performance bonus of the Chief Executive and make recommendations for approval to the Welsh Assembly Government accordingly.

During the year the Remuneration Committee consisted of the following Council members:

Sheila Drury OBE – Chairman
Daniel Fellows OBE
Dr Tim Jones
Professor Sir Adrian Webb

Service contracts

The Chairman had a 3 year contact from 1 November 2003. Council members were also appointed on fixed term contracts and in all cases these contracts expired on 31 March 2006 when the Council ceased to exist. Council members whose terms of appointment were due to expire before 31 March 2006 agreed to stay on until that date.

Corporate directors were appointed through interview in fair and open competition in accordance with the procedures for all staff. The Council's conditions of service, which apply to all staff including corporate directors, were approved by the Welsh Assembly Government. The appointment of the Chief Executive required the prior approval of the Welsh Assembly Government and the creation or re-grading of posts that reported directly to the Chief Executive required prior consultation with the Welsh Assembly Government.

All corporate directors were full time employees and held appointments which were open ended until they reach the normal retiring age of 60. Early termination, which would have resulted in an individual receiving a severance payment, would have required the prior approval of the Welsh Assembly Government.

The corporate director positions of Deputy Director of Learning and Director of Communications were temporary posts to 31 March 2006 and were filled through temporary promotions from the respective staff members' permanent positions. The appointments to these posts were made after prior consultation with the Welsh Assembly Government.

Annual Report (continued)

Salary and pension entitlements – Directors [*]

Directors	Salary	Real increase in pension & related lump sum at age 60	Total accrued pension at age 60 at 31/3/06 and related lump sum	CETV at 31/3/05	CETV at 31/3/06	Real increase in CETV after adjustment for and changes in market investment factors
	£'000	£'000	£'000	£'000	£'000	£'000
Elizabeth Raikes Chief Executive (to 2 October 2005)	59 (for 6 months)	12.5 - 15	15 - 20	24	275	263
Mike Hopkins Deputy Chief Executive & Director of Learning	101	0 - 2.5	0 - 5	16	46	21
Grenville Jackson Director of Strategy & Skills	91	0 - 2.5	5 - 10	84	136	30
Rob Rogers Director of Corporate Resources	99	0 - 2.5 plus 5 - 7.5 lump sum	25- 30 plus 75 - 80 lump sum	303	435	30
Sue Olley Secretary & Solicitor to the Council	65	0 - 2.5	15-20	202	295	36
Richard Hart Deputy Director of Learning	82	2.5 – 5 plus 10–12.5 lump sum	25-30 plus 85 - 90 lump sum	415	597	80
Richard Thomas Director of Communications	59	0 - 2.5 plus 0 - 2.5 lump sum	5 - 10 plus 15 - 20 lump sum	34	59	9

Salary includes gross salary and performance related payments. No other payments are included in the totals shown above.

The Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. It is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total service. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

The real increase in the value of the CETV reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

The factors used to calculate the CETV were revised on 1 April 2005 on the advice of the Scheme Actuary. The CETV figure for 31 March 2005 has been restated using the new factors so that it is calculated on the same basis as the CETV figure for 31 March 2006.

Elizabeth Raikes was paid a bonus proposed by the Remuneration Committee and agreed by the Assembly Government of £4,725 in recognition of achieving exceeded expectations in the areas of building the confidence of staff and engagement in the merger process. [*]

No Directors received any other remuneration or benefits in kind.

During the year an ex-gratia payment of £1,000 was made to a former Chief Executive of the Council in respect of the impact of a previous miscalculation of salary by the Council. [*]

Annual Report (continued)

Salary and pension entitlements – Council members [*]

Council Members	Salary Emoluments £000s	Commitment (Days during 2005-6)
Sheila Drury OBE - Chairman	54	5 days a week (from October 2005)
John Davies	8	25
Dr Haydn Edwards	8	25
Daniel Fellows OBE - (Chairman of South West Wales Regional committee)	15	45
James Gibson-Watt - (Chairman of Mid Wales Regional committee)	15	45
Dr Tim Jones - (Chairman of South East Wales Regional committee)	15	45
Keith McDonogh - (Chairman of North Wales Regional committee)	15	45
Dr Sonia Reynolds	8	25
Jacqueline Royall	8	25
Professor Sir Adrian Webb	8	25

The Chairman was paid an annual salary and received no additional payment for taking on the role of Executive Chairman for the period 1 October 2005 to 31 March 2006.

Council members were paid a 'per diem' rate which was set by the Assembly Government for 2005-06 at £333. The number of days commitment was increased in respect of Chairs of regional committees.

With the exception of the Chairman, none of the Council members received 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 required the Council to establish a provision (see note 15) to fund the future pension benefits.

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

[*] – This information is subject to audit.



Steve Marshall
DELLS Sub Accounting Officer

24 August 2006


Statement of Accounting Officer's responsibilities

Under paragraph 14(2) of schedule 4 to the Learning and Skills Act 2000, the Council was required to prepare a statement of accounts in respect of each financial year in the form and on the basis set out in the Accounts Direction determined by the Welsh Assembly Government. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Council and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing these financial statements, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the accounts direction issued by the Welsh 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, as set out in the Government Financial Reporting Manual, 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 Welsh Assembly Government had designated the Director of the Department for Education, Lifelong Learning and Skills as the Sub Accounting Officer for the Department. The responsibilities of an Accounting Officer, including the responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping of proper records, and for safeguarding the Council's assets are set out in the Welsh Assembly Government's Accounting Officers Memorandum.



Steve Marshall
DELLS Sub Accounting Officer

24 August 2006

Statement on internal control

Scope of responsibility

- 1 As Sub Accounting Officer for the Welsh Assembly Government's Department of Education, Lifelong Learning and Skills (DELLS) I have, following the dissolution of the National Council from 1 April 2006, inherited the responsibility for the maintenance of a sound system of internal control that supported 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 inherited role and responsibilities as Accounting Officer for the Council are set out in the memorandum *The Responsibilities of an ASPB Accounting Officer*. My predecessors also attended 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 were reviewed.

The purpose of the system of internal control

- 2 The system of internal control was designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims, and objectives; it could therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control was 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 was in place in the Council for the year ended 31 March 2006, and accorded with Treasury Guidance. Systems of internal control were operated by the new department up to the date of approval of the annual report and accounts and these also accorded with Treasury Guidance.

Capacity to handle risk

- 3 The following processes were 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* was 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 had a Risk Assurance section that provided the Council's internal audit service. The Risk Assurance section took the lead on the development and embedding of risk policies and guidelines and was available to provide advice and guidance to groups of staff and individual managers; and
 - d) the Council's Performance Management Group provided 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

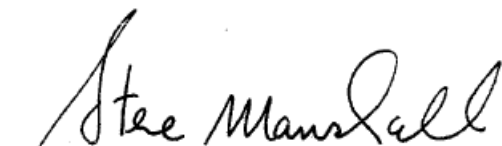
- 4 The key elements of the Council's risk management strategy were as follows:
 - a) the Council's Executive Team had ownership of the risk register covering organisation-wide risks. The register was reviewed on a monthly basis by the Council's Executive Team and its Performance Management Group and at each meeting of the Audit and Risk Committee. The Corporate Senior Management Team also regularly reviewed the register;
 - b) the Council's objectives were established through the preparation of an Operational Plan which was approved by the Assembly Government. Operational risks to achieving these objectives were identified within Directorate Risk Registers. Central oversight of these risk registers was provided through the Performance Management Group;
 - c) a risk register was developed for all projects within the Council. Consideration of the key risks relating to potential projects formed a key part of the approvals process;
 - d) all Council papers requiring a decision were required to be supported by an assessment of related risks;
 - e) risks were prioritised according to their likelihood and impact and actions were identified to be proportionate with the scale of the exposure. Procedures for regular review of risk registers had been established; and

Statement on internal control (continued)

- f) the Council, advised by the Chief Executive and Accounting Officer and by the Audit and Risk Committee as part of its routine consideration of the risk register, ultimately determined the Council's risk appetite.
- 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 impacted significantly upon the risk profile of the Council and key priorities for risk management.
- 6 Priority areas for risk management during the year have continued to relate to key developmental areas including the National Planning and Funding System (NPF5), the strengthening of the assurance mechanisms at work based learning providers 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 DELLS Corporate Governance Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.
- 8 The following processes were established to review the effectiveness of the system of internal control within the Council:
- a) Directors prepared 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 operated in accordance with Government Internal Audit Standards; audit plans were based on an assessment of risk linked to the organisation-wide risk register. The Head of Risk Assurance provided 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 was overseen by the Audit and Risk Committee, which reported 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 issued an unqualified assurance on the overall systems of risk management control and governance for the year. Responsibility for internal audit of the new DELLS department rested with the Welsh Assembly Government's internal audit service from 1 April 2006 and up to the date of signature of this statement. Action plans were established by the relevant Director for addressing the weaknesses identified during the course of audit work conducted. The internal audit service reviewed progress in implementing recommendations on a monthly basis and the results of this review were reported through the Performance Management Group and to the Executive Team and the Audit and Risk Committee who advised the Chief Executive and Accounting Officer and the Council on the adequacy of management responses.
- 10 Weaknesses identified by individual Directors through their own statements on internal control were 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.



Steve Marshall
DELLS Sub Accounting Officer

24 August 2006

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 of the National Council for Education and Training for Wales for the year ended 31 March 2006 under paragraph 14 (4) of Schedule 4 to the Learning and Skills Act 2000. These comprise the Consolidated Income and Expenditure Account, the Consolidated Balance Sheet, the Consolidated Cashflow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and Auditor

The Accounting Officer is responsible for preparing the Annual Report and 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. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Learning and Skills Act 2000 and National Assembly for Wales directions made thereunder. I also report whether 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 also report if, in my opinion, the Annual Report is not consistent with the financial statements, if the Council has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 14 and 15 reflects the Council's compliance with HM Treasury's guidance on the Statement of Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls or form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Introduction and Background, the Management Commentary and the unedited part of the Remuneration Report. I consider the implication for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and parts of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the 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 and the part of the Remuneration Report to be audited 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 also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Going Concern

As disclosed in note 1 to the accounts, the property, rights and liabilities of the National Council for Education and Training for Wales were transferred at their balance sheet value on 31 March 2006 to the National Assembly for Wales, at which time the National Council was abolished. These financial statements are therefore the last to be prepared for the Council. As the functions of the Council are continuing as part of the National Assembly for Wales the financial statements have been prepared on a going concern basis and I have audited them on that basis. My opinion is thus not qualified in this respect.

The Certificate and Report of the Auditor General for Wales to the Members of the National Assembly for Wales (continued)

Opinions

In my opinion:

- the financial statements give a true and fair view in accordance with the Learning and Skills Act 2000 and directions made thereunder by the National Assembly for Wales, of the state of the National Council for Education and Training for Wales and the Group's affairs as at 31 March 2006 and of its deficit for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Learning and Skills Act 2000 and National Assembly for Wales directions made thereunder; 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.

Jeremy Colman Auditor General for Wales 13 September 2006	Wales Audit Office 2-4 Park Grove Cardiff CF10 3DP
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Consolidated income and expenditure account

For the year ended 31 March 2006

	Notes	2006 £'000	Restated 2005 £'000
Gross Income			
Grant in aid	2	531,134	513,364
Release of Government Grant Reserve	16	768	763
European programmes	3	36,367	15,251
Other income	4	7,584	8,175
		<u>575,853</u>	<u>537,553</u>
Expenditure			
<i>Funding of further education, training and development</i>			
Learner Provision	5	476,852	434,922
Strategic Investment	5	46,877	33,325
Learner Commissioned Provision	5	9,513	8,267
Support for Learning	5	31,313	27,536
		<u>564,555</u>	<u>504,050</u>
<i>Administrative expenditure</i>			
Staff costs	6	14,861	13,390
Depreciation	11	775	763
Other administrative costs	7	7,410	6,564
Merger costs	24	597	77
Notional cost of capital charge		704	709
		<u>24,347</u>	<u>21,503</u>
Operating (deficit) / surplus		(13,049)	12,000
Surplus on disposal of fixed assets		6	768
Repayment of disposal proceeds to the Assembly Government		-	(1,901)
Interest receivable	9	1,654	1,381
Subsidiary companies' exceptional items	8	(1,420)	238
Repayment of subsidiary reserves to the Assembly Government	8	166	(271)
Realisation of fair value of inherited loans	16	263	103
Release of inherited asset reserve on write off of inherited loan	16	10	-
Reversal of notional cost of capital charge		704	709
		<u>(11,666)</u>	<u>13,027</u>
(Deficit) / surplus for the year before taxation		(11,666)	13,027
Taxation	10	(479)	(384)
(Deficit) / surplus for the year transferred to reserves		(12,145)	12,643
Consolidated statement of total recognised gains and losses			
		2006	2005
		£'000	£'000
(Deficit) / surplus for the year		(12,145)	12,643
Movement on Government Grant Reserve	16	(240)	(192)
Total recognised gains and losses for the year		(12,385)	12,451

All activities are continuing

The notes on pages 21 to 36 form part of these accounts

Council and consolidated Balance Sheet

As at 31 March 2006

	Notes	Group 2006 £'000	2005 £'000	Council 2006 £'000	2005 £'000
Fixed Assets					
Tangible assets	11	622	869	622	869
Current Assets					
Debtors	12	14,274	12,809	13,688	13,032
Loans	13	-	273	-	273
Cash at bank and in hand		<u>35,308</u>	<u>36,887</u>	<u>32,001</u>	<u>32,878</u>
		49,582	49,969	45,689	46,183
Current Liabilities					
Creditors : amounts falling due within one year	14	<u>(32,356)</u>	<u>(21,228)</u>	<u>(32,288)</u>	<u>(21,205)</u>
Net current assets		<u>17,226</u>	<u>28,741</u>	<u>13,401</u>	<u>24,978</u>
Total assets less current liabilities		17,848	29,610	14,023	25,847
Provisions for liabilities and charges	15	<u>(4,071)</u>	<u>(3,175)</u>	<u>(246)</u>	<u>(274)</u>
Net assets		<u>13,777</u>	<u>26,435</u>	<u>13,777</u>	<u>25,573</u>
Financed by:					
Government grant reserve	16	622	862	622	862
Income and expenditure account	16	13,155	25,300	13,155	24,438
Inherited assets reserve	16	-	273	-	273
Government Funds		<u>13,777</u>	<u>26,435</u>	<u>13,777</u>	<u>25,573</u>



Steve Marshall
DELLS Sub Accounting Officer
24 August 2006

The notes on pages 21 to 36 form part of these accounts

Consolidated cash flow statement

For the year ended 31 March 2006

	Notes	2006 £'000	2005 £'000
Operating Activities			
Net cash (outflow) / inflow from operating activities	21	(3,023)	6,781
Returns on investments and servicing of finance			
Interest received	9	1,654	1,381
Taxation			
	10	(479)	(384)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets	11	(528)	(571)
Net receipts from sale of tangible fixed assets		6	1,891
Loan funds received	13	263	103
Repayment of disposal proceeds to the Assembly Government	11	-	(1,901)
Net cash (outflow) / inflow before financing		(2,107)	7,300
Financing			
GIA received for purchase of fixed assets	2	528	571
(Decrease) / increase in cash in the year		(1,579)	7,871
Reconciliation of net cash flow to movement in funds			
(Decrease) / increase in cash in the year		(1,579)	7,871
Loan repayment	13	(263)	(103)
Loan write off	13	(10)	-
Movement in net funds in the year		(1,852)	7,768
Net funds at start of the year		37,160	29,392
Net funds at end of year		35,308	37,160
Analysis of net funds			
Cash in hand and at bank		35,308	36,887
Debtors - secured loans	13	-	273
		35,308	37,160

The notes on pages 21 to 36 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

The National Council for Education and Training for Wales was abolished on 1 April 2006 under SI 2005/3238: The National Council for Education and Training for Wales (Transfer of Functions to the National Assembly for Wales and Abolition) Order 2005. At that date the property rights and liabilities of the Council as at 31 March 2006 were transferred to the National Assembly for Wales. The accounts have been prepared on a going concern basis because the activities of the Council will continue to be provided by the Assembly Government from 1 April 2006.

Previously, 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 were under the control of the Council until 31 March 2006. Their results for the year ended 31 March 2006 have been incorporated into these consolidated accounts.

These accounts 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 2006 and include the financial statements of the Council and the former TEC companies (as detailed in Note 26) up to 31 March 2006. 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 the date of invoice.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Financial Instruments

The Council had 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 therefore is 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 are 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 2005-6, the charge was calculated at 3.5 % (2004-5 – 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 are set out in the note 6.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Loans

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 were made they were realised through the release from the Inherited Assets Reserve to the Income and Expenditure account of an amount equivalent to the capital receipt.

Following repayment in full by Coleg Yal, and the write off of the outstanding balance of the loan inherited in respect of North Wales Tourism Alliance, there were no balances outstanding at the end of the year.

2 Grant in Aid

	Group and Council 2006 £'000	Group and Council 2005 £'000
Grant in aid received	531,662	513,935
Applied to purchase of fixed assets	<u>(528)</u>	<u>(571)</u>
	<u>531,134</u>	<u>513,364</u>

3 European programmes

	Group 2006 £'000	Group 2005 £'000	Council 2006 £'000	Council 2005 £'000
ESF grants	<u>36,367</u>	<u>15,251</u>	<u>36,077</u>	<u>15,251</u>

4 Other Income

	Group 2006 £'000	Group 2005 £'000	Council 2006 £'000	Council 2005 £'000
Financial Contingency Funds	6,476	7,000	6,476	7,000
Other	<u>1,108</u>	<u>1,175</u>	<u>1,009</u>	<u>1,060</u>
	<u>7,584</u>	<u>8,175</u>	<u>7,485</u>	<u>8,060</u>

Notes to the Financial Statements (continued)

5 Funding of further education, training and development

	Group and Council 2006 £'000	Restated Group and Council 2005 £'000
Learner Provision		
Further Education	262,946	250,232
School 6th form	97,831	95,161
Work Based Learning	111,221	84,823
Community Learning	<u>4,854</u>	<u>4,706</u>
	<u>476,852</u>	<u>434,922</u>
Strategic Investment		
Collaboration		
<i>Common Investment Fund</i>	5,103	-
<i>Other</i>	1,824	202
Programme Development	12,135	9,103
Research & Evaluation	1,425	1,357
Estates Funding		
<i>Capital</i>	10,645	10,980
<i>Maintenance</i>	4,041	7,400
<i>DDA</i>	3,890	2,610
Regeneration	<u>7,814</u>	<u>1,673</u>
	<u>46,877</u>	<u>33,325</u>
Learner Commissioned Provision		
Business Skills Development	3,998	5,134
Support for Redundant Workers	4,502	2,337
Learning Community Accounts	263	33
ILA Wales	<u>750</u>	<u>763</u>
	<u>9,513</u>	<u>8,267</u>
Support for Learning		
Students with learning difficulties	22,313	18,283
Marketing	1,452	1,066
Communications	597	605
Coleg Harlech Bursaries	475	414
Financial Contingency Fund	<u>6,476</u>	<u>7,168</u>
	<u>31,313</u>	<u>27,536</u>
	<u>564,555</u>	<u>504,050</u>
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. Prior year figures for Learner Commissioned Provision and Support for Learning have been restated to present Programme Expenditure in a manner consistent with the Council's 2005-06 Operational Plan.

European Expenditure

The amounts relating to the grant payments made under the European Social Fund are subject to separate audits.

Notes to the Financial Statements (continued)

6 Staff Costs

The average number of staff (full time equivalents) including members of the Council during the year was 460. The breakdown of this figure by directorate is as follows:

Staff numbers	Group and Council 2006	Restated Group and Council 2005
Office of the Chief Executive & Chairman	18	14
Council Members	9	9
Corporate Resources	82	125
Learning	228	217
Strategy & Skills	<u>85</u>	<u>56</u>
Total Council Employees	422	421
Less staff seconded out	(5)	(2)
Add staff seconded in	1	2
Temporary staff	<u>42</u>	<u>24</u>
	<u>460</u>	<u>445</u>

The 2005 figures have been restated to reflect the revised structure during 2005-06.

The aggregate payroll costs of these persons were as follows:

	Group and Council 2006 £'000	Group and Council 2005 £'000
Wages and salaries	11,948	11,202
Social security costs	905	837
Other pension costs	2,216	1,562
Temporary staff	1,211	492
Staff seconded in	19	166
Restructuring costs (note 15)	<u>(102)</u>	<u>16</u>
Total Payroll costs	16,197	14,275
Less staff seconded out	(146)	(65)
Less payroll costs charged to programme expenditure	<u>(1,190)</u>	<u>(820)</u>
Administration payroll costs	<u>14,861</u>	<u>13,390</u>

Pension benefits

Pension benefits are provided through the Principal Civil Service Pension Scheme. This is an unfunded multi-employer defined benefit scheme and therefore 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 2005-06 employer's contributions of £2,189,000 were payable to the PCSPS (2004-05 £1,527,000) at one in four rates in the range 16.2 to 24.6 per cent of pensionable pay (2004-05 12.0 to 18.5 per cent), based on salary bands. For 2006-7 employer's contributions will be payable to PCSPS at one of the four rates in the range 17.1 to 25.5 per cent. Employer's 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.

Notes to the Financial Statements (continued)

6 Staff Costs (continued)

Pension benefits (continued)

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 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 1/60th 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 3/80th 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 3/8th 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 (2004-05: £ 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)

7 Other administrative costs

	Group 2006 £'000	Restated Group 2005 £'000	Council 2006 £'000	Restated Council 2005 £'000
Staff travel and subsistence	630	577	630	577
Other staff related costs	722	673	722	673
Council Members travel and subsistence	47	35	47	35
Office costs	1,025	955	1,025	955
Accommodation costs including leases	2,347	1,925	2,347	1,925
Information Technology costs	1,233	664	1,233	664
Bought in services	460	491	373	381
Write off of inherited loan	10	-	10	-
Repayment of bank interest to NAW	812	1,064	812	1,064
Auditors' remuneration				
Annual audit fee of the AGW	101	98	101	98
Other annual external audit fees	16	21	-	-
Other external audit work (*)	7	16	7	16
Other operating lease costs	-	45	-	45
	<u>7,410</u>	<u>6,564</u>	<u>7,307</u>	<u>6,433</u>

* In addition £46,000 was paid to the AGW for European grant claim audits out of programme funds

8 Subsidiary companies

During the year the Council continued the process to liquidate the former TEC companies. As assets are realised, liabilities discharged and the level of provisions reviewed, any remaining reserves of the subsidiary companies become payable to the Assembly Government.

In addition, the individual TEC companies concerned had a contractual agreement with the Assembly Government that any cost of redundancy payment relating to an individual's employment prior to the individual leaving the employment of the former Department of Employment to take up employment with the TEC will be reimbursed by the Assembly Government. Following the merger of the Council with the Assembly Government, as described in note 1, the subsidiaries are, since the year end, directly managed by the Assembly Government, further the subsidiaries are required to repay any accumulated surpluses to the Assembly Government. Accordingly, the subsidiaries have provided in full for their estimate of the additional redundancy and legal costs arising from the Astley Case referred to in notes 20 and 27 but have not, in view of the obligation to repay surpluses, accrued for re-imburement from the Assembly Government of such costs.

Subsidiary company exceptional items

	Group 2006 £'000	Group 2005 £'000
Severance costs arising from the Astley Case referred to in notes 15, 20 and 27		
• Elwa Trading	(738)	-
• West Wales TEC	(199)	-
• North Wales TEC	(821)	-
	<u>(1,758)</u>	-
Release of / (charge to) provisions for cessation costs		
• Elwa Trading	110	291
• North Wales TEC	228	(53)
	<u>338</u>	238
	<u>(1,420)</u>	<u>238</u>

Notes to the Financial Statements (continued)

8 Subsidiary companies (continued)

Repayment of subsidiary reserves to the Assembly Government

As noted above, any remaining reserves after taking account of all costs relating to the companies cessation are repayable to the Assembly Government.

Change in funds to be paid to the Assembly Government by the TEC subsidiary companies	Group 2006 £'000	Group 2005 £'000
Council of Welsh TECs		
Arising from the amendment of the Memorandum of Association to allow the distribution of assets on liquidation to the National Assembly for Wales	(204)	-
North Wales TEC		
Refund of reserves to the company that had been previously paid to the Assembly Government to fund the revised estimate of provisions required to meet cessation costs	512	-
Other changes to amounts repayable to the Assembly Government		
Arising from the realisation of assets, discharge of liabilities during the liquidation process		
• Elwa Trading	(66)	(306)
• West Wales TEC	(97)	(3)
• Mid Wales TEC	(1)	-
• North Wales TEC	<u>22</u>	<u>38</u>
	<u>166</u>	<u>(271)</u>

9 Interest receivable

	Group 2006 £'000	Group 2005 £'000	Council 2006 £'000	Council 2005 £'000
Bank interest receivable	1,642	1,362	1,515	1,189
Loan interest receivable	<u>12</u>	<u>19</u>	<u>12</u>	<u>19</u>
Total interest receivable	<u>1,654</u>	<u>1,381</u>	<u>1,527</u>	<u>1,208</u>

10 Taxation

Analysis of UK corporation tax charge

	Group 2006 £'000	Group 2005 £'000	Council 2006 £'000	Council 2005 £'000
UK corporation tax				
Current tax on income for the period (at 20% - 30%)	<u>479</u>	<u>384</u>	<u>458</u>	<u>354</u>

Notes to the Financial Statements (continued)

11 Tangible fixed assets

Group and Council	Fixtures, Fittings and Equipment and Motor Vehicles £'000	Information Technology £'000	Total £'000
<u>Cost/Valuation</u>			
As at 1 st April 2005	1,306	2,169	3,475
Reclassification of opening balance	(4)	4	-
Additions	62	466	528
Disposals	(145)	(195)	(340)
As at 31 March 2006	<u>1,219</u>	<u>2,444</u>	<u>3,663</u>
<u>Depreciation</u>			
As at 1 April 2005	940	1,666	2,606
Reclassification of opening balance	(3)	3	-
Charge for the year	235	540	775
Disposals	(145)	(195)	(340)
As at 31 March 2006	<u>1,027</u>	<u>2,014</u>	<u>3,041</u>
Net book value at 31 March 2006	<u>192</u>	<u>430</u>	<u>622</u>
Net book value at 31 March 2005	<u>366</u>	<u>503</u>	<u>869</u>

12 Debtors

	Group 2006 £'000	Group 2005 £'000	Council 2006 £'000	Council 2005 £'000
Trade Debtors	12,809	7,671	12,809	7,635
VAT recoverable	7	19	7	-
Amounts owed by group undertakings	-	-	-	323
Other debtors	1,027	1,478	516	1,457
Prepayments and accrued income	<u>431</u>	<u>3,641</u>	<u>356</u>	<u>3,617</u>
	<u>14,274</u>	<u>12,809</u>	<u>13,688</u>	<u>13,032</u>

Notes to the Financial Statements (continued)

13 Loans

	Group and Council 2006 £'000
At 1 April 2005	273
Capital repayments	(263)
Write off of North Wales Tourism Alliance outstanding balance	<u>(10)</u>
At 31 March 2006	<u>Nil</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 were for £287,500 and £341,785, were long term (between 5 and 7 years) and were settled in full during the year. Interest of £11,895 was received for the year, charged at 6% per annum.

The loan to the North Wales Tourism Alliance was for £25,000 and was a short-term loan of which £10,000 remained outstanding at 31 March 2005. The loan has been written off in 2005-06 as there was no prospect of recovery.

14 Creditors

Amounts falling due within one year

	Group 2006 £'000	Group 2005 £'000	Council 2006 £'000	Council 2005 £'000
Trade Creditors	1,376	157	1,376	194
Corporation tax	470	381	452	351
VAT payable	-	18	-	15
Other taxes and social security	43	26	43	26
Other creditors	45	7	16	3
Accruals and deferred income	<u>30,422</u>	<u>20,639</u>	<u>30,401</u>	<u>20,616</u>
	<u>32,356</u>	<u>21,228</u>	<u>32,288</u>	<u>21,205</u>

Notes to the Financial Statements (continued)

15 Provisions for liabilities and charges

Group	Restructuring £'000	Merger (note 24) £'000	Pension £'000	TEC companies' cessation costs £'000	Repayable to the NAW £'000	Total £'000
At 1 April 2005	132	77	65	1,835	1,066	3,175
Charged in the year	-	597	-	1,784	368	2,749
(Released) in the year	(102)	-	-	(364)	(22)	(488)
Utilised in the year	(30)	(493)	-	(842)	-	(1,365)
At 31 March 2006	-	181	65	2,413	1,412	4,071

The Group's provision for TEC company cessation costs includes provision for amounts payable by the relevant TEC companies to former employees as a result of the 'Astley case' referred to in notes 8, 20 and 27.

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 24) £'000	Pension £'000	TEC companies' cessation costs £'000	Repayable to the NAW £'000	Total £'000
At 1 April 2005	132	77	65	-	-	274
Charged in the year	-	597	-	-	-	597
Released in the year	(102)	-	-	-	-	(102)
Utilised in the year	(30)	(493)	-	-	-	(523)
At 31 March 2006	-	181	65	-	-	246

16 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 2005	862	25,300	273	26,435
Grant-In-Aid applied to the purchase of fixed assets	528	-	-	528
Released to the income and expenditure account	(768)	-	-	(768)
Realisation of inherited loans on repayment (note 13)	-	-	(263)	(263)
Release of reserve on write off of inherited loan (note 13)	-	-	(10)	(10)
Deficit for the period	-	(12,145)	-	(12,145)
At 31 March 2006	622	13,155	-	13,777

Notes to the Financial Statements (continued)

16 Statement of movement on Government Funds (continued)

Council	Government grant reserve	Income and expenditure account	Inherited assets reserve	Total
	£'000	£'000	£'000	£'000
At 1 April 2005	862	24,438	273	25,573
Grant-In-Aid applied to the purchase of fixed assets	528	-	-	528
Released to the income and expenditure account	(768)	-	-	(768)
Realisation of inherited loans on repayment (note 13)	-	-	(263)	(263)
Release of reserve on write off of inherited loan (note 13)	-	-	(10)	(10)
Deficit for the period	-	(11,283)	-	(11,283)
At 31 March 2006	<u>622</u>	<u>13,155</u>	<u>-</u>	<u>13,777</u>

17 Capital commitments

There were no capital commitments at 31 March 2006 (31 March 2005 – £41,000)

18 Revenue commitments

	Group and Council 2006 £'000	Group and Council 2005 £'000
Revenue grants (a)	223,294	250,331
European projects (b)	<u>73,693</u>	<u>97,669</u>
	<u>296,987</u>	<u>348,000</u>

(a) These amounts will be funded by the Assembly Government

(b) European projects will be funded as follows

	Group and Council 2006 £'000	Group and Council 2005 £'000
ESF Grants	36,227	48,824
Assembly Government	29,679	43,356
Private sector match funding	<u>7,787</u>	<u>5,489</u>
	<u>73,693</u>	<u>97,669</u>

Operating leases

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

	Group and Council Land and Buildings 2006 £'000	Group and Council Land and Buildings 2005 £'000
Operating leases which expire :		
Within one year	-	55
In the second to fifth years inclusive	254	337
Over five years	<u>630</u>	<u>688</u>
	<u>884</u>	<u>1,080</u>

Notes to the Financial Statements (continued)

19 Losses and special payments

	Group and Council 2006 £'000	Group and Council 2005 £'000
Ex gratia payments	1	-
Fruitless payments	21	3
Bad/irrecoverable debts	<u>10</u>	<u>-</u>
	<u>32</u>	<u>3</u>

There were no individual cases of such payments in either 2005-06 or 2004-05 in excess of £250,000

The bad/irrecoverable debts figure for 2006 includes £10,000 in respect of the write off of the North Wales Tourism Alliance loan (note 13)

20 Contingent liabilities

As explained in Note 27, on 21 June 2006 the House of Lords gave its judgement on the 'North Wales Training and Enterprise Council Limited v Astley & others case. This was a test case where the Council's subsidiary (known as CELTEC) was the defendant to proceedings brought by former and current employees in respect of the continuous service rights of employees transferred to the TECs in the early 1990s from the Civil Service. CELTEC, and some of the other subsidiaries, have in prior years made provision in respect of the potential costs arising from this case and, where appropriate, have this year revised their estimates of the costs that they might incur as a result of this judgement – these are set out in note 15 to the accounts. However, until such a time as any claims arising from this judgement are settled there remains uncertainty as to the amount of the liability that might fall to the relevant TECs.

The extent of this contingent liability for the individual TEC companies concerned is mitigated in part by a contractual agreement from the Assembly Government that any cost of redundancy payment relating to an individual's employment prior to the individual leaving the employment of the former Department of Employment to take up employment with the TEC will be reimbursed by the Assembly Government. Further the Assembly Government has agreed with the Department for Education and Skills that 95% of CELTEC's legal costs in respect of this case will be recoverable from DfES.

Notwithstanding the above, it remains the intention of the Assembly Government to issue indemnities to the directors of the TECs, including one related to employment issues, to enable the TECs to be put into liquidation. At this point all liabilities in respect of this matter will be transferred to the Assembly Government.

21 Reconciliation of operating (deficit) / surplus to operating cashflows

	Group 2006 £'000	Restated Group 2005 £'000
Operating (deficit) / surplus	(13,049)	12,000
Write off of inherited loan	10	-
Notional cost of capital charge	704	709
Depreciation charges	775	763
Grants for fixed assets released to operating income	(768)	(763)
(Increase) in debtors - relating to operating income	(953)	(8,048)
Increase / (decrease) in creditors	11,128	2,727
Movement on provisions - relating to operating costs	495	96
Utilisation of provisions - relating to operating costs	(523)	(614)
Utilisation of provisions - relating to exceptional costs	<u>(842)</u>	<u>(89)</u>
Net cash (outflow) / inflow from operating activities	<u>(3,023)</u>	<u>6,781</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 2005-06 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 31/3/2006 (creditor) / debtor
John Davies	• Corporation Member Coleg Llysfasi to February 2006	£3,801,306	(£84,871)
	• Member, Princes Trust	Nil	£920
Dr Haydn Edwards	• Principal & Chief Executive, Coleg Menai	£14,268,023	(£296,869)
Daniel Fellows OBE	• Vice Chairman, Pembrokeshire College	£12,582,896	(£39,955)
	• Vice Chairman, Milford Haven Port Authority	£1,410	£1,410
James Gibson-Watt	• Member, Powys County Council	£8,046,591	(£234,936)
Keith McDonogh	• Member, North Wales Economic forum	£1,616	Nil
Jacqueline Royall	• Member, Wales Quality Centre	£27,632	(£2,395)
	• Director, Buy As You View Ltd	£16,484	Nil
	• Director, Perkin Elmer Ltd – to September 2005	£12,454	Nil
	• Director, Wales Management Council	£470	Nil
Dr Sonia Reynolds	• Director, Dysg, LSDA Wales	£495,894	(£131,645)
	• Director, Amman Valley Enterprise Ltd	Nil	(£36,474)
Professor Sir Adrian Webb	• Non-Executive Director & Chair of Corporate Governance, Welsh Assembly Government	See note above regarding the Assembly Government	

Director	Relationship	Transaction Value	Balance at 31/3/2006 (creditor) / debtor
Grenville Jackson	• Director, Wales European Centre Ltd	£40,186	Nil
Rob Rogers	• Observer on Governing Body, Coleg Llysfasi to January 2006	£3,801,036	(£84,871)

Notes to the Financial Statements (continued)

24 Merger with the National Assembly of Wales

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 1 April 2006, the Council ceased to operate as a separate organisation and accountability for its work now falls directly to the Minister for Education, Lifelong Learning and Skills.

During the year work was undertaken to secure the transfer of staff and the operations of the Council, primarily to the Department for Education, Lifelong Learning and Skills, but also to other Welsh Assembly Government departments.

The Council has identified certain 'incremental' costs associated with the merger process which it has disclosed separately below. The provision for costs outstanding at the year end is shown in Note 15. The Council incurred no redundancy payments or early retirement costs in respect of the merger.

	Group and Council 2006 £'000	Group and Council 2005 £'000
Internal security works to meet Welsh Assembly Government standards	90	-
Temporary staff retained after 31 March 2006 to support the transfer and closure of the National Council finance and payroll systems and completion of the final accounts	45	-
Co-location of the Council's Mid Wales office with the WDA office in Newtown	422	77
Closedown and archiving of legacy IT systems	<u>40</u> <u>597</u>	<u>-</u> <u>77</u>

25 Analysis of intra-government balances

The following balances are disclosed within notes 12 and 14.

	Debtors amounts falling due within one year		Creditors amounts falling due within one year	
	Group 2006 £'000	Group 2005 £'000	Group 2006 £'000	Group 2005 £'000
Balances with other central government bodies	13,598	11,185	1,397	1,700
Balances with local authorities and 6 th form schools	83	224	3,310	479
Balances with NHS Trusts	-	3	3	7
Balances with public corporations and trading funds	1	-	2	-

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;
- had a director of the Council and the Council as the corporate entity as directors and members of the company until 31 March 2006 when the National Assembly replaced the National Council as director;
- were incorporated in England and Wales; and
- are included in the consolidated accounts.

All subsidiaries have ceased trading.

27 Post balance sheet events

On 21 June 2006 the House of Lords gave its judgement on the 'North Wales Training and Enterprise Council Limited v Astley & others' case. This was a test case where the Council's subsidiary (known as CELTEC) was the defendant to proceedings brought by former and current employees in respect of the continuous service rights of employees transferred to the TECs in the early 1990s from the Civil Service. CELTEC, and some of the other subsidiaries, have been carrying provisions in respect of the potential costs arising from this case and where appropriate have revised their estimates of the costs that they might incur as a result of this judgement – these are set out in note 15 to the accounts. Until such a time as any claims arising from this judgement are settled there remains uncertainty as to the amount of the liability that might fall to the relevant TECs and this contingent liability is set out in note 20 to the accounts.