

Education and Training Foundation (company number 08540597)
Trustees' Report and Financial Statements
for the year ended 31 March 2017

Company Registration Number: 08540597

Charity Registration Number: 1153859

THE EDUCATION AND TRAINING FOUNDATION

(Company Limited by Guarantee)

Trustees' Report

And

Financial Statements

For the year ended

31 March 2017

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1. Trustees and Advisors

Trustees

The Education and Training Foundation (ETF) is governed by a Board of Trustees. Those Trustees who served during the year and up to the date on which this report was approved are as follows:

Mr Z Azam, independent (appointed 21 July 2017)
Ms S Dicketts CBE, Association of Colleges (appointed 8 December 2016)
Mr S R Freer, independent (appointed 1 August 2013, reappointed 8 December 2016)
Mr D Hayes MBE, Association of Employment and Learning Providers (appointed 9 July 2013, reappointed 26 November 2015)
Ms L Hayward-Smith, Association of Adult Education and Training Organisations (appointed 9 July 2013, reappointed 26 November 2015)
Mr J Hyde CBE, Association of Employment and Learning Providers (appointed 9 July 2013, reappointed 8 December 2016)
Ms C Jeffery, Association of Employment and Learning Providers (appointed 9 July 2013, reappointed 26 November 2015)
Dame A Khemka OBE DBE, Association of Colleges (appointed 9 July 2013, resigned 8 December 2016)
Dr N Leigh OBE, Association of Colleges (appointed 1 July 2016)
Ms S Martin, independent (appointed 1 July 2015, resigned 1 July 2017)
Mr P McCann, Association of Colleges (appointed 9 July 2013, resigned 30 June 2016)
Mr K Merry, independent (appointed 19 June 2014, resigned 1 September 2016)
Mr P Mullins OBE, Chair of Trustees, independent (appointed 5 December 2013, reappointed 23 October 2016)
Mr M Ord, independent (appointed 18 November 2016)
Ms F Orban, independent (appointed 8 June 2016)
Dr S Pember OBE, joint Member appointment (appointed 16 June 2016)
Mr R Ranger MBE, independent (appointed 26 November 2015, resigned 3 June 2016)
Mr M White OBE DL, Association of Colleges (appointed 9 July 2013, reappointed 26 November 2015)
Mr D Williams, independent (appointed 18 November 2016)

Officers

CEO: Mr D Russell (appointed 27 January 2014)
Company Secretary: Dr G Hobson (appointed 19 June 2014)

Registered Office

Education and Training Foundation, 157-197 Buckingham Palace Road, London SW1W 9SP

Auditor

KPMG LLP, One Snowhill, Snow Hill Queensway, Birmingham, B4 6GH

Solicitor

Stone King LLP, Boundary House, 91 Charterhouse Street, London EC1M 6HR (appointed 1 April 2016)

Bankers

Royal Bank of Scotland, 62-63 Threadneedle Street, London EC2R 8LA

Barclays Bank, 1 Churchill Place, London E14 5HP

2. Trustees' Report

The Education and Training Foundation (ETF) is a registered charity and a company limited by guarantee. It is regulated by the Charity Commission. The Trustees confirm that they have referred to the Charity Commission's guidance on public benefit and the new Charity Governance Code (published in July 2017) and previously the Code of Good Governance. Following the publication of the Charity Governance Code the ETF Board will benchmark the charity's governance against its key outcomes and recommended practice.

The Trustees (who are also the Directors for the purposes of the Companies Act 2006) present their report and financial statements of the charity and its subsidiary (ETF Services Ltd, company number 9511877) for the year ending 31 March 2017 ("the year").

This Report incorporates the Strategic Report and the Directors' Report required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

The accounts have been prepared in accordance with the policies set out in note 1 to the financial statements and comply with the ETF's Articles of Association ('the Articles'), applicable law and the requirements of the Statement of Recommended Practice, Financial Reporting Standard (FRS 102).

2.1 Purposes and activities

The Education and Training Foundation (ETF) is the government-backed, sector-owned national support body for the Further Education (FE) and Training sector. Its role is to improve and champion the quality of the sector's teaching and training, and the charity is critical to achieving a world-class technical and vocational education system in the UK.

As per its Articles, the ETF's charitable purpose is to advance the education of the public over the age of 14 years, this includes (but is not limited to):

1. Defining, developing, supporting and enhancing further education governance, and the professionalism of further education practitioners, leaders and managers;
2. Improving the experience and outcomes of learning through the provision of support to, and enhancement of professionalism in, the further education workforce;
3. Developing and supporting a recognised, professional and up to date workforce through acting as a custodian of agreed standards for staff in the further education sector, and acting as a further education standard setting body for relevant qualifications in relation to teaching, learning, assessment and supporting roles;
4. Supporting and enabling high quality, appropriate and focussed continuous professional development opportunities for employees in the further education sector; and
5. Promoting and championing diversity and equality across the further education sector.

The ETF's priorities in 2016-17 have been to:

- Boost our national capacity to teach maths and English post-16
- Support leaders across the system at all levels, helping them lead and manage change
- Support the effective implementation of the Government's response to Lord Sainsbury's report on technical education routes
- Develop a high quality technical and vocational education profession which meets the needs of industry and supports rapid growth in apprenticeships

- Support practitioners through the Society for Education and Training (SET) and Qualified Teacher Learning and Skills (QTLS)
- Steer the overall strategy and delivery of skills competitions and the Skills Show

Foremost in all our priorities is the commitment to deliver public benefit to learners (the charity's main beneficiaries) through the ETF's activities by working with teachers, trainers, leaders, employers and others to help them deliver excellent FE and training.

2.1.1 The ETF's ways of working

The ETF commissions a range of support programmes from a variety of partner organisations and associates. The key steps in this process are:

1. **Identifying need**, taking a cross organisation, sector-wide view, and considerable networking with stakeholders. From 2017-18 onward this will be supplemented by a sector-wide Training Needs Analysis (TNA).
2. **Designing programmes** of support based on research, feedback and using existing expertise from a variety of sources. The mix of skills which will be needed to develop and deliver the programme is identified along with the most effective way to split the programme into contracts which can be tendered.
3. **Selecting** the most suitable delivery partners through an open, fair and competitive tendering process. The ETF's contract opportunities are publicised online. All agreements are let on a competitive basis; except in exceptional circumstances backed by a business case¹.
4. **Monitoring** the outputs and outcomes of the programmes of support through a variety of mechanisms (e.g. regular reporting against contract KPIs, Programme Assessors, feedback questionnaires, follow-up questionnaires sometime later).
5. **Learning** from the commissioned work and follow-up surveys to understand the impact of the programme and achievement of its objectives, and to inform future work.

The ETF is committed to a procurement and contract management process that requires partner organisations to prove that their work is accessible to all and encourages a more inclusive and diverse workforce. Equality, Diversity and Inclusion (EDI) is continually reviewed throughout our commissioning activities, through each of the stages outlined above.

Funding for activities comes principally from strategically invested government grant, with an increasing proportion of additional income generated from other sources (e.g. contracts, non-government grants, prescription charges, the SET membership and accreditation fees).

2.2 Achievements and Performance

By almost every measure, 2016-17 was the ETF's most successful year to date. We achieved new highs across a range of measures, including: teachers trained directly and indirectly; the SET membership;

¹ Where a formal procurement process is not used, the ETF aims to secure three quotes for business activity. In exceptional circumstances procurement with fewer than three quotes can be permitted, but this is not encouraged and instances are minimised. Up to 6 March 2017 single tenders could be used for contracts under £10,000 only with the explicit agreement of the CEO. Single tenders could be used for contracts over £10,000 only with the explicit agreement of the CEO and the Chair. Five such contracts requiring Chair and CEO approval were agreed up to 6 March 2017. On 7 March 2017 the ETF Board agreed to amend the Financial Regulations to increase the procurement threshold for full competitive tendering to £20,000, to increase efficiency and come more in line with standard Government procurement expectations. In the remainder of 2016-17 no such cases were recommended or agreed.

total income (including Government grant and commercial income); customer survey responses and positivity; and staff satisfaction. The following sections provide further detail to evidence the ETF's achievements and impact in 2016-17.

2.2.1 Professional Standards and Workforce Development (£11.3m expenditure)

We have delivered a range of activity from small scale interventions involving single teaching/training departments or individuals up to regional and national activity promoting change and sharing of effective practice. This includes: Outstanding Teaching Learning and Assessment (OTLA) projects; Professional Exchanges; Practitioner Research; and CPD programmes for organisations and individuals. Our work focuses on enabling practitioners and teaching leadership staff to learn about, research and implement effective practice that is relevant to their challenges and leads to improvement in learner outcomes.

The Maths and English Pipeline has continued its success and offers specific, targeted courses to support personal skills and teaching approaches. Regional support has facilitated the sharing of effective practice and strategic visits have been carried out with poorer performing providers to improve outcomes. Support initiatives such as 'Retrain, Retain' has upskilled teachers to move into teaching maths and English from other subject areas. Revised subject content for Functional Skills has been submitted to Ministers following a widespread consultation. Our CPD to improve the delivery of work experience focused on engaging employers to develop maths and English skills in the work place.

Following our successful bid to the Department for Education (DfE), we have developed strong partnerships to grow capacity in the sector to support learners with Special Educational Needs and/or Disabilities (SEND) through enhancing the knowledge, skills and understanding of practitioners to embed the SEND reforms and sharing examples of effective practice. We continue to support practitioner research. We have developed new pathways into FE teaching and supported teacher trainers to develop their own practice.

The results and impact of these activities includes: over 7,000 practitioners completing face to face and online courses to improve teaching approaches in maths and English; nearly 200 bursaries to support teachers to move into teaching maths and English from other subject areas; over 1,000 practitioners, managers and leaders have attended SEND events; 100 practitioners have completed a Digital Skills programme; nearly 2,500 practitioners have directly engaged in a Professional Exchange, cascading practice to a further 2,000 practitioners; over 3,000 practitioners have engaged in an OTLA project. Delegates report high levels of satisfaction and improved practice across all programmes. Qualitative feedback demonstrates teachers and trainers are using new teaching techniques to stretch and challenge learners, leading to improved outcomes, plus the sharing of effective practice within organisations and across the sector.

Our plans for 17-18 include:

- The 'SET for Teaching Success' programme will recruit, train, mentor and support 50 new teachers for the FE and Training sector, starting their training in September 2017.
- Our 'Further Forces' programme (jointly funded by the Gatsby Foundation and the ETF) will retrain Armed Forces Service-leavers to teach technical subjects, including science, engineering and technology, in the FE and Training sector.
- We will continue to develop the 'Maths and English Pipeline' with online modules covering all skill areas at level 2 and new modules for maths and English managers to use data to improve outcomes in maths and English.

- We will deliver the national 'OTLA Technical' programme and commission a further round of regional OTLA.
- We will extend the coverage of 'Professional Exchange' to cover all regions of England.

2.2.2 Leadership, Management and Governance (£6.1m expenditure)

Our vision for 2020 in leadership and governance is to create outstanding leaders, managers and governance, and to inspire excellent learning and make a positive contribution to a thriving economy and society.

Our support across governance aims to ensure boards are strengthened and better equipped to manage the challenge of strategic changes. Our provision supports greater diversity including new skills and competencies that bring about increased confidence, with every board member focused on the core business of learner progression.

Our governance activities have focused on: ongoing professional development via National Leaders of Governance; effective practice and networking events through the Regional Governance Programme; action research projects; and a range of blended training packages. We have supported over 1,600 Chairs, governors and clerks via a mix of CPD, national and regional governance programmes, and online resource made available on the ELMAG website.

In leadership and management a range of support packages were provided through 2016-17, including: first line management modules; subject leadership in maths and English; Area Review briefings (including the well-received 'Staff Voice and Staff Engagement in Area Reviews: a guide for colleges'), practical resources and accompanying events; along with projects in work experience in study programmes, localism, learner mental health, and Black, Asian and Minority Ethnic (BAME) leadership. With the winter addendum, two large scale programmes to support Principals/CEOs and Finance Directors (FDs) were scoped, to be fully rolled out in 2017-18. At least 100 Principals and CEOs will be supported through the Strategic Leadership Programme, co-created with the Saïd Business School at Oxford University. In addition, at least 75 FDs will be supported to become more effective strategic business partners within their organisations.

Our governance support plans for 2017-18 include: focus on end to end support for boards, starting from recruitment of the right members to key positions on boards; initial and specialist training; and provision of high quality ongoing professional development.

In leadership and management, alongside rolling out the CEO and FD programmes, we are developing a management scaffolding to better define our offer and strategy. This scaffolding work will capture the competencies, skills and behaviours desirable in tier 1-3 management in the sector and will inform for example, board decisions when recruiting new CEOs and senior staff, and support our work with high potential candidates for senior positions.

2.2.3 Technical Vocational Education and Training (£2.7m expenditure)

Our aim is to create a technical and vocational education profession, working in a system which is based on collaboration between employers and providers. Our work will support implementation of the recommendations in Lord Sainsbury's review of technical education and the subsequent Post-16 Skills Plan.

In 2016-17 we have continued to deliver our flagship 'Future Apprenticeships' programme, completed three research projects to scope a support programme to help deliver the reforms of technical

education, and started the next phase of Teach Too funding twelve projects which will end in September 2017.

Highlighted achievements and impact from Future Apprenticeships include: over 1,800 people benefiting from workshops, almost 2,700 attending webinars and 1,600 reached through network meetings. We launched an online course to support equality, diversity and inclusion practices in apprenticeships and over 400 people have enrolled.

In 2016-17 we also funded a range of projects in local areas. The focus in each area was on the needs identified by strategic partners and providers, and covered areas including higher apprenticeships, developing continuous professional development plans and employer engagement.

In 2017-18 Future Apprenticeships will aim to reach over 2,000 individuals through a multi-stranded offer which includes support for curriculum development, business engagement and end point assessment (EPA). The next phase of Teach Too will widely share the effective practice identified in previous phases of the programme.

The ETF's workforce led offender learning offer has provided support to 98% of prisons in England through CPD which places learning at the heart of prisons to every level of the prison workforce. Over 1,300 prison educators received training and development from ETF, including: almost 600 vocational instructors training for the Award in Education and Training; over 240 managers engaging with the management development programme and supplementary workshops; and over 400 practitioners, peer mentors and managers benefiting from bespoke support from the prison learning improvement offer. There have also been over 20,000 visits to our dedicated offender learning website which promotes sharing effective practice and builds the capacity of the sector.

ETF has continued to support the FE and training sector in complying with the statutory Prevent Duty, including the increased Ofsted focus on Prevent Duty engagement and the promotion of British values across provision and in the curriculum. There were nearly 70,000 enrolments on the Prevent duty staff and governor awareness raising modules and 31,000 sessions on our Prevent for FE and training website. An external review of the staff training modules showed that 84% of respondents agreed that the module had given them improved knowledge of the Prevent Duty and 79% could see how the content was useful to their role. We trained around 1,700 staff and governors in open access and in-house Prevent Duty and British values training sessions. We have also developed online learner modules to engage learners with the Prevent Duty. This includes using drama to raise awareness of the dangers of radicalisation and extremism and also showing learners how British values apply to them. These were launched in July 2017.

In 2017-18 we will continue to deliver Prevent Duty training sessions and publicise the free learner Prevent Duty online modules. Around 20 awareness raising sessions will run across the country. There is very significant sector interest in the modules. We expect at least 100,000 learners to use the modules in 2017-18.

2.2.4 Skills shows and competitions (£8.1m expenditure)

ETF continued to provide funding to the work undertaken by WorldSkills UK (previously Find a Future) to run the annual cycle of skills competitions and the 2016 Skills Show. A CPD programme to disseminate the use of skills competitions to enhance the quality of vocational and technical education was run in 2016, as well as a feasibility study on skills competitions as end point assessment. Team UK achieved the best ever performance at EuroSkills in Gothenburg (Dec 2016) and The Skills Show 2016

was highly successful, with over 72,000 visitors. 75% of young people felt better able to make education and career choices and 73% of educators were more able to advise on technical education and careers following the Show. Work was undertaken in the year to revisit the WorldSkills UK brand as a career accelerator for young people.

2017-18 will see further activities to maximise the impact of skills competitions as contributors to social mobility, as well as a further repositioning of competitions as a "must do" rather than a "nice to have" activity. In addition, the Department for Education has confirmed that the routing of funding for skills competitions and skills shows will move to the National Apprenticeship Service (NAS) in the Education and Skills Funding Agency (ESFA) in 2018-19 and hence ETF's direct involvement will cease, though the two organisations expect to continue to work together on areas of mutual interest. During 2017-18, ETF will be working with NAS to ensure a smooth handover of responsibility.

2.2.5 Membership and accreditation (£1.4m expenditure)

The SET and QTLS build and promote the professionalism, effectiveness and status of FE and Training practitioners helping them progress in their careers through the development and recognition of their expertise. In 2016-17, we refined our strategy with greater emphasis on career development, more confident and bolder messaging in all our communications, and a focus on building 'environmental demand' for the SET and QTLS by working with individuals, providers, government and other stakeholders to increase its value across the sector. The reformed and enriched QTLS, launched in September 2016, is already demonstrating impact with 89% of candidates reporting that the professional formation process has had a positive impact on their practice.

In 2016-17, the SET membership grew to over 15,000 representing a 9% growth on the previous year (2015-16: 14,100). There were 1,600 QTLS completions, which represented a decline from our peak of 2,000 completions in 2015-16 when numbers were augmented by candidates who postponed their applications during the winding up of the former Institute for Learning.

Our plans for 17-18 are to increase the SET membership to 18,000 and to support 1,750 QTLS completions. Having scoped demand, we will design and launch Advanced Teacher Status (ATS), with the first cohort running from October 2017. ATS is the badge of advanced professionalism and mastery in FE and training offering a progression route for those who already hold QTLS. From 2018 successful applicants will also be conferred with Chartered Teacher Status in line with an agreement with the Chartered College of Teaching.

2.2.6 Generating other sources of income

In 2016-17, ETF increased its other sources of income to 9.5% (including the SET and QTLS) of its total income. These sources included: increasing income from subsidised 'prescription charges' for our grant-funded programmes; growing the SET and QTLS; providing programmes of organisational CPD support to providers; and bidding for non-grant-funded projects. Other income in 2016-17 was strong (£3.1m), as a result in particular of 'prescription charge' income and winning the DfE SEND contract.

During 2016-17, as part of our aim to develop and test new programmes of organisational CPD support for providers we worked in partnership with Ealing, Hammersmith and West London College (EHWLC) and with the National College for High Speed Rail (NCHSR) to support its set up and governance. This partnership supported the progression of EHWLC to a grade 2 'good' Ofsted judgement (from grade 4 'inadequate'), along with the successful establishment of NCHSR. Commercially both contracts delivered

a small combined surplus (around £12k) and are providing models for our 2017-18 plans to develop further commercial partnerships with providers and employers.

We also proved our capacity and ability to bid for contracts. We successfully bid to DfE to deliver SEND improvement work related to Education, Health and Care Plans, totalling £750k in year. In addition, we secured matched funding arrangements with the Gatsby Foundation totalling £300k, of which the majority will be paid in 2017-18. See section 2.2.1 for more detail. These successful first steps as a bidding organisation will support further, more streamlined bidding activity during 2017-18.

2.2.7 Research and data

ETF's research function collects and reports on data about the current and future FE workforce, and conducts research to support the development and evaluation of ETF's CPD programmes.

In 2016-17 activities and achievements have included:

- Launch of the new Staff Individualised Record (SIR) Data Insights website, featuring data dashboards to encourage all types of providers to complete. The number of data returns increased to over 170, with more comprehensive and better quality workforce data provided to support the development of CPD and policy-making
- Publication of the third annual Initial Teacher Education (ITE) data report, enabling year-on-year comparison. This suggested that although the numbers of trainees studying for a Level 5+ teaching qualification has remained constant, there have been large reductions in the number doing lower level qualifications.
- Support for ETF surveys and research, including work on College Based Higher Education, and statistical analysis of the potential workforce available now and in the future to deliver the Sainsbury reforms.
- Data and research are more co-ordinated internally, and we are better able to use data to make decisions and show our impact. Our data and research are valued and better-used by DfE.

Our plans for research and data in 2017-18 include:

- Conducting a sector-wide Training Needs Analysis to ensure ETF's support continues to be strongly sector led.
- Further improving the SIR Data Insights including through data-sharing partnerships with DfE and sector-bodies.
- Working more closely with DfE and sector bodies to align data collection and research, to maximise the use of data collection and minimise the burden on providers

2.2.8 Ensuring the quality of ETF's work

ETF's whole-organisation quality framework ensures that we consistently monitor, measure and demonstrate the outcomes and impact of our core programmes via internal and external feedback to drive a continuous cycle of quality improvement planning and implementation. In 2016-17 we have further strengthened our annual self-assessment process, culminating in the 2016 Self-Assessment Process Report (SAPR).

The SAPR summarises the results of four key annual surveys and was published in February 2017. It comprises: an online Staff Survey; a Contractors' Survey, gathering the views of both successful and unsuccessful tenderers; a sector-wide Perceptions Survey; and the first SET Annual Members' Survey. Headlines from the surveys include:

- 78% of the SET members would recommend the SET to a colleague

- 80% of respondents to the Perceptions Survey said they were likely to use ETF services in the future and 74% said they were likely to recommend ETF to their colleagues
- 97% of ETF contractors agreed that our commissioned projects are well monitored and managed with 84% agreeing that the tendering process is open, fair and transparent.
- 94% agreed that ETF is clear about Equality, Diversity and Inclusion (EDI) requirements in tenders
- 92% of staff said they feel proud to belong to the ETF and the same number agreed that they feel committed to ETF's goals

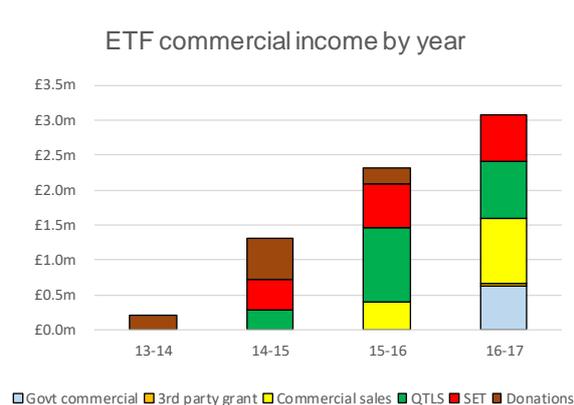
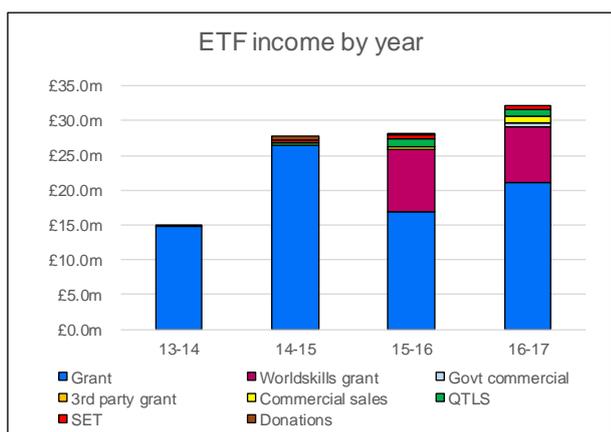
In 2017-18 we will publish a revised quality strategy and framework, reinforcing clear and consistent processes for quality assurance and improvement, aligned to the themes of 'Planning, Processes, Performance and People'.

2.2.9 Making full use of talent

ETF is committed to respecting differences in an inclusive culture and making the most of everyone's talents. It acts in accordance with the Equality Act 2010 and provides equal opportunities across its various roles, including as an employer, commissioning body, and a collaborative partner in the FE and training sector. Further detail is contained within our new EDI Strategy 2017-2020 (published May 2017). Specific EDI support provided during 2016-17 includes: delivery of the SEND FE Workforce Development project; bursaries to support access to training across the sector; a new EDI course for apprenticeship providers; commissioning of in-depth modules on mental health in apprenticeships; and publication of an action plan on developing a leadership pipeline for BAME staff and an online EDI course for all ETF employees.

2.3 Financial review

ETF's total income in the year was £32.2m (2015-16 £28.2m) and included £29.1m in grants from DfE (£25.9m), £1.5m membership and accreditation income (£1.7m) and £1.6m other commercial income from government, providers and practitioners (£0.4m).



For the first time, the Government grant agreement in 2016-17 specified the proportion of the grant to be spent on specific programme areas. A subsequent addendum (the 'Winter Addendum') provided £5m specifically to make an early start in developing initiatives in support of the Government's Skills Plan, mainly for delivery in 2017-18. The trustees therefore consider that these grants should now be classified as restricted funds.

	Core grant	Winter addendum	Total
Professional standards – for teachers and leaders	£11.2m	£4.8m	£16.0m
Supporting the Functional Skills Reform Programme	£1.0m	-	£1.0m
Supporting Apprenticeship reform	£2.3m	£0.2m	£2.5m
Support for the Justice Sector	£0.6m	-	£0.6m
Support for Government Agenda on Preventing Extremism	£0.5m	-	£0.5m
Research and data	£0.5m	-	£0.5m
Skills shows and competitions	£8.0m	£0.0m	£8.0m
	<u>£24.1m</u>	<u>£5.0m</u>	<u>£29.1m</u>

Total expenditure during the year was £29.6m (£27.6m) leaving £2.2m in restricted funds (nil) and generating an unrestricted surplus of £0.4m (£0.6m):

	2016-17	2015-16
Professional standards and workforce development	£11.3m	£9.5m
Technical and vocational education and training	£2.7m	£3.0m
Leadership, management and governance	£6.1m	£3.5m
Skills shows and competitions	£8.1m	£9.7m
Membership and accreditation	£1.4m	£1.9m
	<u>£29.6m</u>	<u>£27.6m</u>

Included within expenditure is £1.5m for staff directly engaged with the design, delivery, communication and quality assurance of programmes (£1.4m) and £3.2m for other staff and overhead (£2.8m). Indirect costs represent 10.8% of the cost base (10.1%). The proportion relating to the government grant represents 6.2% of grant spend (7.8%). For the 2017-18 grant, DfE have specified the absolute amount which can be spent on indirect staff and overhead, rather than a percentage.

2.3.1 Reserves policy and going concern

Unrestricted reserves carried forward at the end of the year were £4.0m. Unrestricted reserves are available for use in support of ETF's charitable purposes and primarily consist of the excess of income over grants and operating expenditure incurred during the year.

The Trustees consider that reserves of £0.2m are currently required to cover fluctuations in working capital and £2.0m to facilitate an orderly wind down of ETF, should it be necessary. At year end the total unrestricted reserves were £4.0m (2015-16 £3.6m); the remaining £1.8m will be used in future financial years to invest and deploy in pursuit of the ETF's charitable purposes, as needed.

The level of reserves carried forward and existing grant agreements mean that ETF is able to continue as a going concern and meet its liabilities as they fall due.

2.3.2 Investment policy

Currently, the ETF holds its funds with its Bankers on an immediate access account. On behalf of the Board, the Audit & Performance (A&P) and Finance & Resources (F&R) Committees reviewed the investment position in July 2016 and agreed that, given the maturity and funding cycle of the ETF, this remained an appropriate approach to take. The Board will continue to keep its investment policy under

review to maximise the investment return consistent with the trustees' concern to ensure the security of its resources and minimise risk.

2.3.3 Grant making

ETF makes a grant each year to WorldSkills UK, out of the grant received from DfE, to help fund skills competitions and shows in UK. This is agreed with DfE and ensures that ETF and WorldSkills UK work together to optimise outcomes.

In addition ETF issues grants to support a small number of individuals in the form of bursaries. These projects are subjected to rigorous checks to ensure they have appropriate governance and management in place and the money is being used in accordance with the UK Charity Commission's rule on public benefit.

2.4 Plans for 2017-18

In 2017-18, ETF priorities are to support the FE and training sector in these key areas:

- Prepare the teaching workforce for T-levels
- Move apprenticeships from frameworks to Institute for Apprenticeships (IfA) standards
- Build Maths and English system capacity
- Increase leadership resilience and adaptability
- Build professional pathways and professional excellence
- Teaching quality and professionalism
- Recruiting more experienced professionals from industry
- Increase system capacity and self-improvements
- Social mobility and social justice

2.5 Structure, Governance and Management

2.5.1 Governing document and appointment of trustees

The ETF is a company limited by guarantee and a registered charity. ETF has three Members ("Founding Members"): the Association of Colleges (AoC), the Association of Employment and Learning Providers (AELP), and the Association of Adult Education and Training Organisations (AAETO HOLEX). The Board composition is: three trustees appointed by AoC; three appointed by AELP; one appointed by AAETO HOLEX; and one jointly appointed by the three Founding Members. One of the three trustees appointed by AELP must be nominated by Third Sector National Learning Alliance (TSNLA). The Board is responsible for appointing a further six trustees, one of whom must be the Independent Chair and another the Independent Chair of Audit. The Board agreed to follow a pattern of appointing at least one trustee with each of the following backgrounds: the further education and training profession; the further education and training student/learner body; an employer; and a commercial background. In addition, the Board considers the skills and experience of Board members in the context of business need on a periodic basis. All Board-appointed positions are filled through an open and competitive process. The Board encourages its Founding Members to fill positions in the same way.

2.5.2 Trustee induction and training

New trustees meet with the Chair, CEO and Company Secretary and are briefed on trustee responsibilities, the Articles, the ETF's strategy and business plans, its financial performance, and key risks. All trustees are offered the opportunity to observe Expert Panel meetings and other ETF events. Trustees are offered the opportunity to attend external training on various topics linked to trustee responsibilities. Board members attend a residential event, held at least annually, to agree strategic priorities and opportunities. The most recent residential was held over 28-29 April 2016 at the

Manchester Mechanics' Institute. In 2017-18 the residential will be held at BAE Systems (Samlesbury) over 12-13 October 2017.

2.5.3 Organisation

The trustees are appointed to oversee the ETF in the public interest, in accordance with the charitable purpose and powers contained in the Articles. Trustees recognise they must act solely in the interests of the ETF. The Board has responsibility for setting the strategic direction of the charity, ensuring that proper financial arrangements are in place, and ensuring that ETF remains focused on delivering its outcomes for the benefit of the public. The Board met five times during the year. A CEO is appointed by the Board to manage day-to-day operations of the charity, advise on strategic direction and turn its strategic aims into reality and sustainable success.

The Board has established four committees: the A&P Committee, the F&R Committee, the Search Committee, and the SET Management Board. The Board retains full responsibility for its committees and reviewed and updated the committees' terms of reference in December 2016. Attendance at Board and committee meetings is monitored. In addition to the committees, the Board has established Expert Panels. These Panels comprise leaders, practitioners, academics, learners and employers from across the sector and, together with its relationships with the Founding Members, help to ensure the ETF is sector led and retains focus on its beneficiaries.

2.5.4 Risk management

The trustees have a risk management strategy that comprises:

- At least an annual review of the principal risks faced by the charity by the ETF Board.
- At least bi-annual consideration by the A&P Committee of the operation of the risk management policy, along with scrutiny of the key strategic risks and their mitigating actions, making appropriate recommendations and reports to the Board where necessary.
- At least monthly consideration and update of the ETF's risk register by the Senior Management Team and risk owners. All risks are recorded in the risk register, assigned owners and overseen by SMT.

The key risks faced in 2016-17 were uncertainty in relation to future income flows including failure to diversify and develop new income streams sufficient to replace possible reduced grant income. These were mitigated by: i) maintaining strong relationships with government backed by strong performance against targets and positive partnership working across the sector; and ii) pursuing a Board-led commercial strategy, with Executive staff focused on business development and delivery against stretching growth targets.

The Board recognises that the most significant and persistent risks to delivery of the ETF's charitable aims are stability and certainty of funding. DfE has a previously stated aim of supporting ETF to become financially self-sustaining. ETF is therefore developing activities which can contribute to the generation of commercial revenues. Ensuring that this aspect of strategy and the change in the organisation's funding model are well managed is a high priority for both the Board and Executive.

Responding to these priorities and the need to ensure sound staff succession planning, ETF has strengthened its executive leadership team. In addition to the appointment in August 2016 of Sir Frank McLoughlin (Associate Director for Leadership), there have been two further senior appointments in 2017 of Chief Operating Officer (Jenny Jarvis) and Associate Director for Professional and Technical Education (Neil Bates).

2.5.5 Pay policy

The Board considers the CEO and Executive Directors to comprise the key management personnel of the charity in charge of directing and controlling, running and operating the charity on a day-to-day basis.

The Board has agreed a pay policy. The pay of staff is reviewed annually by the Board taking into account variables including: performance of the organisation; climate in the education and training, public and voluntary sectors; affordability for the ETF; attracting and retaining excellent staff; cost of living indices; and sector benchmarks.

2.6 Disclosure of Information to the Auditors

The Trustees who held office at the date of approval of this Trustees' Report confirm that, so far as they are each aware, there is no relevant audit information of which the ETF's auditors are unaware; and each Trustee has taken all the steps that he/she ought to have taken as a trustee to make himself/herself aware of any relevant audit information and to establish that the ETF's auditors are aware of that information.

The Report of the Trustees, which incorporates the requirements of the Strategic Report and the Directors' Report as set out in the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, was approved by the Board, in their capacity as Trustees and company directors, and signed on its behalf on 13 October 2017 by:

Paul Mullins
Chair
13 October 2017

David Russell
Chief Executive Officer
13 October 2017

3. Statement of responsibilities of the Trustees of The Education and Training Foundation in respect of the Trustees' annual report and the financial statements

The trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under that law they are required to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and charitable company and of the group's excess of income over expenditure for that period. In preparing each of the group and charitable company financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the charitable company will continue its activities.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

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

Independent auditor's report to the members of The Education and Training Foundation

We have audited the financial statements of The Education and Training Foundation for the year ended 31 March 2017 set out on pages 19 to 32. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities set out on page 16, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charitable company's affairs as at 31 March 2016 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual Report, which constitutes the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

Michael Rowley

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

One Snowhill, Snow Hill Queensway,

Birmingham, B4 6GH

Consolidated statement of financial activities (including income and expenditure account)
 for the year ended 31 March 2017

	Note	2016-17			2015-16
		Unrestricted £'000	Restricted £'000	Total £'000	Unrestricted £'000
Income:					
Donations		-	-	-	226
<i>Income from charitable activities:</i>					
Government grant	4	-	29,119	29,119	25,875
Professional Development		1,560	25	1,585	399
Accreditation		805	-	805	1,071
Membership		665	-	665	619
		<u>3,030</u>	<u>29,144</u>	<u>32,174</u>	<u>27,964</u>
Investment income	5	18	-	18	31
Total income		<u>3,048</u>	<u>29,144</u>	<u>32,192</u>	<u>28,221</u>
Expenditure:					
<i>Expenditure on charitable activities:</i>	6, 7	2,661	26,940	29,601	27,583
Total expenditure		<u>2,661</u>	<u>26,940</u>	<u>29,601</u>	<u>27,583</u>
Net income and movement in funds for the year	8	387	2,204	2,591	638
Reconciliation of funds					
Total funds brought forward		3,603	-	3,603	2,965
Total funds carried forward	18	<u>3,990</u>	<u>2,204</u>	<u>6,194</u>	<u>3,603</u>

The statement of financial activities includes all gains and losses recognised in the year. All income and expenditure derive from continuing activities.

Consolidated balance sheet

As at 31 March 2017

	Note	Group 2017 £'000	Group 2016 £'000	Charity 2017 £'000	Charity 2016 £'000
Fixed assets					
Tangible assets	12	2	13	2	13
Intangible assets	12	-	74	-	74
Investments	13	-	-	1	1
		2	87	3	88
Current assets					
Debtors	14	1,726	298	1,726	261
Cash at bank and in hand		12,691	6,505	12,691	6,505
		14,417	6,803	14,417	6,766
Liabilities					
Creditors: falling due within one year	15	8,225	3,287	8,122	3,163
		6,192	3,603	6,295	3,691
Total assets less current liabilities					
		6,194	3,603	6,298	3,691
Net assets					
Unrestricted income funds		3,990	3,603	4,094	3,691
Restricted income funds		2,204	-	2,204	-
Total funds	17	6,194	3,603	6,298	3,691

The notes on pages 21 to 31 form part of these accounts

These financial statements were approved by the trustees on 13 October 2017 and were signed on their behalf by:

Paul Mullins
 Chair

Statement of cash flows and consolidated statement of cash flows
 for year ending 31 March 2017

	Note	Group 2016-17 £'000	Group 2015-16 £'000	Charity 2016-17 £'000	Charity 2015-16 £'000
Cash (used) in operating activities	23	6,168	(994)	6,168	(993)
Cash flows from investing activities					
Interest income		18	31	18	31
(Purchase) of fixed assets		-	(72)	-	(72)
Investment in subsidiary				-	(1)
(Decrease) in cash and cash equivalents in the year		6,186	(1,035)	6,186	(1,035)
Cash and cash equivalents at the beginning of the year		6,505	7,540	6,505	7,540
Total cash and cash equivalents at the end of the year		12,691	6,505	12,691	6,505

Notes to the accounts

1. Accounting policies

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

a) Basis of preparation

The financial statements have been prepared on the basis of historical cost in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102), Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with FRS102 (Charities SORP (FRS102)), the Charities Act 2011 and the Companies Act 2006.

The 2016-17 accounts cover the 12 months to 31 March 2017. The comparatives for 2015-16 cover the 12 months to 31 March 2016.

b) Going concern

The accounts have been prepared on a going concern basis. ETF will be able to meet its obligations in full for at least 12 months following the signing of these accounts. The Board has reviewed and approved the budget for 2017-18 including the reserves that will be available to support trading after that period.

c) Group financial statements

The financial statements consolidate the results of the charity and its wholly-owned subsidiary, ETF Services Ltd, on a line-by-line basis. A separate Statement of Financial Activities and income and expenditure Account for the charity has not been prepared because ETF has taken advantage of the exemption afforded by section 408 of the Companies Act 2006.

d) Income

Income is recognised when ETF has entitlement to the funds, any performance conditions have been met and it is probable that the income will be received.

Income from government and other grants is recognised when ETF has unconditional entitlement to the funds. Income is deferred and recognised as a liability when grants are received in advance of the period in which the donor has specified that the expenditure is to take place. Where specific instructions are received from the grant maker relating to the use of the funds for specific purpose, the amounts are accounted for within restricted income.

Income from membership subscriptions is recognised evenly over the period of membership. Income from registration onto accreditation schemes is recognised on receipt; income from submission of accreditation workbooks is recognised after evaluation has been completed.

e) Expenditure and liabilities

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

Direct costs include all costs relating directly to delivering charitable activities. Staff costs include staff delivering charitable services (allocated directly) and those providing back-office services (apportioned based on the number of direct heads in each department). Support costs include accommodation, depreciation, IT, stationery, general office expenses and governance. These are also apportioned in line with headcount.

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

f) Fund accounting

Grants or donations received for specific projects are treated as restricted funds. Since April 2016, grant agreements with central government departments have been specific about how much of the grant is to be applied to each programme area. Since then these have been included within restricted funds.

Unrestricted funds are available for general use by ETF or to meet possible shortfalls in revenue or unforeseen increases in expenditure.

g) Taxation

The charity meets the requirements as set out in Paragraph 1 Schedule 6 of the Finance Act 2012 as a charitable company for UK corporation tax purposes. As such it is potentially exempt from income tax in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the corporation tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively for charitable purposes.

The wholly-owned subsidiary, ETF Services Ltd, pays all of its profits to the charity under the gift aid scheme.

No tax charge has arisen in the year.

h) Fixed assets and depreciation

Individual fixed assets or groups of assets costing in excess of £500 are capitalised at cost and are depreciated over their estimated useful life on a straight line basis as follows:

Computer hardware	3 years
Computer software	3 years
Office equipment and furniture	5 years
Intangible fixed assets	3 years

A full year's depreciation is charged in the year an asset is commissioned, irrespective of the precise date during the year.

i) Operating leases

Rental costs arising under operating leases are charged to the income and expenditure account on a straight line basis over the period of the lease.

j) Financial instruments

ETF only has financial assets and liabilities which qualify as basic financial instruments, initially recognised at transaction value and subsequently measured at their settlement value.

k) Pensions

ETF operates three pension schemes: a former member of staff who transferred under TUPE regulations was entitled to retain membership of the Principal Civil Service Pension Scheme (PCSPS); staff transferred under TUPE regulations from LSIS are entitled to belong to an Aviva defined-contribution scheme; new employees are offered ETF's defined-contribution scheme operated by Standard Life.

The PCSPS is an unfunded multi-employer defined benefit scheme administered for staff from the Civil Service. The trustees are unable to confirm ETF's share of the underlying assets and liabilities of the PCSPS and so the scheme is accounted for as a defined-contribution scheme. The last published full actuarial valuation of the PCSPS was carried out as at 31 March 2012 and reported in 2014. Details of the valuation can be found at <http://www.civilservicepensionscheme.org.uk/about-us/scheme-valuations/>.

Employer's contributions made to the PCSPS in 2016-17 were £10,156.76 (2015-16 £13,323) with an employer's contribution of 21.8% of pensionable pay.

ETF contributes 6% of the employee's pensionable salary into the Aviva scheme. For 2016-17, employer's contributions of £16,652 (2015-16 £18,105) were paid to Aviva.

ETF contributes 6% of the employee's pensionable salary into the Standard Life scheme. For 2016-17, employer's contributions of £82,544.59 (2015-16 £64,450) were paid to Standard Life.

2. Legal status of the ETF

ETF is a company limited by guarantee and a registered charity. It has no share capital. In the event of being wound up, the liability in respect of the guarantee is limited to £1,000 per member of the charity.

3. Financial performance of the charity

The consolidated statement of financial activities includes the results of the charity's wholly-owned subsidiary, ETF Services Ltd (company number 9511877), which operates the Society for Education and Training and provides administration in relation to ETF's accreditation services.

The summary financial performance of the charity alone is:

	2016-17			2015-16
	Unrestricted £'000	Restricted £'000	Total £'000	Restricted £'000
Income:				
Donations	-	-	-	226
<i>Income from charitable activities:</i>				
Government grant		29,119	29,119	25,875
Professional Development	1,560	25	1,585	399
Accreditation	805		805	1,071
Other income	20		20	-
	<u>2,384</u>	<u>29,144</u>	<u>31,528</u>	<u>27,345</u>
Investment income	18		18	31
Total income	<u>2,403</u>	<u>29,144</u>	<u>31,547</u>	<u>27,602</u>
Expenditure:				
<i>Expenditure on charitable activities:</i>				
	(2,000)	(26,940)	(28,940)	(26,876)
Total expenditure	<u>(2,000)</u>	<u>(26,940)</u>	<u>(28,940)</u>	<u>(26,876)</u>
Net income and movement in funds for the year	403	2,204	2,607	726
Reconciliation of funds:				
Total funds brought forward	3,691	-	3,691	2,965
Total funds carried forward	<u>4,094</u>	<u>2,204</u>	<u>6,298</u>	<u>3,691</u>

4. Government Grant

ETF received a Government grant of £29.119m in 2016-17 via the Department for Education. £2.204m is still retained within restricted funds, pending receipt of services to which the grant related. Otherwise all conditions and contingencies attaching to the grant have been met in the year.

5. Investment income

All the group's investment income of £18,468 (2016 £30,613) arises from money held in interest bearing deposit accounts.

6. Analysis of expenditure on charitable activities

	Partner cost & grants £'000	Direct staff cost £'000	Indirect staff cost £'000	Over- head cost £'000	2016-17 Total cost £'000	2015-16 Total cost £'000
Professional standards and workforce development	9,133	586	702	910	11,331	9,504
Technical vocational education and training	1,958	343	168	218	2,687	3,004
Leadership, management and governance	4,970	293	383	498	6,144	3,518
Skills shows and competitions	8,061	-	-	-	8,061	9,662
Membership and accreditation	785	289	-	304	1,378	1,895
	<u>24,907</u>	<u>1,511</u>	<u>1,253</u>	<u>1,930</u>	<u>29,601</u>	<u>27,583</u>

7. Grants awarded

Grants of £8.046m (2015-16 £9.562m) have been awarded to WorldSkills UK to help fund skills competitions and shows in UK. The grant is funded from the Government grant that ETF receives ensuring that the parties work together to deliver optimum outcomes.

8. Net income/(expenditure) for the year

This is stated after charging:

	2016-17 £'000	2015-16 £'000
Operating leases – property	295	148
Future payments on onerous lease	109	-
Depreciation	85	34
Auditor's remuneration		
Audit fees	36	43
Other advice	6	4

9. Staff

The average monthly headcount was 45 staff (2015-16 47), and the average monthly number of full-time equivalent employees (including part-time staff) during the year was 45 (43).

	2016-17 £'000	2015-16 £'000
Salaries and wages	2,319	2,121
Social security costs	260	220
Pension costs	109	96
	<u>2,688</u>	<u>2,437</u>

The number of employees whose emoluments fell within the following bands was:

	2016-17	2015-16
£60,000 - £69,999	2	3
£70,000 - £79,999	2	1
£80,000 - £89,999	2	1
£90,000 - £99,999	1	-
£140,000 - £149,999	1	1

The remuneration of the highest paid employee was £149,236 (2015-16 £140,312). In addition, ETF made a pension contribution of £7,365 (£7,219).

The trustees consider the key management personnel of ETF to be the Chief Executive Officer and the Executive Directors. In 2016-17 this comprised 5.2 FTE (2015-16 4.9 FTE). The total benefits received by the key management personnel was £506,607 (£453,072 in 2014-15). ETF also made pension contributions of £27,547 in respect of key management personnel (£25,771).

10. Trustees' remuneration and expenses

	2016-17	2015-16
	£'000	£'000
Trustee's remuneration:		
S R Freer	6,600	6,600
P Mullins	20,000	20,000
Reimbursement of all trustees' expenses	6,780	6,841
	<u>33,380</u>	<u>33,441</u>

The Articles of Association, as agreed with the Charity Commission, permit remuneration of up to three independent trustees who manage significant and complex activities on behalf of ETF, requiring significant amounts of time. The Chair (P Mullins) and the Chair of the Audit and Performance Committee (S Freer) are contracted and remunerated. No pension contributions are made on their behalf.

No other trustee received any remuneration or received any other benefit from ETF.

Travel and accommodation expenses were reimbursed to nine trustees during the year.

11. Related party transactions

The Association of Colleges (AoC), the Association of Employment and Learning Providers (AELP) and the Association of Adult Education and Training Organisations (AAETO HOLEX) are the Founding Members of ETF and are considered to be related parties by virtue of their rights under the Articles of Association to appoint in total eight of the fourteen trustees on the Board.

In addition, a number of trustees and executive directors were employed by or held unremunerated positions in a variety of organisations, which are also considered to be

related parties. The Board considers this to be appropriate and requires that trustees comply with its conflicts of interest policy.

ETF has entered into arms-length contractual arrangements with the following organisations which fall within the definition of related parties under FRS8.

The Board has no involvement in any of the ETF's processes for assessing tenders. Similarly, no potentially conflicted trustees take part in supplier performance reviews when the supplier is a related party.

	2016-17 spend £'000	2015-16 spend £'000	Mar 2017 balance £'000
Association of Adult Education and Training Organisations (AAETO/HOLEX)	30	40	5
Association of Colleges (AoC)	1,948	446	500
Association of Colleges London Region	28	199	-
Association of Colleges North-West Region	45	-	45
Association of Colleges South-West Region	8	-	3
AoC Create Limited	202	58	129
Association of Employment and Learning Providers (AELP)	1,952	1,876	783
EMFEC	389	195	203
Kirklees College	3	2	-
National Union of Students	30	14	-
Stockton Riverside College	-	6	-
Third Sector National Learning Alliance	46	16	5
UCL Institute of Education	-	51	-
Women's Leadership Network	31	-	-
	<u>4,712</u>	<u>2,903</u>	<u>1,673</u>

12. Fixed assets – group and charity

	Intangible Fixed Assets (Software) £'000	Computer Hardware £'000	Total £'000
Cost			
As at 1 April 2016	87	83	170
Additions	-	-	-
As at 31 March 2017	<u>87</u>	<u>83</u>	<u>170</u>
Depreciation			
As at 1 April 2016	13	70	83
Charge for the period	74	11	85
As at 31 March 2017	<u>87</u>	<u>81</u>	<u>168</u>
Net book value			
As at 31 March 2017	-	2	2
As at 1 April 2016	74	13	87

13. Investments – charity

The charity holds the entire allotted share capital of £1,000 in its wholly-owned subsidiary, ETF Services Ltd, which is incorporated in the United Kingdom. The shares are called-up and fully-paid. The activities and results of this company are summarised in note 22.

14. Debtors

	Group 2017 £'000	Group 2016 £'000	Charity 2017 £'000	Charity 2016 £'000
Trade debtors	501	197	501	197
Prepayments	1,180	34	1,180	27
Other debtors	45	67	45	37
	<u>1,726</u>	<u>298</u>	<u>1,726</u>	<u>261</u>

15. Creditors: amounts falling due within one year

	Group 2017 £'000	Group 2016 £'000	Charity 2017 £'000	Charity 2016 £'000
Trade creditors	5,757	1,506	5,757	1,506
Intercompany creditors		-	348	131
Accruals	1,840	1,320	1,712	1,261
Deferred income	410	307	145	136
Taxation and social security	138	91	80	66
Other debtors	80	63	80	63
	<u>8,225</u>	<u>3,287</u>	<u>8,122</u>	<u>3,163</u>

16. Deferred income

Deferred income comprises the SET membership fees in respect of 2016-17 received before 31 March 2016, workbook submission fees received for QTLS accreditation applications which had not been assessed by year-end, and course attendance fees income relating to courses which were due to take place on or after 1 April 2016.

	Group £'000	Charity £'000
Balance as at April 2016	307	136
Amount released to income earned from charitable activities	(259)	(88)
Amount deferred in year	362	97
	<u>410</u>	<u>145</u>

17. Analysis of group net assets in funds

	Unrestricted £'000	Restricted £'000	Total £'000
Fixed assets	2	-	2
Cash in bank and in hand	9,405	3,286	12,691
Other net current (liabilities)	(5,417)	(682)	(6,099)
	<u>3,990</u>	<u>2,204</u>	<u>6,194</u>

18. Analysis of movements in unrestricted funds

	Balance 1 Apr 2016 £'000	Incoming resources £'000	Resource expended £'000	Transfers £'000	Funds 31 Mar 2017 £'000
Society for Education and Training	-	665	(676)	11	-
Designated funds	3,400	-	-	350	3,750
General fund	203	2,383	(1,985)	(361)	240
	<u>3,603</u>	<u>3,048</u>	<u>(2,661)</u>	<u>-</u>	<u>3,990</u>

The trustees have agreed that any reserves generated by the Society for Education and Training will be used for the benefit of SET's members.

In addition, there are three 'designated funds'

- £2.0m which represents the cost of facilitating an orderly wind down of the ETF, should it be necessary;
- £0.3m to cover losses at the subsidiary ETF Services Ltd in its early years of trading; and
- £1.45m strategic reserve, which has been generated through commercial activity and donations received. This is being used for the development of ATS qualification, for a sector-wide training needs analysis and will be used for other programmes to enable the ETF to invest and manage change in an orderly and professional manner, as it becomes less reliant on government grants.

19. Analysis of movements in restricted funds

	Balance 1 Apr 2016 £'000	Incoming resources £'000	Resource expended £'000	Transfers £'000	Funds 31 Mar 2017 £'000
DfE grant	-	24,119	(23,823)		296
Winter addendum	-	5,000	(3,092)		1,908
Matched funding	-	25	(25)	-	-
	<u>-</u>	<u>29,144</u>	<u>(26,740)</u>	<u>-</u>	<u>2,204</u>

Since April 2016, grants received from central government have been specific about how much of the grant is to be spent in each programme area, prompting the decision to account for them through restricted funds.

In December 2016, an additional grant of £5m was received to start funding specific elements of the Government's Skills Plan. This money was fully committed and largely paid out by the end of the year, but cost expended reflects the planned timing of delivery.

20. Lease commitments

ETF and the charity had the following lease commitments as at 31 March 2016:

	2017	2016
	£'000	£'000
Operating lease – property rental		
Payments due within one year	243	148
Payments in 2-5 years	823	105
	<u>1,066</u>	<u>253</u>

21. Contingent liabilities

There were no contingent liabilities at the balance sheet date

22. Subsidiary company

ETF Services Limited (ETFS) is a wholly-owned subsidiary of the charity, which operates SET. ETFS also provides administration and customer service on behalf of the charity for its QTLS accreditation.

The summary financial performance of the subsidiary alone is:

	2016-17	2015-16
	£'000	£'000
Turnover		
Membership subscriptions	665	619
Provision of administration services	270	261
	<u>935</u>	<u>880</u>
Cost of sales and administration cost	(950)	(969)
Retained (loss)	<u>(15)</u>	<u>(89)</u>
The assets and liabilities of the subsidiary were:		
Current assets	348	168
Current liabilities	(451)	(256)
	<u>(103)</u>	<u>(88)</u>
Aggregate share capital and reserves	<u>(103)</u>	<u>(88)</u>

23. Reconciliation of net movement in funds to net cash flow from operating activities

	Group	Group	Charity	Charity
	2016-17	2015-16	2016-17	2015-16
	£'000	£'000	£'000	£'000
Net movement in funds	2,591	638	2,606	726
Add back depreciation charge	85	34	85	34
Deduct interest received	(18)	(31)	(18)	(31)
Decrease/(increase) in debtors	(1,428)	(211)	(1,465)	(174)
Increase/(decrease) in creditors	4,938	(1,424)	4,960	(1,548)
Net cash used in operating activities	6,168	(994)	6,168	(993)

ANNEX

Acronyms

ATS	Advanced Teacher Status
AAETO HOLEX	Association of Adult Education and Training Organisations
AoC	Association of Colleges
AELP	Association of Employment and Learning Providers
A&P	Audit & Performance (Committee)
BAME	Black, Asian and Minority Ethnic
CEO	Chief Executive Officer
CPD	Continued Professional Development
DfE	Department for Education
EHWLC	Ealing, Hammersmith & West London College
ESFA	Education and Skills Funding Agency
ETF	The Education and Training Foundation
EPA	End Point Assessment
ETFS	ETF Services
EDI	Equality, Diversity and Inclusion
ELMAG	Excellence in Leadership, Management & Governance
F&R	Finance & Resources (Committee)
FD	Finance Director
FTE	Full Time Equivalent
FE	Further Education
GAAP	Generally Accepted Accounting Principles
ITE	Initial Teacher Education
IfA	Institute for Apprenticeships
KPI	Key Performance Indicator
NAS	National Apprenticeship Service
NCHSR	National College for High Speed Rail
OTLA	Outstanding Teaching Learning and Assessment
PCSPS	Principle Civil Service Pension Scheme
QTLS	Qualified Teacher Learning and Skills
SAPR	Self Assessment Process Report
SMT	Senior Management Team
SET	Society for Education and Training
SEND	Special Educational Needs and Disabilities
SIR	Staff Individualised Record
TVET	Technical and Vocational Education and Training
TSNLA	Third Sector National Learning Alliance
TNA	Training Needs Analysis