

ANNUAL REPORT AND FINANCIAL STATEMENTS
31st July 2018

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REFERENCE & ADMINISTRATIVE INFORMATION

Status

Newham Training and Education Centre (NEWTEC) is a charitable company limited by guarantee without share capital incorporated in England and Wales on 20th November 1989 and registered as a charity on 20th February 1990. The charity's governing document is its Memorandum and Articles of Association.

Directors

Marzieh Chipperfield	Chair
Liz Laycock	
Linda Jordan	
Sheila Weeden	resigned 12/09/2018
Marcia Samuels	
Jayesh Kothari	resigned 17/10/2017
Paul Stopford	resigned 21/05/2018
Nadege Nakubuhizi	appointed 01/02/2018, resigned 25/09/2018
Nicola Blatchly-Lewis	appointed 16/10/2018

Senior Leadership Team:

Chief Executive Pat Edwards
Head of Adult Learning Saher Nijabat
Head of Young People and HE Marcin Herda
Head of Stakeholder Engagement Simidele Akinsuyi
Head of Commercial Operations Coral Decourcy
Head of Quality and Standards Jennifer Marshall
Director of Finance Pieter Vermeulen

Company Secretary

Pat Edwards

Registered office

22 Deanery Road
Stratford
London E15 4LP

Bankers

Bank of Scotland
St James's Gate
14-16 Cockspur Street
London SW1Y 5BL

Solicitors

Irwin Mitchell Solicitors
Riverside East
2 Millsands
Sheffield, S3 8DT

Auditors

RSM UK Audit LLP
Chartered Accountants
The Pinnacle
170 Midsummer Boulevard
Milton Keynes
Buckinghamshire MK9 1BP

DIRECTORS' REPORT

The directors, who are also the trustees of the charity, present their annual report (incorporating the Strategic Report) and the audited financial statements of Newham Training and Education Centre (NEWTEC) for the year ended 31st July 2018.

The financial statements have been prepared in accordance with accounting policies set out in the notes to the accounts and comply with the Charities Act 2011, the Companies Act 2006, and the Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) published on 16th July 2014.

OBJECTIVES & ACTIVITIES

OBJECTIVES OF THE CHARITY

NEWTEC is a company limited by guarantee having charitable status. Its principal aim is to provide learning opportunities for women, men and the community, to enable them to gain access to employment to improve their career development or to participate in further or higher education. NEWTEC provides integrated support for clients by providing quality childcare on and off site in its nursery and with local registered childminders.

STRATEGIC DIRECTION FOR 2018 & BEYOND

OUR VISION:

All our children will be happy, healthy and safe, and supported by well qualified and economically active parents and carers.

OUR MISSION:

To provide the highest quality childcare services and vocational training in care for young people, adults and employers.

OUR STRATEGY:

Prioritise training for young people and adults at risk of non-participation or unemployment, and for those progressing from foundation programmes.

Provide FE/HE training in Vocational Services for young people, adults and employers, to include foundation level services leading to employment.

Provide opportunities for progression into meaningful employment and related training for unemployed young people and adults.

Develop and operate integrated services with key partners for children, their parents/carers, and employers.

Provide high quality childcare at affordable prices.

Develop NEWTEC's strategy to work in an integrated way with relevant local and regional agencies.

Continuously develop and improve all aspects of the organisation, including quality, financial health, human resources, leadership and management, training and development and resources.

OUR VALUES are:

Promoting and safeguarding the interests of children, young people, adults and the community.

Promotion of equality, diversity and inclusion as key aspects of meeting community needs, excellent service delivery, and good employment practice.

An ethical organisation reflecting our charitable status, the reliance which communities have on our services and our partner and stakeholder status with other key local organisations.

Business-Innovation in seeking creative initiatives to ensure the long-term sustainability of the organisation.

Determination to succeed in all that we do, achieve excellence and grow the services we provide.

SERVICE PROVISION

NEWTEC delivers its objectives through its Learning Services and Commercial Operations departments. NEWTEC operates six nurseries: Mark Street, Deanery Road, Cumberland Road, East Ham, UEL Docklands and Plaistow Day Nursery in addition to an Early Education Centre in West Ham Lane.

Young People & HE

- NEWTEC's provision was reviewed by Ofsted in November 2016. Overall a grade of 2 was awarded from the inspection. The young people provision has maintained a Grade 1- Outstanding for effectiveness of leadership and management and Good - grade 2 for the outcomes for learners and the quality of teaching, learning and assessment. NEWTEC maintains very effective links within the industry and all provision meets the needs of both employers and employees and those seeking work. Quality of learning is assured through an annual self-assessment report against the standards of the Common Inspection Framework.

- Health, Public Services & Care (Early Years and Health & Social Care) – 2017/2018 activities remained stable with learners completing traineeships and study programmes that include English, Maths, Employability, Business Administration, Early Years and Health & Social Care.

- Preparation for Life and Work – this broad curriculum area includes Functional Skills English, Maths, ICT; GCSEs in English and Maths, employability, job search, vocational guidance and job preparation. The focus of the young people provision is to ensure all learners progress to further education, higher education or employment. Bespoke employability programmes concentrate on improving "soft skills" such as team working, problem solving, motivation and communication – skills often cited by employers as essential to effective workplace performance.

- Higher Education - NEWTEC also continues to offer a Foundation Degree in Early Years and Early Years Leadership and Management in collaboration with Kingston University. The quality of teaching, learning, assessment, and outcomes of the HE provision is excellent due to highly effective leadership and management.

Adult Learning

- The Adult Learning provision has maintained a Grade 1- Outstanding for effectiveness of leadership and management and Good - grade 2 for the outcomes for learners and the quality of teaching, learning and assessment. NEWTEC maintains very effective links within the industry and all provision meets the needs of both employers and employees and those seeking work. Quality of learning is assured through an annual self-assessment process and is validated via the quality assurance process of our primary contracts.

- Health, Public Services & Care (Early Years, Health & Social Care and Supported Teaching & Learning in Schools) – 2017/2018 activities remained stable with Subject Sector Area success rate of 90%.

- Business, Administration and Law (Business Administration & Customer Services) – 2017/2018 activities remained stable with Subject Sector Area success rate of 90%.

- Preparation for Life and Work – this broad curriculum area includes Functional Skills English, Maths, and ESOL, employability, job search, vocational guidance and job preparation. The focus of the adult learning provision is to ensure all learners

progress to further education, higher education or employment. Bespoke employability programmes concentrate on improving "soft skills" such as team working, problem solving, motivation and communication – skills often cited by employers as essential to effective workplace performance. Overall retention for 17/18 has been above 95% with over 90% success rate for this Subject Sector Area.

- Overall retention for this provision is 98% for both primary sub-contracts and overall success is above 90%.

- Skills Support for the Unemployed (SSU - Health & Social Care, Retail, Travel & Tourism) – This is another provision where NEWTEC successfully delivered customer services, business administration, ESOL and health & social care programmes under ESF funded sub-contract with outstanding learner outcomes. Retention on the SSU provision is 100% and progression targets has been exceeded with over 80% learners progressing into Employment or Apprenticeship against a target of 25%. The quality of teaching, learning, assessment, and outcomes of provision is excellent due to highly effective leadership and management.

- 16-18 & Adult Apprenticeships (Childcare and Health & Social Care) NEWTEC provide apprenticeships to 16-18 years old, adults and employers based in IT, Digital media, Business Administration, Health & Social Care and Childcare sector. 2017/2018 overall retention improved from 72% to 87%.

Children's Services

All seven NEWTEC nursery provisions continue to be successful, six nurseries achieving Ofsted Grade 2 (two with strands of Outstanding and one nursery achieving an 'Outstanding' – grade 1. All provisions welcome families entitled to Free Early Education Entitlement (FEEE) as well as full cost commercial places. The settings are operating as mixed economy nurseries with subsidised places for learners and local parents, other places are sold at full cost. NEWTEC is also managing the childcare services for NCFE under a Service Level Agreement and has been managing the UEL's nursery in Docklands since January 2016 after successfully winning a tender to manage the provision. NEWTEC offers a provision that caters solely for families who are entitled to the FEEE in addition each nursery provision also has an allocation for families that are entitled to FEEE.

Whilst NEWTEC has successfully been running the Children Centres for a number of years, due to political changes the borough was under threat of more than half of the Children Centres being closed. This resulted in a much smaller pool of provisions within the community to support those that are the most vulnerable. NEWTEC was successful in the consultation processes regarding these changes and is working in partnership with the selected main hub and an additional centre on the Best Start in Line Initiative that has replaced the Children Centres albeit in a reduced capacity.

Staffing Matters

Staffing Matters caters for professionals in the Childcare and Health & Social Care sector; this may be candidates who are looking for full or part-time work or employers who are looking for temporary or permanent staff. The agency seeks to supply workers on demand for under-staffed provisions and getting learners into jobs and making them financially active. The development and continued growth of the provision is closely tied to our vision that "all our children will be happy, healthy and safe, and supported by well-qualified and economically active parents and carers".

Room Hire

The room hire for the period under review was largely successful due to the current climate of activity in the Stratford area associated with the regeneration process within the borough of Newham. The next financial year should continue to be successful with long term commitments to hire. Additional income is being generated by hiring out underutilised rooms. As a voluntary organisation, this is accomplished by hiring out rooms to other businesses for meetings or training, subletting office space to other organisations and hosting events and training related to our mission.

STRUCTURE, GOVERNANCE & MANAGEMENT

NEWTEC has a Board of Directors' who meet regularly to oversee NEWTEC's strategic direction, to ensure legislative compliance and to maintain financial probity.

Directors

The directors of the company during the year and up to the date of this report as listed on page 1.

The directors are elected annually at the annual general meeting by a simple majority and no director is employed by or has any interest in any contract with the company. At 31st July 2018, the number of directors totalled 6 (2017:6).

NEWTEC is managed by a Senior Leadership Team comprising of the Chief Executive, the Director of Finance, the Head of Young People & HE, Head of Commercial Operations, Head of Quality and Standards, Head of Adult Learning and the Head of Stakeholder Engagement.

On the 17th December 2006, following signature of a Members Agreement between NCFE and NEWTEC (the members, NEWTEC Trustees, the College and the College Governors) decided that (and the constitution of NEWTEC enables it) it is of material benefit to the Parties, if NCFE shall be the parent undertaking of NEWTEC and NEWTEC shall be a subsidiary undertaking of NCFE.

The Directors consider the board of directors, who are the charitable company's trustees, and the CEO comprise the key management personnel of the charitable company, at present, in charge of directing and controlling, running and operating the charitable company on a day to day basis.

The pay and remuneration of the key management personnel is set by the Board of Directors. Long term strategic decisions i.e. the strategic plan are set and agreed by the Board of Directors, short term and medium term decisions are made by key members of management.

PUBLIC BENEFIT

In setting our objectives and planning our activities the Directors have given careful consideration to the Charity Commission's general guidance on public benefit and in particular the supplementary public benefit guidance on advancing education.

RECRUITMENT OF DIRECTORS

New directors will continue to be sought through external recruitment in line with NEWTEC's equal opportunities policies.

New directors are inducted into their role by the Chair and supported by the other directors and the CEO.

PARTNERSHIP WORKING

NEWTEC works in partnership with a range of other organisations to deliver learning services in line with its objectives. Significant partners for 2017/2018 include:

Newham College Group (NCFE) – parent company and member
London Borough of Newham – Children's Centre; 14 to 19 Leaders' Forum
Adults Skills Strategic Partnership; Nursery Managers' Forum
Kingston University – Foundation Degree in Early Years and Leadership & Management
Learn Direct – Apprenticeship sub-contractor
South Essex College – Adult education sub-contractor
UEL – Children's Garden Nursery

STRATEGIC REPORT

ACHIEVEMENTS & PERFORMANCE

KEY BUSINESS RESULTS FOR YEAR ENDED 31ST JULY 2018

15 key performance indicators were formulated by the Senior Leadership Team to drive and monitor organisational performance over 2018. Key Performance Indicators were as follows:-

Ref	Key Business Results
1.	Implement the 'Performance Coaching' approach to improve learner achievement
2.	Ensure 90% of Childcare Practitioners achieve their Level 2 Maths and English
3.	Achieve the EFQM quality kite-mark – Five STAR
4.	Implement the rationalisation of awarding body approach
5.	Re-engineer the NEWTEC data management approach
6.	Implement the Weekend College offer
7.	Implement the e-portfolio approach across the adult provision
8.	Explore appropriate funds to implement a Pre-Apprenticeship programme
9.	Implement the NEWTEC College brand
10.	Implement robust systems for monitoring partners using the Merlin Standard
11.	Implement the alternative revenue stream(s) strategy
12.	Secure 'One' additional training nursery in East London
13.	Implement the 'Staff Utilisation' improvement plan to ensure the efficient use of childcare practitioners
14.	Implement the Staffing Matters re-focus on the external market place
15.	Secure a central kitchen to accommodate our growth in catering and hospitality

The company achieved eleven (73%) of the fifteen key performance indicators. The financial targets are discussed in the Financial Review below.

NEWTEC has been awarded the following quality kite-marks:

Queen's Award for Enterprise in Innovation Award 2018
British Youth Council – Innovation Award 2018
Investors in People (GOLD)
Customer First
Matrix Standard
Positive about Disability
Diversity Champions (Stonewall)
Fair Train – Work Experience Gold Standard (Training Provider and Employer)
EFQM
Disability Confident Employer
Mindful Employer
Leaders in Diversity
Masters in Diversity 2018
Employee Engagement (Silver) 2018
Merlin Standard (Good)
Chartered Institution for Further Education
UK Charity of the Year 2018
UK SLT/ Board of the Year 2018
UK Small to Medium Business of the Year 2017
UK Chief Executive of the Year 2017
NCFD 2017 Top 100 Index 2017 – No4
NCFD 2018 Top 100 Index 2018 – No 6
NCFD 2018 Leaders in Employee Engagement (Silver)

FINANCIAL REVIEW

In the twelve months ended 31st July 2018, NEWTEC made an operating surplus of £258k (before adjusting for the release of capital grants received in previous years and part of accumulated reserves brought forward) against a target of £256k.

The significant events that have affected the financial performance and financial position of the charity during the reporting period are detailed below:

The operating surplus of £258k for the period was above target due to new Educational Contracts coming on board plus existing 19+ LR and 24+ contracts performing over and above set targets.

The financial performance going forward will be affected by the anticipation of the trustees of opening a new nursery within the next 12 months which is part of the expansion programme to open a new nursery each financial year.

The following financial targets have been identified for 2018/19 to support and maintain the continuing return to sustainability:

To achieve a targeted and sustainable mix of charitable/grant income and social enterprise income with the correct contribution to company overheads.

To achieve a 4% operating surplus for 2018/19 through effective management of our cost base and successful income generation in line with the company reserve policy.

To make better use of the improved quality and distribution of financial information across the organisation to enable accurate assessment of financial viability of both ongoing and proposed projects.

To identify problems with high risk projects at an early stage and implement turnaround project management to reduce the potential financial risk and impact.

To review NEWTEC's financial procedures, improve financial controls and maintain compliance of the Group Financial Rules for Business.

Reconciliation of surplus/(deficit)	
	£'000
Operating Surplus	258
Depreciation in respect of assets financed by Capital Grants	-126
recognised in the SOFA in a prior year.	
SOFA Net incoming/ (outgoing) resources being the	
Surplus for period	132

Reserves and cash holding policy

One of NEWTEC's long-term aims is to achieve total cash at bank and in hand of £125k by 2019/20 and to improve the cash held and the future sustainability of the organisation. NEWTEC's cash held at 31 July 2018 was 56k. The improved performance will be achieved through the expansion of the childcare activities, increased commercial activities and exposure to SFA apprenticeship funding and future efficiency savings identified through joint working with NCFE. The current level of unrestricted reserves is £2,529k.

The charity will ensure its long term financial sustainability by continuously working towards maintaining positive reserves.

Financial commitments

The financial commitments of the company at 31st July 2018 are as shown in notes 15 to 17 of the financial statements.

Risk Management

The major risks, to which NEWTEC is exposed, as identified by the Board of Directors, have been reviewed and systems have been established to mitigate those risks appropriate to the level of materiality and risk. The Risk Register was updated in October 2017. Project specific risks are considered on a six weekly basis in Short Term Action & Review (STAR) meetings and appropriate action identified. STAR meetings are monthly team meetings to monitor the progress of the NEWTEC Quality Improvement Plan. The principal risks are:

The loss of funding, inability to meet commercial financial income and the 19+ Student Loans resulting in reduced enrolment numbers at Level 3. This will be mitigated by seeking and securing additional funders and direct contracts, increase commercial cash income including fundraising and effective engagement with partner and employers.

Failure to achieve/recruit for planned learner numbers. This will be mitigated by regular staff meetings such as STAR and LINKS to review the current marketing strategy , effectiveness of Information Advice and Guidance and development of staff skills set.

KEY DEVELOPMENTS DURING 2017/2018

Working with Newham College of Further Education (NCFE)

NEWTEC became part of the Newham College group of companies in December 2006 however, directors retained direct control over all NEWTEC affairs. The Member's Agreement and Service Level Agreements state that NEWTEC and NCFE will:

Continue to review the extent of collaboration between NEWTEC and NCFE, particularly with regard to childcare training and provision to ensure a full cross borough service meeting the needs of local people and employers in this sector. This will be undertaken in full consultation and co-operation with the Newham Early Years Partnership. The provision will extend beyond Newham where appropriate.

Continue to review Corporate Services (Estates, Finance, Human Resources and Management Information) support for NEWTEC from NCFE and to help further improve NEWTEC's efficiency and effectiveness.

NCFE's aim in undertaking this is to better enable those in the community to take advantage of local childcare, employment and training opportunities. It is expected that the new arrangements will:

Identify and exploit synergies and opportunities for joint working

Enable NEWTEC to benefit from NCFE's strength and high level of capability as a childcare provider and economic and community regeneration agency

Consolidate and increase NEWTEC's childcare provision in each of these areas

Better position NEWTEC to take forward its childcare vision and strategy

Enable NCFE to benefit from NEWTEC's professional expertise in Childcare training and provision

East London Childcare Institute (ELCI)

NEWTEC's main childcare provision will remain at its flagship site, the East London Childcare Institute at Mark Street. The ELCI strategy has been agreed with the London Development Agency and will cover the following:

Improve employment opportunities through the provision of high quality training to unemployed people interested in working within the Childcare and Early Years sector

Prioritise the provision of career opportunities through professional development and up skilling for people already employed within this sector

Provide a day care unit which can be used as an integrated learning resource for learners studying child development, education and early year's management

Offer business start-up support to help with the establishment of new nurseries and other childcare projects in East London

Support private sector employers in developing a range of childcare models including workplace nurseries

Strategic Plan 2018 & Beyond

The directors have concluded their annual review of strategy and the outcomes are to undertake the following developments:

a) To establish the NEWTEC Business Cockpit
b) To improve the contract compliance with our partners
c) To secure external quality endorsements

Strategic Objectives (2018/19)

Ref	Objectives
1.	To establish the NEWTEC Business Cockpit.
2.	To improve the contract compliance with our partners.
3.	To secure external quality endorsements.
4.	To improve the 'Strategic Marketing' of the NEWTEC brands – five brands.
5.	To establish the NEWTEC College Pathways.
6.	To establish the Higher Education Pathways.
7.	To establish the Adult Learning Pathways.
8.	To establish the Apprenticeship Pathways.
9.	To secure a 'Training Nursery' in East London.
10.	To improve the 'English and maths' of our Childcare Practitioners.
11.	To Gateway Assure the 'Coaching Skills' of NEWTEC employees.
12.	To establish a 'Central Kitchen.'

Statement as to Disclosure of Information to Auditors

The directors who were in office on the date of the approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

Directors' Responsibilities

The directors (who are also the trustees of NEWTEC for the purpose of charity law) are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including income and expenditure of the charitable company for that period.

In preparing these financial statements, the directors are required to:

a. select suitable accounting policies and then apply them consistently;
b. observe the methods and principles in the Charities SORP;
c. make judgements and estimates that are reasonable and prudent; and
d. state whether applicable UK accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
e. prepare the financial statements on the going concern basis unless it is not appropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that 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 requirements of Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board



Director
Date 29 November 2018

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NEWHAM TRAINING AND EDUCATION CENTRE

Opinion

We have audited the financial statements of Newham Training and Education Centre (the 'charitable company') for the year ended 31 July 2018 which comprise the Statement of Financial Activities incorporating the Income and Expenditure Account, the Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 July 2018 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Directors' Report and the incorporated Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report and the incorporated Strategic Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report and the incorporated Strategic Report.
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:

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

Responsibilities of trustees

As explained more fully in the Statement of Directors' Responsibilities set out on page 11, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

RSM UK Audit LLP

SARAH MASON (Senior Statutory Auditor)
For and on behalf of RSM UK AUDIT LLP
Statutory Auditor
Chartered Accountants
The Pinnacle
170 Midsummer Boulevard
Milton Keynes
Buckinghamshire
MK9 1BP
Date 13 December 2018

STATEMENT OF FINANCIAL ACTIVITIES (incorporating Income and Expenditure Account)

FOR YEAR ENDED 31ST JULY 2018

	Note	Restricted funds £	Unrestricted funds £	Total 2018 £	Total 2017 £
Income from:					
Other trading activities: Training room hire	2	-	166,170	**166,170**	139,659
Charitable activities	3	1,180,665	6,093,879	**7,274,544**	6,379,536
Total income		1,180,665	6,260,049	**7,440,714**	6,519,195
Expenditure on:					
Charitable activities:					
Cost of social enterprise activities	4(a)	-	3,480,862	**3,480,862**	3,227,066
Costs of learning and employment	4(b)	1,241,530	2,585,998	**3,827,528**	3,217,074
Total expenditure		1,241,530	6,066,860	**7,308,390**	6,444,140
Net income / (expenditure) for the year		**(60,865)**	**193,187**	**132,322**	**75,055**
Fund balances brought forward at 1st August 2017		3,155,656	2,336,172	**5,491,828**	**5,416,772**
Fund balances carried forward at 31st July 2018		**3,094,791**	**2,529,359**	**5,624,150**	**5,491,827**

COMPANY BALANCE SHEET

AS AT 31st JULY 2018

	Note	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Intangible assets	7		11,466		8,149
Tangible assets	8		5,428,779		5,554,814
Investments	9		3		3
			5,440,248		5,562,966
Current assets					
Debtors	10	1,091,591		964,024	
Cash at bank and in hand		55,964		411	
		1,147,555		964,435	
Creditors - amounts falling due within one year	11(a)	627,432		677,509	
Net current assets			520,123		286,926
Total assets less current liabilities			5,960,371		5,849,892
Creditors - amounts falling due after one year					
Long Term Loan	11(b)		(336,219)		(358,064)
Net assets			**5,624,152**		**5,491,828**
Reserves					
Unrestricted funds	12		2,529,362		2,336,172
Restricted funds	13		3,094,791		3,155,656
			5,624,152		**5,491,828**

The financial statements on page 14 to 27 were approved and authorised for issue on 29 Novemba 2018 by the Board and signed on their behalf by:

Marzieh Chipperfield
Chair of the Board of Directors

NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED 31ST JULY 2018

1. Accounting Polices

Basis of accounting

The financial statements of the charitable company have been prepared under the historical cost convention. The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The charitable company constitutes a public benefit entity as defined by FRS 102.

The financial statements are prepared in sterling, which is the functional currency of the charitable company. Monetary amounts in these financial statements are rounded to the nearest £ unless otherwise specified.

Going Concern

NEWTEC financial statements have been prepared on the going concern basis due to ongoing support from Newham College of Further Education.

The College's fixed intention with a horizon of at least twelve months from today's date is that no part of the outstanding balance advanced by the College to NEWTEC shall be repaid unless and only to the extent that repayment will not prejudice the ability of NEWTEC to meet its debts as they fall due provided that NEWTEC conducts its business in accordance with its members agreement and otherwise within the law.

Reduced disclosure

In accordance with FRS 102, the charitable company has taken advantage of the exemptions from the following disclosure requirements;

- Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flows and related notes and disclosures.
- Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument.

The financial statements of the charitable company are consolidated in the financial statements of Newham College of Further Education. A copy of the consolidated financial statements of Newham College of Further Education may be obtained from http://www.newham.ac.uk/governance/financial-statements/.

Group financial statements

These financial statements present the financial results of the charitable company only and do not consolidate those of its wholly owned subsidiary, Newtec Services Ltd, which has remained dormant throughout the year.

Income

Donations, training room hire, childcare fees and grants are recognised when the SORP income recognition criteria of entitlement, probability and measurement have been met. Revenue grants are credited to income in the year to which they relate. Grants received or applied for the purchase of fixed assets are credited to income in full in the year in which they are received.

Expenditure

Expenditure is recognised on an accruals basis as a liability is incurred and includes any VAT which cannot be fully recovered and is reported as part of the expenditure to which it relates.

Staff costs are apportioned between course costs, support costs, fund-raising and publicity and management and administration on the basis of time is spent on each of these activities.

Overheads are allocated to course costs if they are direct charitable expenditure; otherwise they are allocated to support costs.

Governance costs comprise the statutory and constitutional costs of governing the charity and include external audit fees and an appropriate proportion of the Chief Executive's costs and these are included in support costs.

Support costs are allocated between charitable activities using apportionment based on salary costs.

Taxation

The company is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK Corporation tax purposes. Accordingly the company is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part II Corporation Tax Act or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Intangible fixed assets – other than goodwill

Purchased intangible assets are recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably. Intangible assets are initially recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised to the Statement of Financial Activities on a straight-line basis over their useful lives, as follows:-

Computer software & website costs	25% per annum

Tangible fixed assets

Expenditure on items costing £500 and over is capitalised in the year of acquisition. Items costing less than that are to be written off to the Statement of Financial Activities.

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses. With the exception of land, depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset to its estimated residual value on a straight line basis over its expected useful life, as follows:-

Freehold Building	15% per annum
Leasehold Buildings	over term of the lease
Building works	2-15% per annum
Computers & equipment	25% per annum
Fixtures, fittings	15% per annum
Motor vehicle	25% per annum

Impairment of fixed assets

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, an estimate is made of the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses. Impairment of revalued assets, are treated as a revaluation loss. All other impairment losses are recognised in comprehensive income and expenditure.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in comprehensive income or, for revalued assets, as a revaluation gain. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

Financial instruments

Financial instruments are classified and accounted for according to the substance of the contractual arrangement as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its liabilities.

Financial assets
Basic financial assets, which include trade debtors, other debtors, accrued income, amounts due from the parent undertaking and other debtors, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost.

Financial liabilities
Basic financial liabilities, which include bank overdraft, loans, trade creditors, accruals, deferred income and NCFE long term balance, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost.

Funds

Restricted funds comprise monies where a restriction has been placed on their use by a donor (for a purpose which falls within, but is narrower than the general charitable objectives). Restricted funds are distributed in accordance with the terms of the original restriction.

General funds are unrestricted funds which are available for use at the discretion of the trustees in furtherance of the general objectives of the charity and which have not been designated for other purposes.

Designated funds are unrestricted funds earmarked for particular purposes by the Board of Directors.

Leases

All leases are considered to be operating leases and rentals are charged to the Statement of Financial Activities on a straight line basis over the lease term.

Defined contribution pension scheme

For defined contribution schemes the amount charged to the Statement of Financial Activities is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Critical accounting estimates and assumptions

In the application of the charitable company's accounting policies, the trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and

associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

- The charity is in receipt of a loan from Newham College of Further Education. This loan is interest free and has no fixed repayment date. Under FRS102 the trustees have discounted the loan at an estimated interest rate of 1.5% over a period of 20 years.

2. Income from other trading activities

	2018	2017
	£	£
Training room hire	166,170	139,659

In 2018, income from other trading activities was £166,170 (2017: £139,659) all of which related to income from unrestricted funds.

3. Income from charitable activities

	2018	2017
	£	£
a) Social enterprise income		
Childcare fees	2,228,843	2,273,369
Other misc income	56,476	37,092
	2,285,319	2,310,461
b) Learning and employment income		
Government grants:		
ESFA - Revenue	1,622,154	1,065,000
Apprenticeship Programme	87,411	-
NCFE		
19+	966,000	746,000
19+ AEB - Revenue	112,649	-
London Borough of Newham	1,044,183	925,158
Prevista Contract	29,500	76,605
HE Contracts	136,482	176,924
Learn Direct	557,175	204,251
South Essex College	180,468	154,637
24+ Loans/Tuition Fees	147,211	677,293
Other	6,000	19,548
	4,889,233	4,045,416
Newtec Recruitment	99,992	23,659
	4,989,225	4,069,075
Total income from charitable activities	7,274,544	6,379,536

All grants were given towards the capital expenditure, salaries and running costs of the charity, and have been fully used for this purpose in the accounting period.

Grants from the European Social Fund are shown gross of administration fees.

In 2018, total income from charitable activities was £7,274,544 (2017: £6,379,536) of which £6,093,879 (2017: £5,257,906) related to income from unrestricted funds and £1,180,665 (2017: £1,121,630) was from restricted funds.

4. Expenditure on charitable activities

(a) Cost of social enterprise activities

	Total 2018	Total 2017
Staffing costs		
Salaries & wages	**1,622,537**	1,572,128
Temporary staff	**266,558**	352,334
Other staff costs	**6,863**	12,345
	1,895,958	1,936,807
Other costs		
Food costs	**138,689**	155,077
Other direct costs	**54,417**	29,342
Support costs	**1,373,403**	1,091,474
	1,566,509	1,275,893
Governance costs		
Professional fees	**14,730**	10,702
Governance assistance (Chief Executive)	**3,664**	3,664
	18,394	14,365
Total social enterprise costs	3,480,862	3,227,065

4. Expenditure on charitable activities (continued)

(b) Cost of learning and employment

	Newtec Recruitment	Young Learners Services	Adult Learners Services	**Total 2018**	Total 2017
Staffing Costs					
Salaries & Wages	58,357	217,864	682,454	**958,675**	1,002,485
Temporary Staff	95,260	-	-	**95,260**	73,304
Other Staff Costs	-	32,290	21,567	**53,857**	11,961
	153,617	250,154	704,021	**1,107,792**	1,087,750
Other costs					
External Course costs	-	989,009	660,050	**1,649,059**	1,251,383
Student Travel Costs	-	-	-	**-**	-
Other Student Support	-	49,788	10,663	**60,451**	46,064
Course Books & Materials	-	- 740	- 740	**-1,480**	2,608
Exam fees	-	28,489	99,634	**128,122**	85,752
Office Costs	-	27,422	26,294	**53,716**	33,161
Allocated overheads	49,397	184,412	577,666	**811,474**	695,990
	49,397	1,278,379	1,373,566	**2,701,342**	2,114,958
Governance costs					
Professional fees				**14,730**	10,702
Governance assistance (Chief Executive)				**3,664**	3,664
				18,394	14,366
Total learning and employment costs	203,014	1,528,533	2,077,587	3,827,528	3,217,074
Total expenditure on charitable activities				7,308,390	6,444,139

In 2018, the expenditure on charitable activities was £7,308,390 (2017: £6,444,140) of which £6,066,860 (2017: £5,261,645) was expenditure from unrestricted funds and £1,241,350 (2017: £1,182,495) was from restricted funds.

5. Net income for the year

	2018	2017
This is stated after charging:	**£**	£
Operating lease payments	241,870	261,519
Depreciation of owned assets	152,428	143,189
Loss on disposal of assets	6,000	-
Amortisation of intangible assets	6,698	3,683
Auditor's remuneration in respect of financial statement audit services	14,750	14,175

6. Staff costs

	2018	2017
	£	£
Salaries	2,892,446	2,719,236
Social security costs	235,060	218,304
Pension costs	124,461	111,358
Temporary staff	468,177	472,662
	3,720,145	3,521,560

The key management personnel of the charitable company comprise the directors and the CEO.

The total employee benefits of the key management personnel of the charitable company were £102,540 (2017: £100,513) including employer's national insurance payments of £10,585 (2017: £10,370).

No directors received any emoluments in their capacity as directors of the charitable company.

No amounts were reimbursed to the directors for expenses for 2018 (2017 - £nil). One employee's emoluments were greater than £60,000 in the year, these were in the range £80,001 to £90,000 (2017: one in the range £80,001 to £90,000).

The average number of employees in the year was:

	2018	2017
	Average	*Average*
	Number	*Number*
Social enterprise staff	120	117
Learning and employment staff	31	30
Other support services staff	11	11
	162	158

7. Intangible fixed assets

	Computer software & website	Total
	£	£
Cost:		
1st August 2017	24,552	24,552
Additions	10,015	10,015
31st July 2018	34,567	34,567
Amortisation:		
1st August 2017	16,403	16,403
Charged in the year	6,698	6,698
31st July 2018	23,101	23,101
Net Book Value:		
As at 31st July 2018	11,466	11,466
As at 31st July 2017	8,149	8,149

The amortisation charge for the year is recognised within expenditure on charitable activities.

8. Tangible fixed assets

	Freehold Land & Buildings	Leasehold Buildings	Computers	Fixtures, Fittings & Equipment	Motor Vehicle	Total
	£	£	£	£	£	£
Cost:						
1st August 2017	6,786,716	1,487,567	81,875	65,406	12,572	8,434,136
Additions	2,322	2,760	-	-	21,311	26,393
Disposals	-	-	-	-	(12,572)	(12,572)
31st July 2018	6,789,038	1,490,327	81,875	65,406	21,311	8,447,957
Depreciation:						
1st August 2017	1,689,004	1,066,801	73,339	37,606	12,572	2,879,322
Charged in the year	115,079	19,456	5,246	7,319	5,328	152,428
Disposals	-	-	-	-	(12,572)	(12,572)
31st July 2018	1,804,083	1,086,257	78,585	44,925	5,328	3,019,178
Net Book Value:						
As at 31st July 2018	4,984,955	404,070	3,290	20,481	15,983	5,428,779
As at 31st July 2017	5,097,712	420,766	8,536	27,800	-	5,554,814

If the land valued at £1,000,000 were stated at the historical cost amount, it would be included at a carrying value of £650,000.

9. Investments

	2018	2017
	£	£
3 ordinary shares (100%) in a subsidiary company,	3	3

The subsidiary company, NEWTEC Services Ltd, is dormant and has net assets of £3. The principal activity of the company was the hire of premises and catering associated with the hire; however it has been dormant for the entire financial period.

The subsidiary is carried in the accounts at original nominal value.

10. Debtors

	2018	2017
	£	£
Trade debtors	92,183	150,596
Accrued income	284,268	513,140
Prepayments	104,368	79,105
Amounts due from parent undertaking	608,272	218,683
Other debtors	2,500	2,500
	1,091,591	964,024

11. Creditors

	2018	2017
	£	£
(a) Due within one year		
Bank overdraft	-	116,969
Bank Loans	23,000	23,000
Trade creditors	83,009	67,422
Taxation and social security	90,793	90,005
Amounts due to group entity	106,041	-
Accruals and deferred income	324,589	380,113
	627,432	677,509

Deferred income comprises of rent received in advance of £13,133 (2017: £10,200).

	2018	2017
	£	£
(b) Due after one year		
Bank loan	8,480	34,393
NCFE Long term balance	327,739	323,671
	336,219	358,064

The bank loan is repayable in the following instalments

	2018	2017
	(£)	(£)
-within one year	23,000	23,000
-within one to two years	8,480	34,393

	31,480	57,393

The Bank Loan is secured by a legal charge over 1 Mark Street.
The NCFE long term balance is interest free, unsecured and has no fixed repayment terms but it is not repayable before 31 July 2020.

12. Unrestricted funds

	1st Aug. 2017 £	Income £	Expenditure £	31st Jul. 2018 £
General funds	2,336,172	6,260,049	(6,066,862)	2,529,361
	2,336,172	6,260,049	(6,066,862)	2,529,361

13. Restricted funds

Restricted funds

	1st Aug. 2017 £	Income £	Expenditure £	31st Jul. 2018 £
SRB - Capital	3,155,656	-	(60,865)	3,094,791
London Borough of Newham	-	1,044,183	(1,044,183)	-
Kingston University	-	136,482	(136,482)	-
	3,155,656	1,180,665	(1,241,530)	3,094,791

Description of Restricted Funds

SRB Capital – Grant for Mark Street Land and Building
London Borough of Newham – Early Education Entitlement Grant (EEEG) funded by London Borough of Newham.
Kingston University – Delivery of foundation degree in early years Leadership and Management.

14. Analysis of net assets between funds

	Unrestricted Funds £	Restricted Funds £	Total £
Intangible fixed assets	11,466	-	11,466
Tangible fixed assets	2,244,477	3,184,301	5,428,778
Investments	3	-	3
Current assets	1,145,576	1,979	1,147,555
Current liabilities	(544,423)	(83,009)	(627,432)
	2,857,099	3,103,271	5,960,370
Long term liabilities	(327,739)	(8,480)	(336,219)

Net assets at 31st July 2018	2,529,360	3,094,791	5,624,151

Analysis of net assets between funds - previous year

	Unrestricted Reserves £	Restricted Reserves £	Total £
Intangible fixed assets	8,149	-	8,149
Tangible fixed assets	2,309,648	3,245,166	5,554,814
Investments	3	-	3
Current assets	952,129	12,305	964,435
Current liabilities	(610,087)	(67,422)	(677,509)
	2,659,842	3,190,049	5,849,892
Long term liabilities	(323,671)	(34,393)	(358,064)
Net assets at 31st July 2017	2,336,171	3,155,656	5,491,828

15. Capital commitments

At 31st July 2018 the company had £250k of capital commitments (2017: £17k).

16. Pension commitments

The company contributes towards the personal pensions of a group defined contribution scheme for participating employees. NEWTEC contributes 5% on behalf of each participating employee and a minimum of 3% is contributed by participating employees. Contributions are charged to the Statement of Financial Activities as they become payable in accordance with the rules of the scheme.

The outstanding contribution included in creditors at 31st July 2018 was £34,581 (2017: £33,323). The total number of staff in the scheme at 31st July 2018 was 137 (2017: 139).

17. Operating lease commitments

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2018 £	2017 £
Amounts Due:		
Within one year	207,958	224,833
Between one and five years	517,333	599,958
After five years	1,558,500	1,680,500
	2,283,792	2,505,291

18. Fixed and floating charge

The company has a long term loan (note 11) of £31,480 (2016: £57,393), an overdraft facility of £200,000 (2017: £200,000) and a monthly BACS facility of £250,000 (2017: £250,000). These are secured by way of a fixed charge over all book and other debts, and a floating charge over all other assets of the company.

The London Development Agency under the Single Regeneration Budget made a grant of £4,000,000 for the building and operation of 1 Mark Street, Stratford, London. As a condition precedent to the grant agreement, the London Development agency has a second charge over this property. The grant agreement will remain in force until June 2024.

19. Related party transactions

As disclosed in note 20 of the charitable company's ultimate parent undertaking is Newham College of Further Education. As at 31 July 2018 a balance of £327,739 (2017: £323,671) was due to the college.

During the year NEWTEC received income of £1,843,304 (2017: £2,168,000) from the college and paid management fees of £398,692 (2017: £414,246)

During the year NEWTEC paid expenses of £81,815 (2017: £28,708) to Gateway Qualifications Limited, a related party entity by common directorship of Liz Laycock. At year-end, £9,758 (2017: £40) was outstanding and included in trade creditors.

During the year, NEWTEC paid expenses of £750 (2017: £750) to Learning Revolution Trust, a related party by common control by NCFE. At year-end, £NIL (2017: £NIL) was outstanding.

20. Ultimate parent undertaking

The charitable company's immediate and ultimate parent undertaking is Newham College of Further Education, an unincorporated charity established to facilitate the provision of learning and qualifications in the community. The college is an exempt charity for the purposes of the Charities Act 2011. The address of the college is Newham College of Further Education, The East Ham Campus, High Street South, London, E6 6ER. A copy of the consolidated financial statements of Newham College of Further Education may be obtained from http://www.newham.ac.uk/governance/financial-statements/.

The Members Agreement between the charitable company and Newham College of Further Education requires that the College shall be the parent undertaking of NEWTEC and NEWTEC shall be a subsidiary undertaking of the College.