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Resource Accounts and Departmental Report presented to the House of Lords by Command of Her Majesty.

National School of Government

Annual Report and Resource Accounts 2009-10

(For the year ended 31 March 2010)

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Annual Report

The National School of Government

Scope

The Annual Report and Resource Accounts present the results for the financial year 2009-10 of the National School of Government.

Rod Clark

5 July 2010

Principal and Chief Executive
National School of Government
Sunningdale Park
Ascot
Berkshire
SL5 0QE

Foreword by Minister

I am pleased to be able to lay the 2009-10 Annual Report and Resource Accounts for the National School of Government before the Westminster Parliament, the Scottish Government, the National Assembly for Wales and the Northern Ireland Assembly.

This Report is the fourth to be published by the National School as a Department and the third to cover a full financial year after separation from the Cabinet Office in 2007. The Report reflects the Department's activities in building capability in leadership, strategy and policy design and implementation across the public service by supporting individual and organisational development.

Rt Hon Francis Maude MP
Minister for the Cabinet Office, and Paymaster General

Chief Executive's Introduction

2009-10 has been a year of challenge and change for the National School of Government as it has for the Civil Service as a whole.

The role of learning and development in strengthening the capability of the Civil Service to meet current and future challenges has assumed even greater importance over the past year. The difficult economic climate has placed an added imperative on achieving more with less and the National School has been playing its part in meeting that challenge both in terms of what we are delivering to our customers and clients and how we are changing within the organisation to ensure we offer maximum value for money. Since the end of 2009-10, those imperatives have been further reinforced by early announcements of the new coalition Government to cut budgets in year and, in the emergency budget, to make further major reductions in subsequent years. This will inevitably have implications for learning and development in the Civil Service and for the School. These will need to be addressed both for 2010-11 and in the 2010 spending review.

In 2009-10 we embarked on a major programme of change projects designed to strengthen and better equip the National School to support the leadership of the Civil Service in meeting their priorities for learning and development. Amongst the progress made we have achieved some significant reductions in our cost base and have streamlined a number of our processes through the application of Lean principles. The pace of change is being maintained and a further programme of major change has been established for 2010-11.

Whilst addressing our internal priorities we have also responded to the challenge of developing and delivering a Core Learning Programme for the Civil Service, a programme of essential learning unique to the Civil Service for the transformation of public services. It will deliver value for money through building leadership capability and depth, promoting the highest standards in policy development and implementation, joining up professional communities in government and equipping civil servants to respond rapidly to new priorities both nationally and internationally.

At the same time as these changes were taking place, we continued to be the largest provider of learning and development to civil servants with almost 35,000 students in 2009-10.

I would like to pay tribute to the staff of the National School. Their resilience and commitment in a challenging year helped the School achieve a creditable performance. It gives me confidence that, together, we can continue to transform the School and help facilitate the widespread changes required across the Civil Service during the coming year and beyond.

Rod Clark
Principal and Chief Executive
National School of Government

The Annual Review

The National School of Government is the centre for excellence for innovation in learning and development in support of public services. The School is a non-ministerial government department with the objective of transforming the performance of public servants, public service organisations and teams through the provision of learning and development programmes, research, consultancy, evaluation and tailored services.

Performance in the year

The National School of Government was successful in meeting its main financial target which is to keep with the limits set by the Parliamentary Estimates system. A review of the business position as the year progressed forecast that the School would not be able to keep within the Parliamentary Estimate despite continued tight controls over expenditure. The Senior Leadership Team alerted the Civil Service Capability Board to the emerging position and as a result of this Permanent Secretaries Management Group agreed to support the School and Departments contributed £1.812m support in 2009-10. In the event, new business gained in the final quarter exceeded the performance in any of the previous four years and the final outturn was a surplus against the Estimate of £1.28m.

As part of the School's new performance framework, its first balanced scorecard was launched at the start of 2009-10. It has started to establish a more disciplined approach to performance across the School, with organisational level targets being reflected in team and individual objectives for the year. In its first year the School achieved 22 of the 34 targets set in the scorecard. The remaining targets, where not directly related to the 2009-10 year, have been carried forward to 2010-11.

During the year, a total of 34,822 students attended courses run by the School. Of these, some 1,493 were Senior Civil Servants, up 41% on last year. In aggregate the School delivered 68,131 student days of training across its open and tailored programmes. This was similar to the prior year, despite continuing pressure to reduce average course length in response to market demand.

The School continued to deliver against its quality targets with some 92.6% of participants attending National School programmes evaluating the events as being either 'effective' or 'highly effective' in meeting the stated learning aims and objectives of the programme (i.e. box 1 or 2 on a six box scale, where 1 is high).

Under the new Director of Learning Delivery, the delivery teams have been consolidated from eight into four practice areas: Leadership & Strategy; Policy & Working in Government; Specialist Professions; and Operational Delivery. This was a preliminary step in the rationalisation of the School's portfolio of some 300 open programmes.

A pilot 'Lean' review of key operational processes was conducted during the year within the Leadership and Strategy Practice. It has already made process improvements and delivered demonstrable savings. The lean review process will be rolled out across other practice areas and some of the School's corporate functions during 2010-11.

The Core Learning Programme

During the year the School undertook extensive work to design and scope the Civil Service Core Learning Programme. The programme is designed to support the development of skills and practices that are unique to the Civil Service, to address service-wide priorities, to build professional communities across the Service, and to deliver more efficiently through economies of scale.

In early 2010, the first three courses within the Core Learning programme ('Horizon', 'Base Camp' and 'Explorer') were each piloted prior to a full roll-out in 2010-11 and received positive feedback.

Shortly before the year-end, the Permanent Secretaries Management Group signed-off £11.9 million funding for the Core Learning Programme, to be shared across participating Departments. As a result, work rapidly commenced on the roll-out of the programme and its integration with the School's existing activities.

For the Core Learning Programme to meet its objectives, the School recognises the need to develop closer relationships with government departments. As a result, a new account management team, and key account management process, are being established by the new Director of Strategic Client Relations.

International work

The National School continues to work with institutions in civil services around the world to help promote and support public administration reform internationally.

During the year, the School's International Group committed to support the Kurdistan Regional Government in Iraq over the next two years to meet its vision of modernising and professionalising their public administration. This engagement supports foreign policy priorities of other HMG departments particularly Foreign and Commonwealth Office, Ministry of Defence and Department for International Development.

The International Group also completed a major study on governance and public service capacity building in the UK's Overseas Territories. FCO commissioned the study as part of its response to criticism by the Foreign Affairs and Public Accounts Committees.

The International Group also developed the existing partnership with the Ethiopian Management Institute and the Ethiopian Civil Service College. The International Group is supporting their institutional development as part of DfID-sponsored strategic support to civil service reform in Ethiopia.

Events

The School's events team worked on an increased number of projects during the year. Events were run in partnership with NAO, Cabinet Office, Home Office, OGC and the Civil Service policy profession team among others.

Civil Service Live 2009 was launched by Sir Gus O'Donnell and the National School of Government in association with Whitehall & Westminster World. The School was responsible for the planning and organisation of content for events run in Gateshead, London and Manchester. The London event alone attracted over 8000 delegates and aimed to inspire innovation across the entire UK Civil Service. It featured National School 'taster sessions' on a range of themes.

The School organised *The 5th International Women's Leadership Conference*, held in London in March 2010. The conference's theme 'Leadership Legacy: No Time like the Present' attracted some 150 delegates. Helen Clark, Administrator of the UN Development Programme and former Prime Minister of New Zealand was the conference's keynote speaker, and Sir Gus O'Donnell, Cabinet Secretary, also addressed delegates.

Research

The Sunningdale Institute, the School's virtual academy of leading thinkers, published four significant pieces of research on government priorities:

- *Engagement and Aspiration: reconnecting policy-making with Front-line Professionals*, produced by Sir David Omand GCB, Professor Ken Starkey, Lord Victor Adebowale CBE and commissioned by the Cabinet Office;
- *Whole Systems Go! Improving leadership across the whole public service system*, produced by Professors John Benington and Jean Hartley
- *Change you can believe in – the Leadership of Innovation* by Dr Su Maddock
- *Place-based Innovation*, by Dr Su Maddock and Ben Robinson;

A fifth, "Leading for engagement - A new report on 'How Senior Leaders Engage Their People' by Julia Hockey was published shortly after the year end.

E-learning

The School is growing its capability in e-learning. Its 'Virtual School' provides interactive learning and online communities across government. During the year we introduced programmes on Assuring Consultancy Value (sponsored by OGC) and Knowledge Management (sponsored by DWP). One of the School's most important contributions to government learning has been the Protecting Information e-learning package which was developed jointly with the Cabinet Office. The programme is estimated to have reached more than 250,000 people across the Civil Service and wider public sector and was recognised at the IT Training Awards in February, being runner-up in the 'External Project Training Project of the Year', and third in the 'Learning Technologies Solution of the Year'.

Efficiency

In addition to the 'Lean' pilot project mentioned earlier, a variety of projects during the year have helped the School reduce its costs:

- The School's accommodation costs were reduced by rationalising office space. Through effective planning the project had minimal business interruption;
- New printing facilities were installed which raised the quality of our printed materials at the same time as delivering significant cost savings.

Plans for 2010-11

The School enters the 2010-11 financial year with a three-year corporate plan in place. The business plan for 2010-11 is also underpinned by an updated balanced scorecard which contains more tangible measurable objectives, enabling stakeholders to track the School's performance against targets they have signed. The National School has also identified four major projects for the year:

- **Delivering an excellent Core Learning Programme** as the School rolls out the first year of the programme. The School's performance will be judged on many facets, from our relationships with our customers, through the quality and value for money of the programmes, to how streamlined the administrative processes are.
- **Establishing a new organisational structure** ('Blueprint'). A new structure was finalised and announced to the School in April 2010 and implementation is planned to be completed by early summer.
- **Securing new accommodation in London** ("the London Project") is a priority to ensure that the School is able to offer a better experience in London at lower cost in future.
- **Transforming our delivery organisation** ('Shaping Up') to improve the School's capability to deliver more for less. Amongst other objectives this programme will include a review of the use of associates and other partners, further rationalisation of the School's portfolio of open programmes, the streamlining of processes and systems and improved quality assurance processes.

Governance

Ministerial Accountability

Although the National School is 'non-ministerial' in the sense that the Minister does not normally need to become involved in the day-to-day management of the National School, the Minister for the Cabinet Office is accountable to Parliament for the Department. During 2009-10, the Minister for the Cabinet Office was:

Rt Hon. Liam Byrne MP to 5 June 2009

Rt Hon. Tessa Jowell MP from 5 June 2009 to the end of the financial year to which this report relates.

Role and Membership of the Civil Service Learning and Skills Board which became the Civil Service Capability Board on 14 January 2010

During 2009-10 the external governance Board set up by the Cabinet Secretary to oversee the work of the National School adopted terms of reference that underpinned its role initially as the Learning and Skills Board and subsequently as the Civil Service Capability Board. The membership of the Civil Service Capability Board as at 31 March 2010 was:

Sir Suma Chakrabarti (Chair)	Permanent Secretary, Ministry of Justice
Professor John Beddington	Chief Scientific Adviser to the UK Government
David Bell	Permanent Secretary, Department for Children, Schools and Families
Robert Devereux	Permanent Secretary, Department for Transport
Sir John Elvidge	Permanent Secretary, Scottish Government
Simon Fraser	Permanent Secretary, Department for Business, Innovation and Skills
Dame Helen Ghosh	Permanent Secretary, Department for Environment, Food and Rural Affairs
Peter Housden	Permanent Secretary, Communities & Local Government
Sir Bill Jeffrey	Permanent Secretary, Ministry of Defence
Gill Rider	Director General, Civil Service Capability Group, Cabinet Office
In attendance	
Rod Clark	Principal and Chief Executive, National School of Government

The Civil Service Capability Board's terms of reference and purpose are:

To build better capability within the Civil Service to deliver more efficient and effective public service through

- engaging leadership;
- professional practice and skills;
- bringing together collaborative, outward facing Departments; and
- clear opportunities for individuals to develop their own skills and careers.

The role of the Board in relation to the National School is:

- On behalf of the leadership of the Civil Service agreeing the overall goal and strategic direction for the National School;
- Agreeing a multi-year programme of corporate learning, co-owned between the Civil Service leadership and the School to address collective learning priorities; ensuring that the necessary resources are put in place from departments or through other means to enable development and delivery of the programme; and,
- Agreeing stretching but achievable performance objectives for the School and holding the Chief Executive to account for delivering them; these objectives will include the School's impact in advancing the effectiveness of the public sector, achievable financial plans and progress in building internal capability.

Corporate Management Arrangements

In line with the corporate governance requirements for central government departments a Management Board has been set up and progress was made towards filling the Non Executive positions.

Membership of the National School of Government Management Board during 2009-10

Rod Clark (Chair)	Principal and Chief Executive
Dr Patricia Greer	Director, Strategic Client Relations (from 20 April 2009)
Elaine Lorimer	Director of Corporate Services
Jonathan Miller	Director, Learning Delivery (from 20 April 2009)
Lord Victor Adebawale	Non Executive (from 10 March 2010)
Professor John Benington	Non Executive (from 10 March 2010)
Alex Jablonowski	Non Executive (Chair of the Audit and Risk Committee)
Jerry Page	ex officio, Non Executive, Head of Finance, Cabinet Office (from 8 September 2009)
Sir David Pepper KCMG	Non Executive (from 10 March 2010)
Co-opted member	
Michael Timmis	Head of Finance (until 9 March 2010)
Secretariat	
Mike Pearce	Secretary of the Board
Heather Bowry	Secretariat

The Management Board's terms of reference and purpose are:

- Collectively provide leadership on the development of the Department's medium/long term strategy and objectives;
- Review the strategic objectives, multi year business plan and annual business plan/budget;

- Set the Department's standards and values;
- Ensure the National School fulfils its responsibilities as a Government Department and employer and delivers against its performance framework agreed with the Civil Service Capability Board;
- Maintain oversight of the Department's financial position;
- Maintain a transparent system of prudent and effective controls (including internal controls);
- Oversee the management of risk; and
- Lead and oversee the process of change, encouraging innovation and where appropriate enterprise, to enhance the Departments capacity to help build public service capability

The Board shall establish an Audit and Risk Committee to provide advice and assurances to Board as appropriate.

The Board has delegated responsibility for directing the day to day management of the Department to the Senior Leadership Team operating in accordance with terms of reference approved by the Board.

An **Audit and Risk Committee (ARC)** has been established, reporting to the Management Board. Mr Alex Jablonowski was appointed in 2008 as a non executive member of the Board and Chair of the Audit and Risk Committee. The membership of the Committee is:

Alex Jablonowski	(Chair)
Kevin Down	Director of Finance, Government Actuary's Department, (from 12 February 2009)
Jerry Page	ex officio, Head of Finance, Cabinet Office, (from 8 September 2009)
Sir David Pepper KCMG	Non Executive Member (from 10 March 2010)
Secretariat	
Heather Bowry	Secretary of the Committee

The **senior management team** with responsibility for directing the day-to-day management of the National School during 2009-2010 was the Executive Committee until 15 April 2009, which was then replaced by the Senior Leadership Team (SLT), which met at least monthly.

Membership of the National School of Government Executive Committee until 15 April 2009

Rod Clark (Chair)	Principal and Chief Executive
Eleanor Goodison	Head of Professions Development
Elaine Lorimer	Director of Corporate Services
Professor Sue Richards	Director of the Sunningdale Institute
David Sweeney	Head of Strategic Leadership
Mike Timmis	Head of Finance
Janet Waters	Head of Organisational Capability
Secretariat	
Mike Pearce	Secretary of the Committee
Jonathan Keeling	Secretariat

Membership of the National School of Government Senior Leadership Team from 20 April 2009

Rod Clark (Chair)	Principal and Chief Executive
Dr Patricia Greer	Director, Strategic Client Relations
Elaine Lorimer	Director of Corporate Services
Jonathan Miller	Director, Learning Delivery
Andrew Templeman	Director of Civil Service Capability (until 30 June 2009)
Secretariat	
Mike Pearce	Secretary of the Senior Leadership Team

Our People and Facilities*People*

During 2009-10 the School commenced the New Deal Change Programme and as part of this, the People and Organisation Project set out to create a highly capable, motivated and engaged workforce, which embrace strong values and standards; are equipped with leading edge expert knowledge and innovative skills and can support the National School to deliver a service which is known nationally and internationally as exemplar. The project had seven work streams focussing on:

- Organisational Blueprint
- Robust New Leadership Team
- Core Values and Behaviours
- Skills Profiling
- Building Capability
- Resourcing Talent.

These work streams led to a number of outcomes including:

- The design of a new organisational structure which will be implemented during 2010-11
- The establishment of new organisational Core Values and Behaviours
- The development of a performance management system linked to the School's Balanced Scorecard aligning individual objectives to the business
- The implementation of a new, more business focussed competence framework
- Two Skills Surveys which have identified development needs across the School with a Learning and Development Plan being implemented in 2010-11 and
- A more streamlined recruitment process.

In addition to the above, the School has also reviewed its pay structures following the approval of our 2009 pay remit and has introduced a new grade (band A2) to take account of heavier and more complex roles that have been developed, particularly within the Learning Delivery and Strategic Client Relations Directorates. The School has also participated in the Civil Service wide engagement survey achieving a response rate of 92% and an engagement index of 62%, which is above the median index for the civil service.

The School's partnership agreement, signed in November 2008 with both the Public and Commercial Services Union and the FDA has paved the way for a more positive and open relationship between management and the trade unions, providing a basis for working together as we move forward to develop policies relevant to the School. This partnership will be particularly important as the School implements the Organisational Blueprint during 2010-11.

The School is also keen to encourage staff to have a sensible balance between work and their personal life. It therefore continues to offer our staff opportunities for flexible working and now 30% are on some form of flexible working arrangement.

The workforce represents the demographics of the areas in which our department is based. The breakdown is set out below:

Staff Numbers by Grade:

Band	Numbers
SCS 3	1
SCS 2	2
SCS 1	6
A2	2
A1	82
B2	31
B1	51
C	72

Staff Numbers by Gender:

Gender	Numbers
Males	91
Females	156

Staff Numbers by Working Pattern:

Working Pattern	Numbers
Full Time	172
Part Time	65
Other Flexible Working Pattern	10

Staff Numbers by Ethnic Origin:

Ethnic Origin	Numbers
White	160
Minority Ethnic Group	11
Not Known	76

Staff Numbers by Age Range:

Age Range:	Numbers:
Under 21	1
21-34	26
35-44	40
45-54	112
55-59	47
60+	21

1% of staff have declared a disability under the terms of the Disability Discrimination Act.

The School is entirely committed to the core principles of fair and open competition for recruitment and selection on merit as laid down in the Recruitment Principles by the Civil Service Recruitment Commissioners. Its systems ensure delivery to this exacting standard and are subject to audit.

The number of schemes Involving external recruitment during 2009-10:

Grade	No of Schemes	Numbers Applying			Numbers Successful		
		Total	Males	Females	Total	Males	Females
SCS 3	0	0	0	0	0	0	0
SCS 2	0	0	0	0	0	0	0
SCS 1	2	45	30	15	1	1	0
A2	0	0	0	0	0	0	0
A1	4	75	50	25	2	2	2
B2	2	10	4	6	1	0	1
B1	1	5	4	1	1	1	0
C	3	52	22	30	3	1	2

Sick Absence Data:

Days Lost (Short Term)	Days Lost (Long Term)	Total Days Lost (12 month period)	Total Staff Years	AWDL	Total Staff Employed in Period (Headcount)	Total Staff Employed in Period with no Absence	% Staff with no Sick Absence
882	819	1701	234	7.3	287	158	55%

Personal Data

As a government department, the School is required to report protected data related incidents in the management commentary of its resource accounts.

Incidents, the disclosure of which would itself create an unacceptable risk of harm, may be excluded in accordance with the exemptions contained in the Freedom of Information Act 2000 or may be subject to the limitations of other UK information legislation.

The School has reported no protected personal data related incident to the Information Commissioner's Office in 2009-10; has no other protected personal data related incident in 2009-10 to report and has had no protected personal data related incidents to report since 2004.

The School continued to implement the revised information security policies during this period.

Investors in People

The School retained Investors in People recognition in February 2010. As an accredited Investors in People organisation the School continues to place a high level of importance in developing and training our staff. To support this, the School has continued to organise INSET days for staff to focus on their development throughout the year.

Single Equality Scheme

The National School has developed and implemented a Single Equality Scheme and has a steering group led by a Director to implement the recommendations in the related Action Plan. The Single Equality Scheme has been published on our website.

Facilities

The School's main facility is at Sunningdale Park where it has a residential training facility and is where the senior management team and most of the staff are based. It also has a training centre and office accommodation at Belgrave Road in London and office accommodation at 26 Whitehall, London and at Edinburgh. In order to produce savings and more efficient working the School relocated its office accommodation from 1 Horse Guards Road to 11 Belgrave Road, London in September 2009. The School also rationalised its use of office accommodation at Sunningdale. It has continued its work towards improving its London accommodation with a view to coming to a solution that provides improved training facilities and consolidates its London presence in one building.

The site at Sunningdale is leased under a 30 year public private partnership arrangement that has been in place since 2002. The arrangement provides flexibility in the School's use of the site and provides the private sector partner, De Vere Venues, with the freedom to fill spare capacity.

The quality of experience of customers is important to the School and so the contract with De Vere is based on an outcome specification, with payment being based on a target for quality satisfaction. Students are asked to provide feedback on the quality of their total experience on site during their stay including accommodation, food and service and this is used to monitor performance. A close working relationship is maintained with the De Vere management on site and at a regional level to ensure the School and its customers continue to receive the highest quality of services from the company.

Student Numbers at Sunningdale:	7477
Facilities quality score:	95%

A similar approach is adopted at Belgrave Road, where students are asked to provide feedback on the facilities provided there.

Student numbers for Belgrave Road:	5881
Facilities quality score:	90%

Sustainability

In addition to reviewing our operations at Sunningdale with De Vere to reduce environmental impact, a Green Group was set up by staff in 2008. Over the year both parties have worked on developing longer term objectives focused around local sourcing and on-site production of fruit, vegetables and herbs and are currently exploring an incentive scheme called Carbon Quids, where staff and customers gain rewards in the form of externally sponsored investment for the Department by demonstrating their own green actions/choices whilst they are on our site. It is hoped that this will form the basis for an internal project to 'green' the customer journey.

Pensions

Present and past employees of the National School are covered by the Provisions of the Principal Civil Service Pension Scheme (PCSPS). The financial status of the scheme is reported in a separate PCSPS scheme statement. The accounting policy adopted for pension costs is set out at note [1.10] to the accounts. Details of senior staff pension entitlements are set out in the Remuneration Report.

Public interest

The National School maintains a Register of Interests with details of company directorships and other significant interests held by Board Members. Copies of the register are available on request.

Policy on payment of suppliers

The National School is committed to the Better Payment Practice Code on prompt payment and aims to pay all undisputed invoices within the terms of the contract, usually 30 days of receipt of a valid invoice. During the

year the Department paid 98.7% of invoices within 30 days (2008-09: 96%). The Department paid £10 (2008-09: £nil) interest charges levied on late payment of invoices for the year ended 31 March 2010.

Since January 2009 our aim has been to conform to the Prime Minister's initiative to pay all invoices within 10 days of invoice date. We have paid 79.8% (2008-09: 73%) of invoices within this target timeframe.

Basis of accounts

The National School Resource Accounts have been prepared on a statutory basis in accordance with the requirements of HM Treasury and are designed to comply with the Accounts Directions issued to the National School of Government by HM Treasury under section 5 (2) of the Government Resources and Accounts Act 2000.

Auditors

The financial statements are audited by the Comptroller and Auditor General, who is appointed under statute and reports to Parliament on the audit examination. Auditors' remuneration and expenses are disclosed at Note 11 to the accounts. No payments were made to the Auditors for any non-audit work in 2009-10.

Management Commentary

Departmental reporting cycle

The National School produces an Annual Business Plan which is presented to the Management Board. The Annual Business Plan sets out plans and targets for the immediately following year in more detail. The National School has produced a Corporate Plan 2010-13.

The National School produces an Annual Report and Resource Accounts under the terms of an *Accounts Direction* issued by the Treasury. The Resource Accounts are prepared in accordance with the *Government Financial Reporting Manual (FReM)* issued by HM Treasury. The accounting policies contained in the *FReM* follow International Financial Reporting Standards (IFRS) for companies to the extent that these are meaningful and appropriate to the public sector.

The Annual Report shows the National School's performance against its published targets. The Annual Report and audited Resource Accounts are laid before Parliament before the Summer Recess each year. Previous Annual Report and Resource Accounts can be found on the National School internet site: http://www.nationalschool.gov.uk/publications_resources/index.asp?tab=2

The National School Main Estimate for 2009-10 was published on 18 June 2009 as part of the Central Government Supply Estimates 2009-10 Main Supply Estimates (HC514). Current and previous estimates can be found on the HM Treasury website: http://www.hm-treasury.gov.uk/psr_estimates_index.htm.

Departmental aims 2009-10

The target set for the School was to keep within the Estimate funding provided by Parliament. This target was achieved and details are shown at the 'Performance against Parliamentary Control Totals' section below.

Financial review

The majority of the National School's funding is obtained by charging for the training and development services and consultancy services provided to external customers. The fees and charges for services are provided on a full-cost basis. Operating income in 2009-10 was £29.0 million net of VAT.

The Department also has some funding provided by Parliament and the Department is accountable to Parliament for all its expenditure.

Performance against Parliamentary Control totals

Authority was sought in Main Supply Estimate for a net resource requirement of £0.379 million, a net voted capital requirement of £1.086 million and a net cash requirement of £0.325 million. Final Outturn for 2009-10 recorded savings of £1.264 million against net resource (after an agreed virement of £0.016 from Resource to Capital provision), and a saving of £0.325 million against net cash requirement – see Figure 1 below and notes 2 and 4 to the accounts.

Net Resource

The National School of Government's actual net resource requirement in 200-10 was (£0.885) million; £1.264 million less than the Resource Departmental Expenditure Limit approved by Parliament (after an agreed virement of £0.016 from Resource to Capital provision). The under-spend against Resource Departmental Expenditure Limit is largely attributable to a greater shortfall against Administrative Expenditure compared to Appropriations-in-Aid.

Net Voted Capital

The National School of Government's capital investment in 2009-10 amounted to £1.086 million, the same as the Capital Departmental Expenditure Limit approved by Parliament (after an agreed virement of £0.016 from Resource to Capital provision).

Net Cash Requirement

The National School of Government required no cash in 2009-10 to finance its activities; £0.325 million less than the sum approved by Parliament owing to the Resource Outturn, higher than expected non-cash items and changes in the levels of debtors and creditors.

Figure 1

	Estimate	Outturn	Variance Saving/(Excess)
	£ million	£ million	£ million
Resource Departmental Expenditure Limit – RDEL	0.379	(0.885)	1.264
Net Resource	0.379	(0.885)	1.266
Capital Departmental Expenditure Limit – CDEL	1.086	1.086	0.000
Net Voted Capital	1.086	1.086	0.000
Accruals Adjustments	(1.140)	(1.725)	(0.585)
Net Cash Requirement	325	0	325

Figure 2

Reconciliation of resource expenditure between Estimates, Accounts and Budgets

	2009-10 £000
Net Resource Outturn (Estimates)	(885)
<i>Adjustments to remove:</i>	
Provision voted for earlier years	-
<i>Adjustments to additionally include:</i>	
Non-voted expenditure in the OCS	-
Consolidated Fund Extra Receipts in the OCS	-
Other adjustments	-
Net Operating Cost (Accounts)	(885)
<i>Adjustments to remove:</i>	
Capital grants to local authorities	-
Capital grants financed from the Capital Modernisation Fund	-
European Union Income and related adjustments	-
<i>Adjustments to additionally include:</i>	
other Consolidated Fund Extra Receipts	-
resource consumption of non departmental public bodies	-
unallocated resource provision	-
Other adjustments	-
Resource Budget Outturn (Budget)	
<i>of which</i>	
Departmental Expenditure Limit (DEL)	(885)
Annually Managed Expenditure (AME)	-

Information Management

As a government department, the School is required to report protected data related incidents in the management commentary of its resource accounts.

Incidents, the disclosure of which would itself create an unacceptable risk of harm, may be excluded in accordance with the exemptions contained in the Freedom of Information Act 2000 or may be subject to the limitations of other UK information legislation.

The National School has experienced no information risk incidents sufficiently significant for the Information Commissioner to be informed in 2009-10 and has no protected personal data related incidents to report.

The National School has built on its previous year's information assurance project during 2009-10 revising the Schools information security policies. These continue to be promulgated to staff via the intranet.

In preparation for first Information Assurance Maturity Model audit the School implemented a series of training programmes for staff, with level one of the protecting information e-learning package being mandatory for all staff. Level 2 was made a mandatory requirement for all staff with management responsibility. Alongside these, specific initiatives were put in place for the SIRO, IAPM and IAOs to supplement their core learning with specific tailored training. The assisted self assessment maturity model audit took place during mid May 2010 and demonstrated a high level of maturity in the processes against the mandatory requirements

The need for all in government to understand how to handle data and information securely remains a high priority. The National School continues to support this through continued collaboration between the School's e-Learning team and the Cabinet Office as they develop the Protecting Information v2 e-Learning module. The revised module is due to be available at the end of May 2010 and will again be mandatory for all National School staff to work through and take the assessment.

Remuneration Report

Remuneration of the National School of Government Executive Management Board

Remuneration Policy

The governance arrangements put in place for the National School of Government as a non-ministerial department include the creation of a Management Board to direct the work of the Department. This Board will include at least two non executive members. The remuneration and expenses of the non executive members is set out in the Remuneration (Audited) section below.

The remuneration and expenses of members of the Management Board are included in the remuneration of the Executive Committee and Senior Leadership Team set out in the table below.

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.

The pay and performance management systems are similar and common across all government departments. Pay awards in 2009-10 were in two parts: base pay progression (performance based on a relative assessment three tranche approach against individual objectives and Cabinet Office key competencies) and non-consolidated bonuses to reward high performance. The size of awards are based on recommendations from the Review Body on Senior Salaries and in 2009-10 bonuses paid to senior civil servants in the National School of Government ranged from £3,000 – £12,500.

In reaching its recommendations, the Review Body has regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- the funds available to departments as set out in the Government's departmental expenditure limits;
- the Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the Review Body can be found at: www.ome.uk.com.

Service Contracts

Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Officials covered by this report hold appointments, all of which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. In accordance with the Civil Service Management Code, notice for compulsory termination of employment is six months. Notice for resignation at senior civil service level is three months.

Salary and pension entitlements

On becoming a non ministerial department from January 2007, the National School of Government established a Management Board which in line with the Code of Good Practice on Corporate Governance in Central Government Departments will include at least two non executive members.

A. Remuneration (Audited)

One non executive member received remuneration and expenses in respect of 2009-10:

Alex Jablonowski - £13,856 plus £805 in respect of other work for the School.

Two other non executive members received payments for other work prior to their appointments:

Professor John Benington	£1,933
Sir David Pepper	£11,248

Jerry Page is employed by the Cabinet Office and received no payments from the National School.

The following table provides audited details of the remuneration of the members of the National School's Executive Committee and/or Senior Leadership Team during the year from 1 April 2009 to 31 March 2010:

Senior Management Name	2009-10		2008-09	
	Salary £000	Benefits in kind	Salary £000	Benefits in kind
Rod Clark	140-145	-	70-75 (FYE 125-130)	-
Patricia Greer (from 20/04/09)	115-120 (FYE 120-125)	-	N/A	-
Jonathan Miller (from 20/04/09)	90-95 (FYE 100-105)	-	N/A	-
Elaine Lorimer	90-95	-	80-85	-
Eleanor Goodison (to 31/07/09)	25-30 (FYE 70-75)	-	70-75	-
Sue Richards	45-50	-	90-95	-
Janet Waters (to 30/09/09)	40-45 (FYE 75-80)	-	80-85	-
Mike Timmis	75-80	-	65-70	-
David Sweeney (to 17/10/09)	30-35 (FYE 55-60)	-	60-65	-

Andrew Templeman was employed by the Cabinet Office and received no payments from the National School.

Salary

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or allowances; recruitment and retention allowances; private office allowances to the extent that it is subject to UK taxation.

Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Her Majesty's Revenue and Customs as a taxable emolument.

B. Pension Benefits (Audited):

Senior Management	Real increase in pension and lump sum at age 60	Accrued pension at aged 60 at 31 March 2010 and related lump sum	CETV at 31 March 2010 or end date	CETV at 31 March 2009 or start date	Real increase in CETV	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	£000
Rod Clark	2.5-5 plus 7.5-10 lump sum	40-45 plus 120-125 lump sum	708	612	53	-
Patricia Greer (from 20/04/09)	5-7.5 plus 15-17.5 lump sum	10-15 plus 35-40 lump sum	201	114	80	-

Jonathan Miller (from 20/04/09)	0-2.5 lump sum n/a	0-5 lump sum n/a	22	n/a	18	-
Elaine Lorimer	0-2.5 plus 5-7.5 lump sum	15-20 plus 55-60 lump sum	256	219	22	-
Eleanor Goodison (to 31/07/09)	0-2.5 plus 0-2.5 lump sum	30-35 plus 90-95 lump sum	602	561	8	-
Sue Richards	0-2.5 lump sum n/a	0-5 lump sum n/a	29	10	16	-
Janet Waters (to 30/09/09)	0-2.5 plus 0-2.5 lump sum	30-35 plus 100-105 lump sum	795	750	16	-
Mike Timmis	0-2.5 plus 2.5 -5 lump sum	30-35 plus 95-100 lump sum	781	711	31	-
David Sweeney (to 17/10/09)	0-2.5 lump sum n/a	10-15 lump sum n/a	154	139	8	-

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (**classic**, **premium** or **classic plus**); or a 'whole career' scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year.

Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with changes in the Retail Prices Index (RPI). Members who joined from October 2002 could opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (**partnership** pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for **classic** and 3.5% for **premium**, **classic plus** and **nuvos**.

Benefits in **classic** accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 calculated as in **premium**. In **nuvos** a member builds up a pension based on his or her pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and, immediately after the scheme year end, the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**. Further

details about the Civil Service pension arrangements can be found at the website www.civilservice-pensions.gov.uk.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the Civil Service Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real increase in CETV

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

Statement on the Disclosure of Relevant Audit Information

I hereby confirm that so far as I am aware, there is no relevant audit information of which the National School of Government's auditors are unaware and that I have taken all reasonable steps to ensure that I am aware of any relevant audit information and to establish that the National School of Government's auditors are aware of that information.

Rod Clark
Accounting Officer
Principal and Chief Executive of the National School of Government
5 July 2010

Statement of Accounting Officer's Responsibilities

Under Section 5 of the Government Resources and Accounts Act 2000, the [Department] is required to prepare resource accounts for each financial year, in conformity with a HM Treasury direction, detailing the resources acquired, held, or disposed of during the year and the use of resources by the Department during the year.

The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department, the net resource outturn, resources applied to the objectives, recognised gains and losses and cash flows for the financial year.

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

- observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed, and disclose and explain any material departures in the accounts;
- prepare the accounts on an ongoing basis.

HM Treasury has appointed the Permanent Head of the Department as Accounting Officer of the Department.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and safeguarding the Department's assets, are set out in the Accounting Officers' Memorandum issued by HM Treasury and published in Government Accounting.

Statement on internal control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of departmental policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

As a government department, the National School of Government is required to comply with the provisions of HM Treasury's Code of Good Practice on Corporate Governance in Central Government Departments.

In compliance with those provisions the Department has set out a corporate governance framework which includes a Management Board under the chairmanship of the Principal and Chief Executive (Head of Department) and including a minimum of two independent non executive members.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level, rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on a process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically.

Capacity to handle risk

The School's risk register was further developed in 2009-10 and brought into line with the Balanced Scorecard that was introduced to manage and monitor the School's overall performance. The register was reviewed at monthly senior management meetings.

The School's overall strategic risk register is linked to operational risk registers at directorate and team level. Guidance on handling risk is on the School's Intranet. This guidance includes that the Executive Management Board has agreed that the National School of Government risk appetite falls within the HM Treasury classification of "Open". This means:

"Willing to consider all potential delivery options and choose the one which is most likely to result in successful delivery while also providing an acceptable level of reward (and value for money)"

There is a link between risk and innovation and the Executive Management Board recognises that successful innovation is essential for the National School of Government to prosper. Well thought out and risk managed innovation is therefore encouraged.

The National School's business planning system gives a comprehensive framework for staff to design and implement products and services within the strategic framework of the Department taking into account the risks inherent in providing commercial services within a competitive market.

Risk and control framework

During 2009-10 we had a Risk Management Framework that is wholly appropriate to the National School. Key features of this Framework are as follows:

Leadership

The Executive Management Board has been the senior management team with the National School. The Board delegated management responsibilities to the Senior Leadership Team which advises me on issues including the Department's risk management arrangements.

Risk strategy and policies

The National School of Government has a risk management strategy that is clearly communicated to its staff through the intranet, and internal newsletters.

The strategy:

- has been endorsed by the Accounting Officer, the Executive Management Board and Audit and Risk Committee and the Senior Leadership Team;
- defines the structures and responsibilities for the management and ownership of risk;
- indicates the way in which risk issues are to be identified, assessed, responded to, reduced, owned, recorded, monitored and reviewed;
- ensures common understanding of terminology used in relation to risk issues; and will define the structures for gaining assurance about the management of risk.

People

The Statement of Approach to Risk encourages staff to identify and take opportunities by managing risks well. Good risk management appears as an effective behaviour in the competence frameworks for both Senior Civil Service (SCS) and non-SCS staff.

Resources available to staff include:

- the National School's business planning guidance;
- guidance on managing risk via the intranet;
- access to expertise in the Internal Audit Service and in the Finance Unit; and,
- a Risk Officer for the National School

Partnerships

The Department has guidance on managing risk when working in partnership with other organisations.

Processes

The Risk Management Framework covers:

- general principles to policy making, project management, delivery planning and working in partnership with other organisations;
- criteria for evaluating the magnitude of risks, both in terms of likelihood and impact of maturity;
- criteria for determining risk ownership, including considering the impact and effectiveness of the measures introduced to control risk; and
- other factors to be considered in the assessment of risks including the potential impact on finances, stakeholders, reputation and strategy.

Balanced Scorecard

In 2009-10 we introduced a Balanced Scorecard approach to managing the performance of the School. The Scorecard was launched and presented to all the staff on 5 May 2009 and has four segments:

- Building Public Service Capability
- National School Excellence
- Reputation
- Financial Viability

This approach has been linked to all levels of management control including the risk registers, agenda of monthly Senior Leadership Team business meetings and individual performance agreements.

The Balanced Scorecard has been further developed into 2010-11 and forms the framework for the School's Corporate Plan 2010-13.

Change Programme

We also instigated a major change programme. The programme aimed to achieve the following goals (changes):-

- (a) Agreement with major stakeholders and implementation of a “new deal” that establishes the National School’s reputation, credentials and position as the government’s corporate instrument for transformation of services for the public through learning;
- (b) Engaging external and internal stakeholders so that they understand and can contribute and champion the programme;
- (c) Building National School capability to support and deliver the ‘new deal’, including leadership and management, sharpening our expert knowledge, customer focus, new values, culture & behaviours, and commercial and delivery capability; and implementing a new performance framework covering all aspects of organisational and individual performance;
- (d) Reducing costs and increasing efficiency and effectiveness of core business processes and support services across all forms of service delivery;
- (e) Optimising, and ensuring effective and efficient management and utilisation of, all major resources and assets, including specifically establishing a long term, cost effective, reputation enhancing presence in London, and optimisation of use of the Sunningdale estate.

The programme was run under programme management procedures (that were subject to an Internal Audit review during the year). There were monthly reports from the project team to the Senior Leadership Team operating as the project board. Regular reports were also made to the Executive Management Board.

The output from the programme includes:

- The agreement of the Capability Board and the Permanent Secretaries’ Group to a Core Learning Programme (CLP) for the Civil Service to be delivered by the School. The CLP will give the School guaranteed income of over £11m in 2010-11 which represents a third of the planned income. This reduces the School’s level of business risk. The School has designated leaders for each strand of the CLP and these are agreeing with the external senior level sponsors what programmes will be delivered in 2010-11.
- Lean processes introduced in 2009-10 produced savings in staff costs and are being further developed in 2010-11 with the introduction of the Organisational Blueprint which introduces changes to non-teaching staff that will save £0.3m per year. The changes include the integration of lean processes as part of business as normal in the delivery support areas.
- The review of office accommodation enabled the School to give up accommodation at 1 Horse Guards Road in London by relocating staff to the Belgrave Road centre. At Sunningdale the review led the School making savings by giving up office accommodation in one building. The project to find a long-term solution to finding a cost-effective, reputation enhancing presence in London is continuing in 2010-11.

Information Assurance

The National School continues to look for improvements to the systems and processes it has for the management of its information assets. The Senior Information Risk Owner (SIRO) and Head of ICT have worked closely where new system requirements are identified. The information Asset Owners Group, which has representatives from across the department, continues in its role to identify and control the understanding of information-related risk.

The National School has reviewed its information security policies to seek compliance with the requirements of the Data Handling Review, IA Standard No 6 and the Security Policy Framework (SPF) mandatory requirements. The National School is striving to demonstrate maturity against the Information Assurance model set out by the Cabinet Office. In addition, the School continues to engage with independent CHECK and CLAS consultants as well as internal auditors, to assess compliance with the requirements of the Security Policy Framework. Areas identified as being short of the requirements have been targeted and action plans instigated to address issues prior to the June reporting cycle.

The National School has undertaken work and applied for reaccreditation to the Government Secure Intranet (GSI).

Other controls

In addition to the Risk Management Framework, the Department also has the following internal control systems in place:

- an annual planning round where all chargeable activities are evaluated, costed and priced. The system then links through to staffing and facilities requirement for the coming year. There is a costing model to evaluate and price tailored business gained during the year;
- the Department's business model is to maintain a high level of flexibility in resources to meet changes in business demand. This is by, for example, the use of Associates instead of directly employed staff to deliver events and the PFI contract for Sunningdale Park to transfer occupancy risk to the private sector;
- an annual budget is approved by the Senior Leadership Team and the Executive Management Board and reviewed by them during the year, together with headcount controls;
- delegation letters issued to managers, with supporting advice on roles and responsibilities and guidance available on the intranet;
- regular monthly business reports showing performance against both financial and non-financial targets and trends for future business. These reports are regularly monitored and actioned by the Senior Leadership Team and managers.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Department, who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

The individual statements of assurance that I have received from Directors have provided reasonable assurance that the systems of internal control are sound and operating effectively.

Internal Audit

The National School of Government has an Internal Audit Service (IAS), which carries out its work in accordance with the Government Internal Audit Standards. The work of the Internal Audit Service is informed by an analysis of the risk to which the Department is exposed and annual internal audit plans are based on this analysis. The resultant internal audit plans were discussed and endorsed by the Department's Director of Corporate Services and Head of Finance and approved by me.

At least annually, the Head of Internal Audit (HIA) provides me with a report on internal audit activity in the Department which includes the HIA's independent opinion on the adequacy and effectiveness of the Department's system of internal control.

For 2009-10 IAS has provided me with a substantial assurance over the effectiveness and efficiency of governance, risk management and of the control environment. All opinions from internal audit work during the year have been 'substantial assurance'. From the work that IAS has performed, it does not consider there to be a material breach in the Department's control environment of such a magnitude that would require the Accounts to be qualified. IAS has not found or been alerted to any instances of fraud or impropriety during the year.

The Audit and Risk Committee is attended by representatives of the National Audit Office and has a non-executive chair. Whilst the Executive Management Board is responsible for the overall oversight and approach to risk management, the role of the Audit and Risk Committee is to advise me on the adequacy of risk management, control and governance. Its formal terms of reference are "to give advice to the Accounting Officer on the adequacy of audit, risk management, control arrangements and corporate governance across the National School of Government". The Committee formally reports annually to me as the Accounting Officer with an independent opinion on the risk management process.

Significant internal control issues

No significant internal control issues have been identified.

Rod Clark
Accounting Officer
Principal and Chief Executive of the National School of Government
5 July 2010

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

I certify that I have audited the financial statements of the National School of Government for the year ended 31 March 2010 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and the Statement of Financial Position, the Statement of Cashflows, the Statement of Changes in Taxpayers' Equity, the Statement of Net Operating Costs by Departmental Strategic Objective and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Department's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Department; and the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on Regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on Financial Statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2010 and of its net cash requirement, net resource outturn, net operating cost, net operating costs applied to departmental strategic objective, changes in taxpayers' equity and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Governance and Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse

Date 7 July 2010

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria, London, SW1W 9SP

Statement of Parliamentary Supply

for the year ended 31 March 2010

Summary of Resource Outturn 2009-10

		Estimate			Outturn			2009-10 £000	2008-09 £000
								Net Total outturn compared with Estimate: saving/ (excess)	Outturn
Request for Resources	Note	Gross Expenditure	A in A	Net Total	Gross Expenditure	A in A	Net Total		Net Total
1	3	30,395	(30,000)	395	28,127	(29,012)	(885)	1,280	1,921
Total resources	4	30,395	(30,000)	395	28,127	(29,012)	(885)	1,280	1,921
Non-operating cost A in A				-			-	-	-

Request for Resources 1*: To provide a centre of excellence for learning and development in support of the strategic business priorities of Government

Net cash requirement 2009-10

		2009-10 £000		2008-09 £000
				Net Total outturn compared with estimate: saving/ (excess)
Net cash requirement	Note	Estimate	Outturn	Outturn
	5	325	0	325
				1,076

Summary of the income payable to the Consolidated Fund

		2009-10 £000		2009-10 £000
		Forecast		Outturn
Total	Note	Income	Receipts	Income
	6	-	-	1,525
				1,525

Explanations of variances between Estimate and outturn are given in Note 3 and in the Management Commentary.

The notes on pages 38 to 55 form part of these accounts

Operating Cost Statement

for the year ended 31 March 2010

		2009-10 £000	2008-09 Restated £000
	Note		
Administration costs			
Staff Costs	10	12,087	12,250
Other administration costs	11	<u>15,979</u>	<u>19,005</u>
Gross administration costs		28,066	31,255
Income	12	(28,951)	(29,368)
Net operating cost	4	<u><u>(885)</u></u>	<u><u>1,887</u></u>

All income and expenditure is derived from continuing operations.

Expenditure and income in the Operating Cost Statement differ from that in the Statement of Parliamentary Supply due to payments and receipts relating to secondment costs.

The notes on pages 38 to 55 form part of these accounts

Statement of Financial Position

as at 31 March 2010

		2009-10 £000	2008-09 Restated £000	1 April 2008 Restated £000
	Note			
Non-current assets				
Property, plant and equipment	13	16,915	16,817	16,756
Intangible assets	14	16	33	48
Total non-current assets		<u>16,931</u>	<u>16,850</u>	<u>16,804</u>
Current assets:				
Trade and other receivables	16	5,009	5,401	3,900
Cash and cash equivalents	17	1,850	1,076	730
Total current assets		<u>6,859</u>	<u>6,477</u>	<u>4,630</u>
Total assets		<u>23,790</u>	<u>23,327</u>	<u>21,434</u>
Current liabilities				
Trade and other payables	18	(7,006)	(6,845)	(4,696)
Assets less liabilities		<u>16,784</u>	<u>16,482</u>	<u>16,738</u>
Taxpayers' equity:				
General fund		14,641	14,342	14,659
Revaluation reserve		2,143	2,140	1,079
Total taxpayers' equity		<u>16,784</u>	<u>16,482</u>	<u>16,738</u>

Rod Clark
Accounting Officer
National School of Government
5 July 2010

The notes on pages 38 to 55 form part of these accounts

Statement of Cash Flows

for the year ended 31 March 2010

		2009-10	2008-09 Restated
		£000	£000
	Note		
Cash flows from operating activities			
Net operating costs		885	(1,887)
Adjustments for non-cash transactions	11	1,622	1,645
(Increase)/Decrease in trade and other receivables	16	392	(1,501)
Increase/(Decrease) in trade and other payables	18	161	2,149
Movement in payables relating to items not passing through the Operation Cost Statement		(449)	(346)
Net cash outflow from operating activities		2,611	60
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(16)	(2)
Purchase of intangible assets	14	-	-
Proceeds of disposal of property, plant and equipment		-	-
Proceeds of disposal of intangibles		-	-
Net cash outflow from investing activities		(16)	(2)
Cash flows from financing activities			
From the Consolidated Fund (Supply) - current year		0	1,359
From the Consolidated Fund (Supply) - prior year		1,076	730
Advances from the Contingencies Fund		3,000	3,500
Repayments to the Contingencies Fund		(3,000)	(3,500)
Capitalisation of reversionary interest		(1,070)	(1,070)
Net financing		6	1,019
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund			
		2,601	1,076
Payments of amounts to Treasury in respect of the Consolidated Fund			
		(751)	(730)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund			
		1,850	346
Cash and cash equivalents at the beginning of the period	17	1,076	730
Cash and cash equivalents at the end of the period	17	1,850	1,076

The notes on pages 38 to 55 form part of these accounts

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2010

	Note	General Fund	Revaluation Reserve	Total Reserves
		£000	£000	£000
Balance at 31 March 2008		14,659	2,079	16,738
Changes in taxpayers' equity for 2008-09				
Relating to disposal of previously revalued assets		-	(10)	(10)
Non-cash charges - cost of capital	11	581	-	581
Non-cash charges - Auditors' remuneration	11	47	-	47
Transfer to General Fund in respect of realised element of Revaluation Reserve		(71)	71	-
Net operating cost for the year		(1,887)	-	(1,887)
Total recognised income and expense for 2008-09		(1,330)	61	(1,269)
Net Parliamentary Funding – drawn down		2,089	-	2,089
Year-end adjustment Supply Creditor - current year		(1,076)	-	(1,076)
Balance at 31 March 2009		14,342	2,140	16,482
Changes in taxpayers' equity for 2009-10				
Relating to disposal of previously revalued assets		-	(7)	(7)
Non-cash charges - cost of capital	11	576	-	576
Non-cash charges - Auditors' remuneration	11	49	-	49
Transfer to General Fund in respect of realised element of Revaluation Reserve		(11)	11	-
Net operating cost for the year		885	-	885
Total recognised income and expense for 2009-10		1,499	3	1,502
Net Parliamentary Funding – deemed		325	-	325
CFERs payable to the Consolidated Fund		(1,525)	-	(1,525)
Balance at 31 March 2010		14,641	2,143	16,784

The notes on pages 38 to 55 form part of these accounts

Statement of Net Operating Costs by Departmental Strategic Objective

for the year ended 31 March 2010

Aim	2009-10			2008-09 Restated		
	Gross	Income	Net	Gross	Income	Net
Objective 1	28,066	(28,951)	(885)	31,255	(29,368)	1,887
Net operating costs	28,066	(28,951)	(885)	31,255	(29,368)	1,887

The Department's objective was as follows:

Objective 1 - To provide a centre of excellence for learning and development in support of the strategic business priorities of Government.

The notes on pages 38 to 55 form part of these accounts

Notes to the Departmental Resource Accounts

1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2009-10 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged the most appropriate to the particular circumstances of the National School of Government for the purpose of giving a true and fair view has been selected. The particular policies adopted by the National School of Government are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

In addition to the primary statements prepared under IFRS, the FReM also requires the Department to prepare two additional primary statements. The Statement of Parliamentary Supply and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement. The Statement of Operating Costs by Department Aim and Objectives analyses the Department's income and expenditure by the objectives agreed with Ministers.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention (HCC), except for Land and Buildings. The Department no longer uses Modified Historic Cost Accounting (MHCA) because the depreciated historic cost is an appropriate proxy as the value of the assets is low.

1.2 Property, plant and equipment

Property, plant and equipment are stated at the lower of replacement cost and recoverable amount. Expenditure on property, plant and equipment of over £2,500 is capitalised. On initial recognition they are measured at cost including any costs such as installation directly attributable to bringing them into working condition.

Title to the freehold land and buildings is held by the National School of Government. The replacement cost for freehold land and buildings is existing use value with the addition of notional directly attributable acquisition costs.

Land and buildings are shown as the value using professional valuations (using the RICS Appraisal and Valuation Model) in accordance with IAS 16 as at 1 April 2010. The revaluation of the Land and Buildings is carried out once every three years. Residual interests in off-balance sheet PFI properties are included in property, plant and equipment at the amount of unitary charge allocated for the acquisition of the residual to the balance sheet date plus an adjustment based on the net present value of the change in the fair value of the residual as estimated at the start of the contract and its estimated fair value at the balance sheet date

1.3 Depreciation

Property, plant and equipment are depreciated at rates calculated to write them down to estimated residual value on a straight-line basis over their estimated useful lives. Property, plant and equipment in the course of construction and residual interests in PFI contract assets are not depreciated until the asset is brought into use or reverts to the Department respectively. No depreciation is provided on freehold land as it has an unlimited useful life.

Asset lives are normally in the following ranges:

a Freehold Buildings including Dwellings	25 to 60 years
b Leasehold Buildings and Improvements	over the remaining term of the lease
c Plant and Machinery	3 to 10 years
d Furniture and Fittings	5 to 20 years
e Information Technology and Office Equipment	3 to 7 years

1.4 Intangible assets

Purchased computer software licences are capitalised as intangible assets where expenditure of £2,500 or more is incurred. Where reliable evidence of market value cannot be obtained, these are not re-valued. Software licences are amortised over periods ranging from 3 to 5 years, being the useful economic life.

1.5 Stocks

There are no material holdings of stocks.

1.6 Operating income

Operating income is income which relates directly to the operating activities of the Department. It principally comprises fees and charges for services provided on a full-cost basis to external customers. Operating income is stated net of VAT.

1.7 Administration and programme expenditure

The Department does not have any programme expenditure.

1.8 Capital charge

A charge, reflecting the cost of capital utilised by the Department, is included in operating costs. The charge is calculated at the real rate set by HM Treasury (currently 3.5 per cent) on the average carrying amount of all assets less liabilities, except cash balances held with the Office of the Paymaster General and those amounts due to and from the Consolidated Fund where the charge is nil.

1.9 Foreign exchange

Transactions are translated into sterling at the exchange rate ruling on the date of each transaction, except where rates do not fluctuate significantly, in which case an average rate for the period is used. Monetary assets and liabilities denominated in foreign currency at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the Operating Cost Statement.

1.10 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. The Department recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the department recognises the contributions payable for the year.

1.11 Leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the Department, the asset is recorded as property, plant and equipment and a debt is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the finance lease payment is charged to the Operating Cost Statement over the period of the lease at a constant rate in relation to the balance outstanding. Other leases are regarded as operating leases and the rentals are charged to the Operating Cost Statement on a straight-line basis over the term of the lease.

1.12 Private Finance Initiative (PFI) transactions

PFI transactions have been accounted for in accordance with Technical Note No.1 (Revised), entitled How to Account for PFI Transactions as required by the FReM. Where the balance of the risks and rewards of ownership of the PFI property are borne by the PFI operator, the PFI payments are recorded as an operating cost. Where the Department has contributed assets, a prepayment for their fair value is recognised and amortised over the life of the PFI contract. Where at the end of the PFI contract a property reverts to the Department, the difference between the expected fair value of the residual on reversion and any agreed payment on reversion is built up over the life of the contract by capitalising part of the unitary charge each year.

Where the balance of risks and rewards of ownership of the PFI property is borne by the department, the property is recognised as property, plant and equipment. The PFI payments for servicing the property held under the PFI contract are charged to the Operating Cost Statement.

1.13 Provisions

The Department provides for legal or constructive obligations which are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by HM Treasury (currently 2.2 per cent).

1.14 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37, the Department discloses for parliamentary reporting and accountability purposes certain contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of Managing Public Money.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

1.15 Value Added Tax

Most of the activities of the Department are exempt from the scope of VAT and, in general output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of property, plant and equipment. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.16 Third party assets

The National School of Government did not hold funds on behalf of any other parties during the year.

1.17 Disclosure of IFRS's in issue not yet effective

The National School of Government has reviewed the IFRSs in issue but not yet effective, to determine if it needs to make any disclosures in respect of those new IFRSs that are or will be applicable. References to 'new IFRSs' includes new Interpretations and any new amendments to IFRSs and Interpretations. It has been determined the following new IFRSs are relevant to the National School of Government but will have no significant impact on the Department's financial statements.

Amendments to IFRSs resulting from Annual Improvements to IFRSs (May 2008 and April 2009)

- IAS 1 Presentation of Financial Statements
- IAS Statement of Cash Flows

1.18 Major FReM changes for 2010-11

The National School of Government has reviewed the major FReM changes for 2010/11 and determined the following will have no significant impact on the Department's financial statements.

- Chapter 6 Tangible non-current assets

The National School of Government has identified the following account change as significant.

- Chapter 11 Income and Expenditure. The removal of Cost of Capital charging from the accounts. From 1 April 2010 notional costs should not be recorded for cost of capital. Cost of Capital charging will be excluded from the National School of Government's accounts. The initial application will have an impact of £576k on the Department's financial statements.

2. First-time adoption of IFRS

	General Fund £000	Revaluation Fund £000
Taxpayer's equity at 31 March 2009 under UK GAAP	14,720	2,140
Adjustment for:		
Untaken staff leave entitlement (per IAS 19)	(378)	0
Taxpayers' equity at 1 April 2008 under IFRS	14,342	2,140
		£000
Net operating cost for 2008-08 under UK GAAP		1,921
Adjustment for:		
Decrease in untaken staff leave entitlement (per IAS 19)		(20)
Decrease in cost of capital charge		(14)
Net operating cost for 2008-09 under IFRS		1,887

The staff leave entitlement has been adjusted for IAS 19, which requires that the Department recognises:

- a liability when an employee has provided a service in exchange for employee benefits to be paid in the future; and,
- an expense when the entity consumes the economic benefit arising from service provided by an employee in exchange for employee benefits.

3. Analysis of net resource outturn by section

	2009-10						2008-09		
	Admin	Other current	Grants	Outturn £000	A in A	Net Total	Estimate £000	Prior-year outturn	
			Gross resource expenditure			Net Total	Net Total outturn compared with Estimate		
Request for resources 1:									
<i>Central Government Spending:</i>									
National School of Government	28,127	-	-	28,127	(29,012)	(885)	395	1,280	1,921
Resource Outturn	28,127	-	-	28,127	(29,012)	(885)	395	1,280	1,921
Resource Outturn against Resource Departmental Expenditure Limit	28,127	-	-	28,127	(29,012)	(885)	395	1,280	1,921

Request for Resources 1*: To provide a centre of excellence for learning and development in support of the strategic business priorities of Government.

A detailed explanation of the variance is given in the Management Commentary.

4. Reconciliation of outturn to net operating cost and against Administration Budget

4.1 Reconciliation of net resource outturn to net operating cost

	Note	2009-10 £000	2008-09 £000
		Supply Estimate	Outturn
			Outturn compared with Estimate
Net Resource Outturn	3	(885)	1,921
		395	(1,280)
IFRS Adjustments		-	(34)
Non-supply Income (CFERS)	6	-	-
Non-supply Expenditure		-	-
Net Operating Cost		(885)	1,887

4.2 Reconciliation of net resource outturn under UK GAAP to net operating cost under IFRS

	Note	2008-09 £000
Net resource outturn for 2008-09 under UK GAAP		1,921
Adjustments for:		
IAS 19: Employee benefits	2	(20)
Decrease in cost of capital charge	2	(14)
Net resource outturn under IFRS		1,887
Non-supply income (CFERS)	6	0
Net operating cost for 2008-09 under IFRS		1,887

4.3 Outturn against final Administration Budget

	2009-10 £000	2008-09 £000
	Budget	Outturn
Gross Administration Budget	30,395	31,342
Income allowable against the Administration Budget	(30,000)	(29,421)
Net outturn against final Administration Budget	395	1,921

5. Reconciliation of net resource outturn to cash requirement

	Note	Estimate	Outturn	Net total outturn compared with Estimate: saving/(excess)
		£000	£000	£000
Resource Outturn	3	395	(885)	1,280
Capital:				
Acquisition of property, plant and equipment	13	-	16	(16)
Capitalisation of reversionary interest		1,070	1,070	-
<i>Non-operating A in A:</i>				
Proceeds of disposals of property, plant and equipment	8	-	-	-
<i>Accruals adjustments:</i>				
Non-cash items	11	(1,140)	(1,622)	482
Movement in trade receivables and payables relating to items not passing through the Operating Cost Statement		-	(104)	104
<i>Excess cash receipts surrenderable to the Consolidated Fund</i>	6	-	1,525	(1,525)
<i>Net cash requirement</i>		325	0	325

The National School of Government required £0.325 million less than the sum approved by Parliament owing to the Resource Outturn, higher than expected non-cash items and changes in the levels of debtors and creditors. A detailed explanation of the variance is given in the Management Commentary.

6. Analysis of income payable to the Consolidated Fund

	Note	Forecast 2009-10		Outturn 2009-10	
		Income	Receipts	Income	Receipts
Operating income and receipts - excess A in A		-	-	-	-
Other operating income and receipts not classified as A in A		-	-	-	-
Non-operating income and receipts - excess A in A	7	-	-	-	-
Other non-operating income and receipts not classified as A in A	8	-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund		-	-	-	-
Excess cash surrenderable to the Consolidated Fund	5	-	-	1,525	1,525
Total income payable to the Consolidated Fund		-	-	1,525	1,525

7. Reconciliation of income recorded within the Operating Cost Statement to operating income payable to the Consolidated Fund

	Note	2009-10 £000	2008-09 £000
Operating income	12	28,951	29,368
Netted off in Operating Cost Statement: Seconded staff	10	61	53
Gross income		29,012	29,421
Income authorised to be appropriated-in-aid		(29,012)	(29,421)
Operating income payable to the Consolidated Fund	6	-	-

8. Non-operating income – Excess A in Aid

	2009-10 £000	2008-09 £000
Proceeds on disposal of fixed assets	-	-
Other	-	-
Non-operating income - excess A in A	-	-

9. Non-operating income not classified as appropriations in aid

	Income £000	Receipts £000
Total	-	-

10. Staff numbers and related costs

	Total	2009-10		2008-09
		£000		Restated £000
		Permanently employed staff	Others	
Wages and salaries	8,937	8,937	-	8,883
Social Security costs	741	741	-	740
Other pension costs	1,720	1,720	-	1,767
Temporary staff agency fees	450	-	450	635
	11,848	11,398	450	12,025
Inward Secondments	274	274	-	298
Increase/(decrease) in untaken annual leave	26	26	-	(20)
Total	12,148	11,698	450	12,303
Less recoveries in respect of outward secondments	(61)	(61)	-	(53)
Total net costs	12,087	11,637	450	12,250

During the year, costs of £1,719,872 were incurred in respect of pensions (2008-09: £1,767,499).

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme. The National School of Government is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary (Hewitt Associates) valued the scheme as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservicepensions.gov.uk).

For 2009-10, employers' contributions of £1,688,551 were payable to the PCSPS (2008-09: £1,735,471) at one of four rates in the range 16.7 per cent to 24.3 per cent of pensionable pay, based on salary bands (the rates in 2008-09 were between 17.1 per cent and 25.5 per cent).

The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2009-10 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £29,553 (2008-09: £30,183) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £1,769 (2008-09: £1,845), 0.8 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Average number of persons employed

The average number of whole-time equivalent persons employed, including agency/temporary staff, during the year was as follows:

	2009-10			2008-09
	Total	Permanently employed staff	Others	
Objective 1	240	199	41	232

11. Other Administration Costs

	Note	2009-10 £000	2008-09 Restated £000
Rentals under operating leases:			
Hire of plant and machinery		309	242
Land and buildings		1,236	850
			1,092
PFI service charges	21	1,950	2,251
Non-cash items:			
Depreciation	13	979	1,000
Amortisation	14	16	16
Loss on disposal of fixed assets		2	1
Costs of capital charges		576	581
Auditors' remuneration*		49	47
		1,622	1,645
		5,117	4,988
Other expenditure		10,862	14,017
Total		15,979	19,005

* Auditors' remuneration includes the notional audit fee in respect of the National Audit Office's annual certification audit of the School's financial statements, and £2,500 relating to the audit of the restated IFRS accounts (2008-09: £2,000).

Other expenditure comprises:

Staff travel, subsistence and hospitality	573	756
Other staff related costs	174	371
External lecturer fees and contracted out courses	6,293	7,172
Supplies and services	2,565	3,748
Accommodation and utilities	1,257	1,970
Other expenditure	10,862	14,017

12. Income

	2009-10	2008-09
	Total	Total
	£000	£000
RfR1		
Administration income		
Training, seminars and consultancy	28,908	29,339
Investment funding	-	-
Other operating income	43	29
	28,951	29,368

13. Property, plant and equipment

	Computer Systems	Furniture	Equipment	Dwellings	Land and Buildings	Total
	£000					
Valuation						
At 1 April 2009	1,903	347	434	312	21,306	24,302
Additions	6	10	-	-	1,070	1,086
Disposals	(337)	-	(21)	-	-	(358)
Surplus on Revaluations	(5)	-	-	-	-	(5)
At 31 March 2010	1,567	357	413	312	22,376	25,025
Depreciation						
At 1 April 2009	1,632	214	400	31	5,208	7,485
during year	138	19	33	5	783	979
Disposals	(335)	-	(21)	-	-	(356)
Revaluation	-	1	1	-	-	2
At 31 March 2010	1,436	234	413	36	5,991	8,110
Net book value at 31 March 2010	131	123	-	276	16,385	16,915
Net book value at 31 March 2009	271	133	34	281	16,098	16,817
Asset financing:						
Owned	131	123	-	-	-	254
PFI finance leased	-	-	-	-	5,121	5,121
PFI contract assets	-	-	-	276	1,971	2,246
PFI residual interests	-	-	-	-	9,294	9,294
Net book value at 31 March 2010	131	123	-	276	16,385	16,915

	Computer Systems	Furniture	Equipment	Dwellings	Land and Buildings	Total
	£000					
Valuation						
At 1 April 2008	1,922	347	442	312	20,236	23,259
Additions	2	-	-	-	1,070	1,072
Disposals	(16)	-	(6)	-	-	(22)
Surplus on Revaluations	(5)	-	(2)	-	-	(7)
At 31 March 2009	1,903	347	434	312	21,306	24,302
Depreciation						
At 1 April 2008	1,490	193	369	26	4,425	6,503
during year	155	20	37	5	783	1,000
Disposals	(15)	-	(6)	-	-	(21)
Revaluation	2	1	-	-	-	3
At 31 March 2009	1,632	214	400	31	5,208	7,485
Net book value at 31 March 2009	271	133	34	281	16,098	16,817
Net book value at 31 March 2008	432	154	73	286	15,811	16,756
Asset financing:						
Owned	271	133	34	-	-	438
PFI finance leased	-	-	-	-	5,852	5,852
PFI contract assets	-	-	-	281	2,022	2,303
PFI residual interests	-	-	-	-	8,224	8,224
Net book value at 31 March 2009	271	133	34	281	16,098	16,817

Notes

VALUATION

Land and Buildings and Dwellings

The Valuation Office Agency valued Sunningdale Park, Ascot, Berkshire, occupied by the National School of Government, as at 1 April 2010 on the basis of total worth in existing use reflecting the infrastructure. Sunningdale Park is revalued every three years.

Notional directly attributable acquisition costs, representing legal fees and stamp duty, are added onto existing use values to arrive at replacement cost for land, buildings and dwellings. The surveyors determine notional costs to be 5.75% of existing use values.

Asset financing – National School of Government assets under a PFI contract

National School of Government has office buildings of £2.246 million (2008-09: £2.302 million) under an on-balance sheet PFI contract and training facilities of £5.121 million (2008-09: £5.852 million) under a finance lease and a residual interest in training facilities of £9.294 million (2008-09: £8.224 million). Further details about commitments under PFI contracts are disclosed at Note 21.

14. Intangible assets

Intangible assets comprise purchased software licences.

	Total £000
Valuation	
At 1 April 2009	167
Additions	-
Disposals	-
Surplus on Revaluations	-
At 31 March 2010	<u>167</u>
Amortisation	
At 1 April 2009	135
Charged in year	16
Disposals	-
Revaluation	-
At 31 March 2010	<u>151</u>
Net book value at 31 March 2010	<u>16</u>
Net book value at 31 March 2009	<u>32</u>
	Total £000
Valuation	
At 1 April 2008	167
Additions	-
Disposals	-
Surplus on Revaluations	-
At 31 March 2009	<u>167</u>
Amortisation	
At 1 April 2008	119
Charged in year	16
Disposals	-
Revaluation	-
At 31 March 2009	<u>135</u>
Net book value at 31 March 2009	<u>32</u>
Net book value at 31 March 2008	<u>48</u>

15. Financial Instruments

IAS 32 Financial Instruments requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which IAS 32 mainly applies. The Department has very limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Department in undertaking its activities.

16. Trade receivables and other current assets

16.1 Analysis by type

	2009-10 £000	2008-09 £000	1 April 2008 £000
Amounts falling due within one year			
Trade receivables	4,809	4,997	3,485
Prepayments	137	340	-
VAT on trade receivables	63	64	364
Other receivables	-	-	50
	5,009	5,401	3,900

16.2 Intra-Government Balances

	2009-10 £000		2008-09 £000		1 April 2008 £000	
	Amounts falling due within one year	Amounts falling due after more than one year	Amounts falling due within one year	Amounts falling due after more than one year	Amounts falling due within one year	Amounts falling due after more than one year
Balances with other central government bodies	4,119	-	3,941	-	2,600	-
Balances with local authorities	52	-	194	-	262	-
Balances with NHS Trusts	57	-	105	-	89	-
Balances with public corporations and trading funds	54	-	47	-	310	-
<i>Subtotal: Intra-governmental Balances</i>	4,282	-	4,287	-	3,261	-
Balances with bodies external to government	727	-	1,114	-	639	-
At 31 March	5,009	-	5,401	-	3,900	-

17. Cash and cash equivalents

	2009-10 £000	2008-09 £000	1 April 2008 £000
Balance at 1 April	1,076	730	1,501
Net change in cash and cash equivalent balances	774	346	(771)
Balance at 31 March	1,850	1,076	730

The following balances at 31 March are held at:

Office of HM Paymaster General	1,846	1,072	726
Cash in hand	4	4	4
Balance at 31 March	1,850	1,076	730

18. Trade payables and other current liabilities**18.1 Analysis by type**

	2009-10 £000	2008-09 Restated £000	1 April 2008 Restated £000
Amounts falling due within one year			
VAT	79	73	75
Other Taxation and Social Security	232	249	234
Trade payables	813	1,565	1,003
Other payables	578	582	578
Accruals and Deferred Income	3,677	3,192	1,997
Credit Notes	102	108	80
Amounts issued from the Consolidated Fund for supply but not spent at year end	-	1,076	730
CFERs due to be paid to the Consolidated Fund	1,525	-	-
	7,006	6,845	4,696

18.2 Intra-Government Balances

	2009-10 £000		2008-09 Restated £000		1 April 2008 Restated £000	
	Amounts falling due within one year	Amounts falling due after more than one year	Amounts falling due within one year	Amounts falling due after more than one year	Amounts falling due within one year	Amounts falling due after more than one year
Balances with other central government bodies	5,383	-	4,995	-	3,073	-
Balances with local authorities	123	-	138	-	120	-
Balances with NHS Trusts	38	-	15	-	30	-
Balances with public corporations and trading funds	57	-	60	-	49	-
<i>Subtotal: Intra-governmental Balances</i>	5,906	-	5,208	-	3,272	-
Balances with bodies external to government	1,405	-	1,637	-	1,424	-
At 31 March	7,006	-	6,845	-	4,696	-

19. Capital commitments

	2009-10 £000	2008-09 £000
Contracted capital commitments at 31 March 2010 for which no provision has been made	Nil	Nil

20. Commitments under leases**20.1 Operating leases**

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

	2009-10 £000	2008-09 Restated £000
Land and buildings		
Expiring within one year	8	153
Expiring after one but no more than five years	1,385	1,406
Expiring over five years	-	-
	<u>1,393</u>	<u>1,559</u>
Other		
Expiring within one year	3	1
Expiring after one but no more than five years	526	323
Expiring over five years	-	-
	<u>529</u>	<u>324</u>

20.2 Finance leases

There were no obligations under Finance Leases.

21. Commitments under PFI contracts

The National School of Government's residential training centre at Sunningdale is operated under a PFI contract with a term of 30 years from 13 May 2002.

The National School gave a lease to the private sector partner for the office buildings against which sub leases were granted to the National School for their continuing use. These assets are included in Land and Buildings at a carrying value of £2.246 million (2008-09: £2.302 million).

The National School also gave a lease for the rest of the site upon which the private sector partner has undertaken an initial capital investment of £12 million in new training facilities.

As a consequence of these agreements –

Deferred asset

A pre-payment was established for the fair value of the National School's property contributed to the scheme at the commencement of the contract. This deferred asset is recognised as a tangible asset and written off over 15 years. Its value at March 31 2010 is £5.121 million (2008-09: £5.852 million).

Reversionary interest

A further asset is recognised for the National School's residual interest in the training facilities which revert to the National School at no cost at the end of the contract. The accruing residual interest, which is being built up over the term of the contract by capitalising part of the contract payments, is recognised as a tangible fixed asset. Its value at March 31 2010 is £9.294 million (2008-09: £8.224 million).

Whilst these two individual transactions reflect the underlying contractual arrangements, the National School retains ownership of the training facilities throughout the period of the contract, the value of which at 31 March 2010 is reflected in the combined carrying value of the deferred asset and reversionary interest of £14.415 million (2008-09: £14.076 million).

Combined value

The combined carrying value of the office buildings and training facilities disclosed at Note 12 is £16.661 million (2008-09: £16.378 million). This is the sum of the Dwellings balance and Land and Buildings balance in note 13.

Charge to the Operating Cost Statement and future commitments

The total amount charged in the Operating Cost Statement in respect of PFI transactions was £1,950,181 (2008-09: £2,250,587) as disclosed at Note 11 Other Administration Costs. The payments to which the Department was committed during 2009-10, analysed by the period during which the commitment expires, are as follows:

	2009-10	2008-09 Restated
	£000	£000
Expiry within one year	-	-
Expiry within 2 to 5 years	-	-
Expiry within 6 to 10 years	16,584	18,483
Expiry within 11 to 15 years	-	-
Expiry within 16 to 20 years	-	-
Expiry within 21 to 25 years	-	-
Expiry within 26 to 30 years	-	-
	16,584	18,483

22. Other financial commitments

The Department has not entered into any non-cancellable contracts (which are not leases or PFI contracts).

23. Contingent liabilities disclosed under IAS 37

There were no material contingent liabilities at 31 March 2010.

24. Contingent liabilities not required to be disclosed under IAS 37 but included for parliamentary reporting and accounting purposes

There were no material contingent liabilities at 31 March 2010.

25. Losses and special payments**25(a) Losses Statement**

		2009-10	
		No of Cases	Amount £
A	CASH LOSSES		
	TOTAL	0	0
B	STORES LOSSES		
	TOTAL	0	0
C	FRUITLESS PAYMENTS	0	0
D	CLAIMS WAIVED OR ABANDONED	3	4,113.70
	TOTAL LOSSES FOR THE NATIONAL SCHOOL	3	4,113.7

25(b) Special Payments

E	SPECIAL PAYMENTS		
Ei	Extra contractual and ex-gratia payments to contractors	0	0.00
Eii	Other ex-gratia payments	0	0.00
Eiii	Compensation payments	1	14,000.00
Eiv	Extra Statutory payments	0	0.00
	TOTAL	0	0.00
	TOTAL LOSSES AND SPECIAL PAYMENTS	4	18,113.70

26. Related-party transactions

The Minister for the Cabinet Office is accountable to Parliament for the Department and is therefore regarded as a related party of the Department. During 2009-10 the Department has had various material transactions with the Cabinet Office.

The National School of Government undertakes the majority of its business with other government departments and other central government bodies. The National School's top 3 customers by value during 2009-10 were Ministry of Defence, Department for Work and Pensions and the Foreign and Commonwealth Office.

A number of Civil Service Capability Board members are senior managers in other government departments that do business with the National School of Government. All transactions with these other government departments are transacted under normal terms of business.

Eleanor Goodison was a member of the National School of Government's Executive Committee until 15 April 2009 when it was replaced by the Senior Leadership Team. She left the Department in July 2009. On her departure she became a registered Associate of the Department. She was paid £4,800 for work completed during 2009-10.

27. Third-party assets

The National School of Government did not hold funds on behalf of any other parties during the year.

28. Events after the Reporting Period

It was announced in the Budget on 22 June 2010 that the Government intends to adopt the Consumer Price Index (CPI) for the indexation of public service pensions from April 2011. This will have an impact upon the future operation of the pension schemes that the School provides to employees.

The National School of Government's financial statements are laid before the Houses of Parliament by HM Treasury. IAS 10 requires the National School of Government to disclose the date on which the accounts are authorised for issue. This is the date on which the certified accounts are despatched by The National School of Government's management to HM Treasury.

The authorised date for issue is 12 July 2010.



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