
National School of Government

Annual Report and Accounts 2010-11

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Annual Report and Accounts 2010-11

(For the year ended 31 March 2011)

Accounts presented to the House of Commons pursuant to Section 6(4) of the Government Resources and Accounts Act 2000

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This is part of a series of Annual Report and Accounts which, along with the Main Estimates 2011-12 and the document Public Expenditure: Statistical Analyses 2011, present the Government's outturn and planned expenditure for 2011-12.

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Contents

| | |
|---|----|
| Annual Report | 4 |
| Foreword by Minister | 5 |
| Chief Executive's Introduction | 6 |
| The Annual Review | 7 |
| Governance | 11 |
| Management Commentary | 18 |
| Remuneration Report | 21 |
| Statement on the Disclosure of Relevant Audit Information | 24 |
| Statement of Accounting Officer's Responsibilities | 25 |
| Statement on internal control | 26 |
| THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR | |
| GENERAL TO THE HOUSE OF COMMONS | 30 |
| Statement of Parliamentary Supply | 32 |
| Statement of Comprehensive Net Expenditure | 33 |
| Statement of Financial Position | 34 |
| Statement of Cash Flows | 35 |
| Statement of Changes in Taxpayers' Equity | 36 |
| Notes to the Departmental Accounts | 37 |

Annual Report

The National School of Government

Scope

The Annual Report and Accounts present the results for the financial year 2010-11 of the National School of Government.

Rod Clark

5 July 2011

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 2010-11 Annual Report and 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 fifth and final version to be published by the National School as a department, as on 1 April 2011 it re-joined the Cabinet Office in line with the decision taken as part of the public bodies review programme which I reported to Parliament in March 2011. Further change is on the way this year as we reorganise the way learning and development is managed and delivered within the Civil Service to achieve greater efficiencies.

The Report reflects the Department's activities in 2010-11 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

In 2010-11 the National School came under review as part of two key policy initiatives: the Public Bodies Review Programme; and the Next Generation HR programme.

The Public Bodies Review Programme concluded that the School should be brought back within a department to increase control and accountability. This led to the School re-joining the Cabinet Office on 1 April 2011. The School is now part of the Efficiency and Reform Group.

Next Generation HR was set up to increase the efficiency and effectiveness in the way HR services are delivered across the Civil Service. The aim is to reduce duplication and cost. This led to the setting up of several shared expert services to replace departmental delivery solutions. Civil Service Learning began operating on 4 April 2011, and will buy and provide the generic learning needed right across the Civil Service within a new Common Curriculum. This clearly has implications for the role and status of the National School.

The Core Learning Programme delivered during 2010-11 proved extremely successful. The content was developed in consultation with the Civil Service's leadership, and reflects the strategic learning needs of the Civil Service. Many of the learning interventions developed will be transferring to Civil Service Learning as part of the new Common Curriculum, and a number of our staff will be transferring with them.

The last year has been a difficult operating context for us in a number of other ways: departments have placed expenditure restrictions on learning and development to respond to their own budgetary pressures; we have been operating under the restrictions of the advertising and marketing freeze; and as staff left we were unable to replace them due to the recruitment freeze. To respond to these challenges, we took a number of actions: reduced the use of Associates by 35% and reduced the rates we pay them; restructured our support services under the Blueprint programme; reduced and refreshed our open programme.

Bookings on our open programme and tailored programme were down on the previous year, but with the income from the Core Learning Programme combined with our cost reductions, we managed to meet our financial targets. I am immensely proud of this achievement which reflects the extraordinary professionalism of the whole School.

The Civil Service Steering Board decided on 5 April that to start looking to service providers in the market to see if they can use all or some of the assets of the School (including Sunningdale Park) as part of meeting its future requirements for training and development. We are hopeful that some of the School's people and assets will form part of the new arrangements – albeit outside of the Civil Service.

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, primarily serving the needs of the Civil Service. The School continued to operate as a non-ministerial government department during 2010-11, before moving back into the Cabinet Office with effect from 1 April 2011.

Performance in the year

The School was successful in bringing in the business to generate sufficient income to match the operating costs of the organisation.

The balanced scorecard ran for a second year and provided staff and stakeholders with a transparent framework which articulates our corporate objectives. 14 out of 24 measures that were defined at the start of the year were fully achieved. During the course of the year, a further six measures were suspended in light of new government policies. Four measures were not achieved at year end.

During the year, a total of 37,518 students attended courses run by the School. In aggregate the School delivered 57,319 student days of training across its open, tailored and Core Learning Programme

The School set itself some very stretching quality targets. 90% of participants who attended National School programmes evaluated 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).

For the Core Learning Programme (see below) we measured against boxes 1-3 on the scale taking into account this was mandated learning and development. 97% of attendees at CLP events thought that the aims and objectives had been met.

At the start of the year we implemented a significant internal re-organisation within the School, the “Blueprint”. This had most impact in Learning Delivery, where the organisational change was the most radical. The change was not just to the organisation but to the systems and processes that supported Learning Delivery. There were some tensions in bringing changes; these have gradually dissipated in most areas during the year as the changes have bedded in and adjusted at the margin and as the positive effect of the introduction of Lean tools and techniques has become apparent and recognised.

The use of Lean and Visual Management, particularly in Business Support, is now seen by Team Leaders and Administrators, within that area, as bringing in much more effective and efficient ways of working and has led to an increase of 18% in Business Support productivity, compared to 2009-10.

The main change to the organisation structure in-year was the decision to move from four Delivery Practices to three, when the Head of Professions post became vacant, as it made sense to move the range of programmes into the other Practices for greater alignment with customer and business priorities.

The Core Learning Programme

One of the key achievements for the National School has been the delivery of the Core Learning Programme (CLP), a corporate programme of learning and development for the civil service aimed at building a common language and understanding of how to operate across the Civil Service. This programme has been game changing for the way in which the Civil Service operates – moving the Civil Service away from a piecemeal approach to learning to a more corporate and top-down approach led and owned by the leadership of the Civil Service.

The Core Learning Programme was supported by 16 departments. Each strand of the programme was sponsored by a Permanent Secretary to ensure the learning covered would meet the strategic needs of the Civil Service. Departments’ learning and development staff contributed to the design of programmes and departments provided up-front funding. In return, these departments had access to the full range of programmes offered within CLP to offer to their staff.

The Core Learning Programme was important to helping civil servants support the new Coalition Government following the 2010 General Election. It helped support the delivery of new messages and the development of skills to build new ways of working to deliver the current priorities. Examples of this include the sessions with senior civil servants on how to work with a coalition government and the sessions to equip senior civil servants with the tools to deliver the current budget reductions and the new policy agenda, including the Big Society.

We also continued to run a number of interventions designed to build and strengthen leadership capability within the Civil Service, including Base Camp and Explorer which were aimed at senior civil servants (SCS).

In addition, we developed and ran a series of Management Development programmes in the last quarter. These were delivered regionally, and were aimed at staff below the SCS. They were particularly designed to support staff working in organisations which are going through considerable change.

A number of Fast Stream programmes were developed within the Core Learning Programme. To fit with the Fast Stream cycle - with the annual intake joining each September – some of the CLP funding has been rolled forward into the financial year 2011-12. Participating departments will continue to have access on a free at the point of delivery basis until the end of September 2011.

Demand for events across the programme was high, particularly in the areas of the Professionals in Government strand and Lean where we were able to put on additional events in response to requests from departments.

In total, over 800 Core Learning Programme events were delivered during the year, and these received high levels of satisfaction with over 97% of participants saying they were satisfied or extremely satisfied. Sir Gus O'Donnell wrote to say "your work on the Core Learning Programme over the last year has been particularly impressive".

The Core Learning Programme was also available to staff in departments which had not contributed pooled funding, on a pay-as-you go basis.

International work

The National School continues to service the constant demand for access to UK Civil Service expertise. We work with governments around the world to promote and support public administration reform through bilateral cooperation, UK and multilateral aid programmes, "twinning", hosting visits, and through our international networks.

2010-11 brought approaches from over 80 countries with National School staff engaging actively with over 50 overseas administrations. Visitors came from as far and wide as Belize, Hong Kong, India, Russia and Uganda. Overseas assignments included policy making (Afghanistan, Jamaica); ethics and anti-corruption (Angola); improved governance in British Overseas Territories (Bermuda, Montserrat); and support for EU integration ambitions in the Western Balkans and European Neighbourhood (Macedonia, Ukraine).

Main projects included improving public service delivery in Iraq (Kurdistan Regional Government); Civil Service strengthening in Africa (Kenya, Ethiopia), leadership development in the Gulf (Abu Dhabi, Kuwait) and helping the EC to develop its HR management capability. New long term relationships began with Kosovo, Thailand and Taiwan, and we continued to represent HMG in international networks, including European Schools (Directors of Schools and Institutes of Public Administration - DISPA) and the Commonwealth (Commonwealth Association of Public Administration and Management - CAPAM).

Events

We supported Civil Service Live in association with Whitehall and Westminster World. The School was responsible for the planning and organisation of content for events run in London Olympia in July 2010 and Birmingham in April 2011. The London event was particularly important as it fell shortly after the General Election. The change of Government meant that the content of the event had to reflect the aims of the Coalition with planning done at short notice and the Prime Minister, Deputy Prime Minister and many other senior Ministers being woven into the programme for the event.

Research

The Sunningdale Institute, the School's virtual academy of leading thinkers, published three pieces of research:

- *Beyond Light Bulbs and Pipelines: Leading and Nurturing Innovation in the Public Sector* by Professor John Bessant, Tim Hughes and Professor Sue Richards;
- *Recovery Begins with Hope* by Dr Su Maddock and Sophy Hallam;
- *Leadership Learning in Changing Times: Evaluating Leadership Development in the Civil Service* by Professors Jean Hartley and David Tranfield.

The work of the Institute declined during this year, as a consequence of the reigning in of departmental budgets on both learning and development and consultancy projects. Towards the end of the financial year, the Institute debated options for its future in the context of decisions about the future of the School as a whole.

E-learning

The Virtual School, the online element for the National School has continued to provide access across government to a range of strategic and high level learning packages including Protecting information, Finance Skills for All and Understanding the Civil Service. Responsibility for these packages has now moved to Civil Service Learning. However, the National School will continue to host the range of online material that can be accessed across government. We will also continue to provide a bespoke e-learning design service and look for opportunities to widen our audience beyond the Civil Service.

We have also developed and implemented "MY NSG". This for the first time allows users to access any of the School's learning programmes, whether online or face to face, from a single point. In particular, delegates attending a face to face programme will have a dedicated area related to their course giving them access to all their course materials and allowing them to more easily network with other students and tutors.

Efficiency

The principal improvements over the year in delivering courses have come from course administration, where we are operating with significantly lower staff numbers than last year but with no detrimental impact of timeliness or quality. Metrics put together in September 2009, with September 2010, showed an 18% increase in productivity, overall, which didn't take into account staff on long term sick leave or maternity leave, which would have made the figures even more efficient.

Despite reducing our Programme Director cadre by around 20% over the course of the year, the School still managed to cut the spend on Associates by 35% as a proportion of income, compared to 2009-10, by managing the utilisation of our in-house resources more effectively.

Plans for 2011-12

This is very much of a transition year for the School operating as a unit of Cabinet Office within the Efficiency and Reform Group. We have identified three key priorities:

- **Keeping the business running** to minimise any trading deficit to Cabinet Office and to continue to support the Civil Service including supporting Civil Service Learning to deliver the Leadership and Civil Service Way strands of the Common Curriculum. We will need to work hard to generate income in a time of declining departmental budgets. We will also need to minimise our operational costs where we can.
- **Preparing for the future** in which the assets of the School are offered to the market as part of Civil Service Learning's procurement exercise. Cabinet Office will be leading the team managing the procurement and we will support that process, including by providing a prospectus which outlines which of the School's assets and services are offered to the market.

- **Managing the transition** Key delivery personnel are transferring to Civil Service Learning and our customer services and business support staff will continue to service those programmes until the prime contractor is in place.

We recognise that this is a challenging time for our people, and so we have established a programme called “Branching Out” to help staff prepare themselves for a future beyond the National School of Government. Developed by and for staff, it provides a range of resources, information, personal and practical support which they can access as they need it.

Governance

Ministerial Accountability

Although the National School was '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 2010-11, the Minister for the Cabinet Office was:

Rt Hon. Tessa Jowell MP until 12 May 2010

Rt Hon Francis Maude MP from 12 May 2010 to the end of the financial year to which this report relates.

External governance

During 2010-11 the external governance arrangements set up by the Cabinet Secretary to oversee the work of the National School were paused following the General Election to be reviewed as part of a wider review of Civil Service governance. The Civil Service Capability Board did not meet after 23 June 2010. The membership of the Civil Service Capability Board as at 23 June 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 were:

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 was:

- 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 the National School of Government's Management Board included a number of Non Executive members.

Membership of the National School of Government Management Board during 2010-11

| | |
|--------------------------|--|
| 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 |
| Lord Victor Adebawale | Non Executive |
| Professor John Benington | Non Executive |
| Alex Jablonowski | Non Executive (Chair of the Audit and Risk Committee) |
| Jerry Page | ex officio, Non Executive, Deputy Finance Director, Cabinet Office |
| Sir David Pepper KCMG | Non Executive |

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 |
| Jerry Page | ex officio, Head of Finance, Cabinet Office, |
| Sir David Pepper KCMG | Non Executive Member |
| <i>Secretariat</i> | |
| Heather Bowry | Secretary of the Committee |

The **senior management team** with responsibility for directing the day-to-day management of the National School during 2010-11 was the Senior Leadership Team (SLT), which met at least monthly.

Membership of the National School of Government Senior Leadership Team

| | |
|--------------------|--------------------------------------|
| 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 |
| <i>Secretariat</i> | |
| Mike Pearce | Secretary |

Our People and Facilities

People

During the early part of 2010-11, the School implemented a new organisational structure, which had been designed and developed as part of the New Deal Change Programme in 2009-10. This new structure ensured that the School was fit for purpose in meeting the changing needs of the civil service as well as being efficient.

Along with other Civil Service departments, the School participated in the annual employee engagement survey. This year we achieved a response rate of 89% and an engagement index of 54%. The engagement index is below the median index for the Civil Service and also represents a decrease compared to last year. It is clear that uncertainty over the future of the School during the period of the survey last autumn was, at least, a major consideration. Work has been undertaken within directorates and across the School to understand the pattern of results in more detail and to identify actions to make improvements for our people.

In 2009-10 a skills survey was undertaken which identified common development needs across the School. In order to meet these needs and to enable staff to plan their learning and development better, a 'Learning Directory' was published in June 2010, which set out the learning and development opportunities on offer to our people. To complement this, an intranet based 'one-stop careers shop' was developed and implemented to guide staff through the support they could access to manage and develop their careers.

During the year, the School has reviewed and implemented two people related policies to ensure that we operate on a best practice basis for dealing with sickness absence and to ensure that our people understand our zero tolerance policy on bullying and harassment.

The School continues to encourage staff to maintain a sensible balance between work and their personal life. We continue to offer staff opportunities for flexible working and now 32% are on some form of flexible working arrangement.

The breakdown of our staff is set out below:

Headcount by grade:

| Band | Headcount |
|-------|-----------|
| SCS 3 | 1 |
| SCS 2 | 2 |
| SCS 1 | 6 |
| A2 | 1 |
| A1 | 70 |
| B2 | 26 |
| B1 | 49 |
| C | 65 |

Headcount by gender:

| Gender | Headcount |
|--------|-----------|
| Male | 79 |
| Female | 141 |

Headcount by working pattern:

| Working pattern | Headcount |
|--------------------------------|-----------|
| Full-time | 150 |
| Part-time | 56 |
| Other flexible working pattern | 14 |

Headcount by ethnic origin:

| Ethnic origin | Headcount |
|-----------------------|-----------|
| White | 139 |
| Minority ethnic group | 5 |
| Not known | 76 |

Headcount by age-range:

| Age-range | Headcount |
|-----------|-----------|
| 20 – 34 | 23 |
| 35 – 44 | 32 |
| 45 - 54 | 91 |
| 55 - 59 | 50 |
| 60+ | 24 |

1.3% of our people have declared a disability under the terms of the Disability Discrimination Act.

The School is committed to the principles of fair and open recruitment and selection on merit as laid down in the Civil Service Recruitment Principles by the Civil Service Commission. Our systems ensure delivery of this standard and are subject to audit.

The number of schemes involving external recruitment during 2010-11 are shown below:

| 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 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| A2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| A1 | 1 | 25 | 23 | 2 | 1 | 1 | 0 |
| B2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| B1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| C | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Sick Absence Data:

| Days Lost (Short Term) | Days Lost (Long Term) | Total Days Lost (12 month period) | Total Staff Years | Average Working Days Lost | Total Staff Employed in Period (Headcount) | Total Staff Employed in Period with No Absence (Headcount) | Percentage Staff With No Sick Leave |
|------------------------|-----------------------|-----------------------------------|-------------------|---------------------------|--|--|-------------------------------------|
| 943 | 1932 | 2875 | 243 | 11.8 | 261 | 139 | 53% |

Personal Data

As a government department, the School is required to report protected data related incidents in the management commentary of its 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 2010-11; has no other protected personal data related incident in 2010-11 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 has Investors in People accreditation until February 2013. 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 encourages all staff to agree a personal development plan with their manager each year and also provides learning and development opportunities, which are set out in a 'Learning Directory'.

Single Equality Scheme

The School continues to implement the actions identified in our Single Equality Scheme, which is 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.

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 Ltd, 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: | 5973 |
| Facilities quality score: | 94% |

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: | 5670 |
| Facilities quality score: | 91.5% |

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.

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 1.9 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 98.9% of invoices within 30 days (2009-10: 98.7%). The Department paid nil (2009-10 £10) interest charges levied on late payment of invoices for the year ended 31 March 2011.

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 80.1% (2009-10: 79.8%) of invoices within this target timeframe.

Basis of accounts

Under Section 5 of the Government Resources and Accounts Act 2000, the Department is required to prepare 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.

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 10 to the accounts. No payments were made to the Auditors for any non-audit work in 2010-11.

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 Accounts under the terms of an *Accounts Direction* issued by the Treasury. The 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 Accounts are laid before Parliament before the Summer Recess each year. Previous Annual Report and 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 2010-11 was published on 7 July 2010 as part of the Central Government Supply Estimates 2010-11 Main Supply Estimates (HC269). Current and previous estimates can be found on the HM Treasury website: http://www.hm-treasury.gov.uk/psr_estimates_mainindex.htm

Departmental aims 2010-11

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 2010-11 was £23.8 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 £0.178 million, a net voted capital requirement of £1.070 million and a net cash requirement of £0.531 million. Final Outturn for 2010-11 recorded savings of £0.178 million against net resource, £0.394 million against capital and a saving of £0.531 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 2010-11 was nil; £0.178 million less than the Resource Departmental Expenditure Limit approved by Parliament. The under-spend against Resource Departmental Expenditure Limit is largely attributable to a greater shortfall against Administrative Expenditure compared to Appropriations-in-Aid. In the 2010-11 Main Estimates the National School was allocated £177k programme expenditure to overcome a technical problem that the Vote on Account could not be higher than the Main Estimate. No expenditure was made against this programme allocation.

Net Voted Capital

The National School of Government's capital investment in 2010-11 amounted to £0.676 million - £0.394 million less than the Capital Departmental Expenditure Limit approved by Parliament

Net Cash Requirement

The National School of Government required nil cash in 2010-11 to finance its activities; £0.531 million less than the sum approved by Parliament owing to the Resource Outturn, changes in the levels of debtors and creditors and payments in advance for training.

Figure 1

| | Estimate | Outturn | Variance Saving/(Excess) |
|--|----------------|----------------|-----------------------------|
| | £ million | £ million | £ million |
| Resource Departmental Expenditure Limit – RDEL | 0.178 | - | 0.178 |
| Net Resource | 0.178 | - | 0.178 |
| Capital Departmental Expenditure Limit – CDEL | 1.070 | 0.676 | 0.394 |
| Net Voted Capital | 1.070 | 0.676 | 0.394 |
| Accruals Adjustments | (0.717) | (0.676) | (0.041) |
| Net Cash Requirement | 0.531 | 0.000 | 0.531 |

Figure 2

Reconciliation of resource expenditure between Estimates, Accounts and Budgets

| | 2010-11 £000 |
|---|-----------------|
| Net Resource Outturn (Estimates) | (797) |
| <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) | (797) |
| <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) | (797) |
| Annually Managed Expenditure (AME) | - |

Information Management

There have been no information risk incidents which have been sufficiently significant for the National School to inform the Information Commissioner in 2010-11, and there are no protected personal data related incidents to report.

The National School has continued to build on the levels of information assurance control during 2010-11 reviewing and amending the School's information security policies. These continue to be promulgated to staff

via the intranet and these are supported by additional training materials made available to staff around the School.

Staff were again required to complete Level One of the protecting information e-learning package which was updated and released across government by the schools E-learning team during the year. Level Two was made a mandatory requirement for all staff with management responsibility. The new Level Three training was undertaken by those in roles directly involved in the Information assurance programme such as SIRO, IAPM and IAOs.

A review of the growth against the maturity model standards for this reporting year took place during May 2010 and demonstrated an improvement in maturity of the embedding of information assurance processes against the previous years review. The mandatory measures required by the Data Handling Review continue to be met.

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 2010-11 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 2010-11 bonuses paid to senior civil servants in the National School of Government ranged from £6,000 – £9,500.

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)

Non executive members who received remuneration and expenses in respect of 2010-11 were:

| | |
|--------------------------|---|
| Alex Jablonowski | £13,856 |
| Sir David Pepper | £6,619 plus £6,370 in respect of other work for the School. |
| Professor John Benington | £6,692 |

Lord Victor Adebawale £5,200 plus £3,318 in respect of other work for the School.

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 Senior Leadership Team during the year from 1 April 2010 to 31 March 2011:

| Senior Management Name | 2010-11 | | | 2009-10 | | |
|---------------------------|----------------|---------------|---------------------|--------------------------|---------------|---------------------|
| | Salary £000 | Bonus £000 | Benefits in kind | Salary £000 | Bonus £000 | Benefits in kind |
| Rod Clark | 130-135 | 5-10 | - | 130-135 | 10-15 | - |
| Patricia Greer | 120-125 | 5-10 | - | 115-120 (FYE 120-125) | - | - |
| Jonathan Miller | 95-100 | - | - | 90-95 (FYE 95-100) | - | - |
| Elaine Lorimer | 80-85 | 5-10 | - | 80-85 | 5-10 | - |

Salary

'Salary' includes gross salary; 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 2011 and related lump sum | CETV at 31 March 2011 or end date | CETV at 31 March 2010 or start date | Real increase in CETV | Employer contribution to partnership pension account |
|-------------------|---|--|-----------------------------------|-------------------------------------|-----------------------|--|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Rod Clark | 0-2.5 plus 0-2.5 lump sum | 40-45 plus 125-130 lump sum | 720 | 623 | 4 | - |
| Patricia Greer | 20-25 plus 65-70 lump sum | 35-40 plus 105-110 lump sum | 550 | 175 | -48 | - |
| Jonathan Miller | 0-2.5 lump sum n/a | 0-5 lump sum n/a | 43 | 18 | 19 | - |
| Elaine Lorimer | 0-2.5 plus 2.5-5 lump sum | 20-25 plus 60-65 lump sum | 262 | 216 | 15 | - |

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 Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an 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 final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial 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 for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his 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 the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a 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 <http://www.civilservice.gov.uk/my-civil-service/pensions/index.aspx>.

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 figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include 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 2011

Statement of Accounting Officer's Responsibilities

Under Section 5 of the Government Resources and Accounts Act 2000, the Department is required to prepare 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 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, net operating cost, changes in taxpayers' equity 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 Principal and Chief Executive of the National School of Government 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 the Accounting Officer is answerable, for keeping proper records and for safeguarding the National School of Government's assets, are set out in the Accounting Officers' Memorandum issued by HM Treasury and published in *Managing Public Money*.

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 four independent non executive members and one ex-officio member.

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 continues to be in line with the Balanced Scorecard that was introduced to manage and monitor the School's overall performance. The register was reviewed and updated throughout the year 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 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 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 2010-11 we had a Risk Management Framework that is wholly appropriate to the National School. Key features of this Framework are as follows:

Leadership

The Management Board has been the senior management team within the National School. The Board delegated day to day 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 notices.

The strategy:

- has been endorsed by me as the Accounting Officer, the 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 2010-11 we further developed a Balanced Scorecard approach to managing the performance of the School. The Scorecard forms the framework for the School's Corporate Plan 2010-13 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 review meetings and individual performance agreements.

Change Programme

The change programme instigated in 2009-10 continued to have benefits in 2010-11. These include:

- The agreement in 2009-10 of the Permanent Secretaries' Group to a Core Learning Programme (CLP) for the Civil Service to be delivered by the School led to departments contributing £9.9m to the programme which was available to be utilised in 2010-11. This guaranteed income significantly reduced the School's level of business risk. The School designated leaders for each strand of the CLP and these agreed with the external senior level sponsors what programmes were delivered in 2010-11 under the CLP banner. The School designed procedures to ensure that income was only taken into account when agreed work was undertaken against elements of the CLP.
- Lean processes introduced in 2009-10 produced savings in staff costs and were further developed in 2010-11 with the introduction of a revised organisational structure 'Blueprint' which introduced changes to non-teaching staff. The changes include the integration of lean processes as part of business as normal in the delivery support areas.
- Pressure continued to be exerted on non-staff costs across the School but with a particular emphasis on the costs of Associates where savings of 35% compared with the previous year were achieved.

During the year, the change programme and the School's overall level of risk were considerably disrupted by the new Government's decision to conduct a fundamental review of the role and status of the School with a view to re-absorbing it into the Cabinet Office and probably transferring some work to the private sector. The existing change and risk management methodologies were used to manage this situation, and proved successful in avoiding serious damage to either delivery or financial control.

Review of Civil Service Training

The review that is covered in the Annual Review has been closely monitored and its potential effects on the School have been reflected in the activities of the Management Board, Senior Leadership Team and Audit and Risk Committee as well as in the Risk Management Framework

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 continue to work closely in the identification and monitoring of information risks 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 and develop the understanding of information-related risk.

The National School has been audited for its compliance to the Security Policy Framework which includes minimum mandatory measures for the handling of information and the processes in place have been classed as providing "substantial assurance" against those measures.

Areas where additional control requirements have been identified are being targeted.

The National School has undertaken work and has 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 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 2010-11 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 an independent non-executive chair. Whilst the 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 2011

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 2011 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, Statement of Comprehensive Net Expenditure and the Statement of Financial Position, the Statement of Cashflows, the Statement of Changes in Taxpayers' Equity 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, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with 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 read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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 31st March 2011 and of its net cash requirement, net resource outturn and net operating cost, 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 Annual Review, Governance, Our people and facilities and Management Commentary sections of the annual report as identified in the contents page 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 and the part of the Remuneration Report to be audited 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 2011

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 2011

Summary of Resource Outturn 2010-11

| | | Estimate | | | Outturn | | | 2010-11 £000 | 2009-10 £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 | 2 | 29,962 | (29,784) | 178 | 23,162 | (23,162) | - | 178 | (885) |
| Total resources | 3 | 29,962 | (29,784) | 178 | 23,162 | (23,162) | - | 178 | (885) |
| 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 2010-11

| | | 2010-11 £000 | | 2009-10 £000 |
|----------------------|------|-----------------|---------|--|
| | | | | Net Total outturn compared with estimate: saving/ (excess) |
| Net cash requirement | Note | Estimate | Outturn | Outturn |
| | 4 | 531 | 0 | 531 |

Summary of the income payable to the Consolidated Fund

| | | 2010-11 £000 | | 2010-11 £000 |
|-------|------|-----------------|----------|-----------------|
| | | Forecast | | Outturn |
| Total | Note | Income | Receipts | Income |
| | 5 | - | - | 1,135 |
| | | | | 421 |

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

The notes on pages 37 to 54 form part of these accounts

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2011

| | | 2010-11 £000 | 2009-10 Restated £000 |
|---|-------------|---------------------|--------------------------|
| | Note | | |
| Administration costs | | | |
| Staff Costs | 9 | 10,956 | 12,087 |
| Other administration costs | 10 | <u>12,027</u> | <u>15,402</u> |
| Gross administration costs | | 22,983 | 27,489 |
| Income | 11 | (23,780) | (29,289) |
| Programme costs | | - | - |
| Net operating cost | 3 | <u><u>(797)</u></u> | <u><u>(1,800)</u></u> |
| Other Comprehensive Expenditure | | | |
| Net gain/(loss) on revaluation of Property, Plant and Equipment | | - | - |
| Net gain/(loss) on revaluation of Intangibles | | - | - |
| Net gain/(loss) on revaluation of available for sales financial assets | | - | - |
| Total Comprehensive Expenditure for the year ended 31 March 2011 | | <u><u>(797)</u></u> | <u><u>(1,800)</u></u> |

All income and expenditure is derived from continuing operations.

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

The notes on pages 37 to 54 form part of these accounts

Statement of Financial Position

as at 31 March 2011

| | | 2010-11 as at 31 March 2011 £000 | 2009-10 Restated as at 31 March 2010 £000 | 2008-09 Restated as at 31 March 2009 £000 |
|---------------------------------|------|--|---|---|
| | Note | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 12 | 16,674 | 16,915 | 16,817 |
| Intangible assets | 13 | 15 | 16 | 33 |
| Total non-current assets | | <u>16,689</u> | <u>16,931</u> | <u>16,850</u> |
| Current assets: | | | | |
| Trade and other receivables | 15 | 1,498 | 5,009 | 5,401 |
| Cash and cash equivalents | 16 | 5,905 | 1,850 | 1,076 |
| Total current assets | | <u>7,403</u> | <u>6,859</u> | <u>6,477</u> |
| Total assets | | <u>24,092</u> | <u>23,790</u> | <u>23,327</u> |
| Current liabilities | | | | |
| Trade and other payables | 18 | (7,264) | (6,668) | (6,845) |
| Assets less liabilities | | <u>16,828</u> | <u>17,122</u> | <u>16,482</u> |
| Taxpayers' equity: | | | | |
| General fund | | 14,687 | 14,979 | 14,342 |
| Revaluation reserve | | 2,141 | 2,143 | 2,140 |
| Total taxpayers' equity | | <u>16,828</u> | <u>17,122</u> | <u>16,482</u> |

Rod Clark
Accounting Officer
National School of Government
5 July 2011

The notes on pages 37 to 54 form part of these accounts

Statement of Cash Flows

for the year ended 31 March 2011

| | Note | 2010-11 | 2009-10 Restated |
|--|------|--------------|------------------|
| | | £000 | £000 |
| Cash flows from operating activities | | | |
| Net operating costs | | 797 | 1,800 |
| Adjustments for non-cash transactions | 10 | 959 | 1,045 |
| (Increase)/Decrease in trade and other receivables | 15 | 3,511 | 392 |
| Increase/(Decrease) in trade and other payables | 18 | 596 | (177) |
| Movement in payables relating to items not passing through the Statement of Comprehensive Net Expenditure | | (138) | (449) |
| Net cash outflow from operating activities | | 5,725 | 2,611 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 12 | (37) | (16) |
| Purchase of intangible assets | 13 | (15) | - |
| Proceeds of disposal of property, plant and equipment | | - | - |
| Proceeds of disposal of intangibles | | - | - |
| Net cash outflow from investing activities | | (52) | (16) |
| Cash flows from financing activities | | | |
| From the Consolidated Fund (Supply) - current year | | 531 | 0 |
| Advances from the Contingencies Fund | | 3,000 | 3,000 |
| Repayments to the Contingencies Fund | | (3,000) | (3,000) |
| Capitalisation of reversionary interest | | (624) | (1,070) |
| Net financing | | (93) | (1,070) |
| Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund | | | |
| | | 5,580 | 1,525 |
| Payments of amounts to Treasury in respect of the Consolidated Fund | | | |
| | | (1,525) | (751) |
| Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund | | | |
| | | 4,055 | 774 |
| Cash and cash equivalents at the beginning of the period | 16 | 1,850 | 1,076 |
| Cash and cash equivalents at the end of the period | 16 | 5,905 | 1,850 |

The notes on pages 37 to 54 form part of these accounts

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2011

| | Note | General Fund | Revaluation Reserve | Total Reserves |
|--|------|---------------|---------------------|----------------|
| | | £000 | £000 | £000 |
| Balance at 31 March 2009 | | 14,342 | 2,140 | 16,482 |
| Changes in accounting policy - cost of capital | | - | - | - |
| Restated balance at 1 April 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 - Auditors' remuneration | 10 | 49 | - | 49 |
| Transfer to General Fund in respect of realised element of Revaluation Reserve | | (11) | 11 | - |
| Net operating cost for the year | | 1,800 | - | 1,800 |
| Total recognised income and expense for 2009-10 | | 1,838 | 3 | 1,841 |
| Net Parliamentary Funding – drawn down | | 325 | - | 325 |
| Year-end adjustment Supply Creditor - current year | | (1,525) | - | (1,525) |
| Balance at 31 March 2010 | | 14,979 | 2,143 | 17,122 |
| Changes in taxpayers' equity for 2010-11 | | | | |
| Relating to disposal of previously revalued assets | | - | (3) | (3) |
| Non-cash charges - Auditors' remuneration | 10 | 46 | - | 46 |
| Transfer to General Fund in respect of realised element of Revaluation Reserve | | - | - | - |
| Net operating cost for the year | | 797 | - | 797 |
| Total recognised income and expense for 2010-11 | | 843 | (3) | 840 |
| CFERs payable to the Consolidated Fund | 5 | (1,135) | - | (1,135) |
| Balance at 31 March 2011 | | 14,687 | 2,141 | 16,828 |

The notes on pages 37 to 54 form part of these accounts

Notes to the Departmental Accounts

1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2010-11 *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.

On 1 April 2011 the activities and functions of the School transferred to the Efficiency and Reform Group within the Cabinet Office. This transfer will be accounted for in accordance with the FReM guidance for Machinery of Government changes. The introduction of the Next Generation HR programme and the establishment of Civil Service Learning will have implications for the School, which could involve closure or the transfer of some or all of the School's activities, although no decision has yet been made. Having considered the circumstances described above and from discussion with the Cabinet Office, management considers it appropriate to continue to adopt the going concern basis in preparing the annual report and accounts.

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 2011. 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 (Note 21)

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 arranging 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 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 Statement of Comprehensive Net Expenditure.

1.9 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.

1.10 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 Statement of Comprehensive Net Expenditure 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 Statement of Comprehensive Net Expenditure on a straight-line basis over the term of the lease.

1.11 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 Statement of Comprehensive Net Expenditure.

1.12 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).

1.13 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.

1.14 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.

1.15 Third party assets

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

1.16 Disclosure of IFRS's in issue not yet effective

The National School has considered, in accordance with IAS 8, whether there have been any changes to accounting policies arising from IFRS and the FReM which have an impact on the current or prior period, or may have an effect on future periods. The School has also reviewed any new or amended standards issued by the IASB but not yet effective, to determine if it needs to make any disclosures in respect of those new IFRS's that are or will be applicable.

The following changes in accounting policy have been applied by the School for the first time in the current period:

IAS 7 Statement of Cash Flows - only expenditure that results in the recognition of an asset can be classified as a cash flow from investing activities;

FReM Chapter 11 Income & Expenditure: Removal of cost of capital charging from accounts – see note 1.17, below.

It has been determined that the following IFRS changes, issued but not yet effective, are relevant to the School but will have no significant impact on the financial statements:

IAS 1 Presentation of Financial Statements – some items of other comprehensive income for respective elements of equity may be presented in the notes rather than in the SOCE itself.

The School has also reviewed the proposed 2011/12 FReM changes and determined that none are anticipated to have a significant impact.

1.17 Prior Period Adjustments

Cost of Capital

In accordance with HM Treasury guidance, the cost of capital charge has been removed from the Accounts. Previously, the notional cost of capital charge had been calculated in the accounts as 3.5% of net asset value. The change has been treated as a prior year adjustment. Per HM Treasury guidance, this has not been reflected in the current year supply figures and outturn as reported in the SOPS; however the impact on the net resource outturn is detailed below.

Deferred income

Adjustment of deferred income made after year-end relating to future years' income.

The effect of both adjustments on the 2009-10 Net Resource Outturn is shown below:

| | 2009-10 |
|-----------------------------------|-----------------------|
| Net Resource Outturn | (885) |
| Removal of cost of capital charge | (577) |
| Adjustment for deferred income | <u>(338)</u> |
| Adjusted Net Resource Outturn | <u>(1,800)</u> |

2. Analysis of net resource outturn by section

2010-11

| | Outturn £000 | | | | | | Estimate £000 | | 2009-10 £000 |
|---|-----------------|---------------|----------|----------------------------|-----------------|-----------|------------------|--|--------------------|
| | Admin | Other current | Grants | Gross resource expenditure | A in A | Net Total | Net Total | Net Total outturn compared with Estimate | Prior-year outturn |
| Request for resources 1: <i>Central Government Spending:</i> | | | | | | | | | |
| National School of Government | 23,162 | - | - | 23,162 | (23,162) | - | 178 | 178 | (885) |
| Resource Outturn | 23,162 | - | - | 23,162 | (23,162) | - | 178 | 178 | (885) |
| Resource Outturn against Resource Departmental Expenditure Limit | 23,162 | - | - | 23,162 | (23,162) | - | 178 | 178 | (885) |

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.

3. Reconciliation of outturn to net operating cost and against Administration Budget**3.1 Reconciliation of net resource outturn to net operating cost**

| | Note | Outturn | 2010-11 £000 Supply Estimate | Outturn compared with Estimate | 2009-10 £000 Outturn |
|----------------------------|------|--------------|------------------------------------|--------------------------------|----------------------------|
| Net Resource Outturn | 2 | - | 178 | 178 | (885) |
| Cost of Capital Adjustment | 1.17 | - | | | (577) |
| Prior Period Adjustment | 1.17 | 338 | | | (338) |
| Non-supply Income (CFERs) | 5 | (1,135) | | | - |
| Non-supply Expenditure | | - | | | - |
| Net Operating Cost | | (797) | | | (1,800) |

3.2 Outturn against final Administration Budget

| | 2010-11 £000 Budget | Outturn | 2009-10 £000 Outturn |
|--|---------------------------|----------|----------------------------|
| Gross Administration Budget | 29,962 | 23,162 | 28,127 |
| Income allowable against the Administration Budget | (29,784) | (23,162) | (29,012) |
| Net outturn against final Administration Budget | 178 | - | (885) |

4. Reconciliation of net resource outturn to cash requirement

| | Note | Estimate | Outturn | Net total outturn compared with Estimate: saving/(excess) |
|---|-------------|-----------------|----------------|--|
| | | £000 | £000 | £000 |
| Resource Outturn | 2 | 178 | - | 178 |
| Capital: | | | | |
| Acquisition of property, plant and equipment | 12,13 | - | 52 | (52) |
| Capitalisation of reversionary interest | | 1,070 | 624 | 446 |
| <i>Non-operating A in A:</i> | | | | |
| Proceeds of disposals of property, plant and equipment | 7 | - | - | - |
| <i>Accruals adjustments:</i> | | | | |
| Non-cash items | 10 | (717) | (959) | 242 |
| Movement in trade receivables and payables relating to items not passing through the Statement of Comprehensive Net Expenditure | | - | (138) | 138 |
| <i>Excess cash receipts surrenderable to the Consolidated Fund</i> | 5 | - | 421 | (421) |
| <i>Net cash requirement</i> | | 531 | 0 | 531 |

The National School of Government required £0.531 million less than the sum approved by Parliament due to the movement to reduce administration spend and therefore generating a surplus 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.

5. Analysis of income payable to the Consolidated Fund

| | Note | Forecast 2010-11 | | Outturn 2010-11 | |
|--|------|------------------|----------|-----------------|------------|
| | | 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 | 4 | - | - | 1,135 | 421 |
| Total income payable to the Consolidated Fund | | - | - | 1,135 | 421 |

6. Reconciliation of income recorded within the Statement of Comprehensive Net Expenditure to operating income payable to the Consolidated Fund

| | Note | 2010-11 £000 | 2009-10 £000 |
|---|------|-----------------|-----------------|
| Operating income | 11 | 23,780 | 28,951 |
| Netted off in Statement: of Comprehensive Net Expenditure Seconded staff | 9 | 179 | 61 |
| Gross income | | 23,959 | 29,012 |
| Income authorised to be appropriated-in-aid | | (23,162) | (29,012) |
| Operating income payable to the Consolidated Fund | 5 | 797 | - |

7. Non-operating income – Excess A in Aid

| | 2010-11 £000 | 2009-10 £000 |
|---|-----------------|-----------------|
| Proceeds on disposal of fixed assets | - | - |
| Other | - | - |
| Non-operating income - excess A in A | - | - |

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

| | Income £000 | Receipts £000 |
|--------------|----------------|------------------|
| Total | - | - |

9. Staff numbers and related costs

| | Total | 2010-11 £000 Permanently employed staff | Others | 2009-10 £000 |
|---|---------------|--|------------|-----------------|
| Wages and salaries | 8,225 | 8,225 | - | 8,937 |
| Social Security costs | 695 | 695 | - | 741 |
| Other pension costs | 1,614 | 1,614 | - | 1,720 |
| Temporary staff agency fees | 309 | - | 309 | 450 |
| | 10,843 | 10,534 | 309 | 11,848 |
| Inward Secondments | 277 | 277 | - | 274 |
| Increase/(decrease) in untaken annual leave | 15 | 15 | - | 26 |
| Total | 11,135 | 10,825 | 309 | 12,148 |
| Less recoveries in respect of outward secondments | (179) | (179) | - | (61) |
| Total net costs | 10,956 | 10,646 | 309 | 12,087 |

During the year, costs of £1,613,559 were incurred in respect of pensions (2009-10: £1,719,872).

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 accounts of the Cabinet Office: Civil Superannuation (www.civilservicepensions.gov.uk).

For 2010-11, employers' contributions of £1,587,204 were payable to the PCSPS (2009-10: £1,688,551) 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 2009-10 were between 16.7 per cent and 24.3 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 2010-11 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 £16,288 (2009-10: £29,553) 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 £995 (2009-10: £1,769), 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:

| | 2010-11 | | | 2009-10 |
|-------------|---------|----------------------------|--------|---------|
| | Total | Permanently employed staff | Others | |
| Objective 1 | 215 | 192 | 23 | 240 |

10. Other Administration Costs

| | Note | 2010-11 £000 | 2009-10 £000 |
|---|------|-----------------|-----------------|
| Rentals under operating leases: | | | |
| Hire of plant and machinery | | 226 | 309 |
| Land and buildings | | 1,182 | 1,236 |
| | | | 1,408 |
| PFI service charges | 20 | | 2,267 |
| | | | 1,950 |
| Non-cash items: | | | |
| Depreciation | 12 | 898 | 979 |
| Amortisation | 13 | 15 | 16 |
| Loss on disposal of property, plant and equipment | | - | 2 |
| Auditors' remuneration* | | 46 | 49 |
| | | | 959 |
| | | | 4,634 |
| Other expenditure: | | | |
| Staff travel, subsistence and hospitality | | 394 | 573 |
| Other staff related costs | | 96 | 174 |
| External lecturer fees and contracted out courses | | 3,726 | 6,293 |
| Supplies and services | | 1,791 | 2,565 |
| Accommodation and utilities | | 1,386 | 1,257 |
| | | | 7,393 |
| Total | | 12,027 | 15,402 |

* There was no other non-audit work undertaken in 2010-11; and in 2009-10 the audit fee included the IFRS restatement work.

11. Income

| | 2010-11 | 2009-10 |
|------------------------------------|----------------|-----------------|
| | Total | Restated |
| | £000 | £000 |
| RfR1 | | |
| Administration income | | |
| Training, seminars and consultancy | 23,760 | 29,246 |
| Investment funding | - | - |
| Other operating income | 20 | 43 |
| | 23,780 | 29,289 |

12. Property, plant and equipment

| | Computer Systems | Furniture & Fittings | Plant & Machinery | Dwellings | Land and Buildings excluding Dwellings | Total |
|-------------------------|---------------------|-------------------------|----------------------|------------|---|---------------|
| | £000 | | | | | |
| Valuation | | | | | | |
| At 1 April 2010 | 1,567 | 357 | 413 | 312 | 22,376 | 25,025 |
| Additions | 37 | - | - | - | 624 | 661 |
| Disposals | (261) | (8) | (12) | - | - | (281) |
| Surplus on Revaluations | (3) | - | (8) | - | - | (11) |
| At 31 March 2011 | 1,339 | 348 | 394 | 312 | 23,000 | 25,394 |
| Depreciation | | | | | | |
| At 1 April 2010 | 1,436 | 234 | 413 | 36 | 5,991 | 8,110 |
| during year | 90 | 20 | - | 5 | 783 | 898 |
| Disposals | (261) | (8) | (12) | - | - | (281) |
| Revaluation | (1) | 1 | (8) | - | - | (8) |
| At 31 March 2011 | 1,264 | 246 | 393 | 41 | 6,774 | 8,718 |

Analysis of property, plant and equipment

| | | | | | | |
|--|------------|------------|----------|------------|---------------|---------------|
| Net book value at 31 March 2011 | 75 | 102 | - | 271 | 16,226 | 16,674 |
| Net book value at 31 March 2010 | 131 | 123 | - | 276 | 16,385 | 16,915 |

Asset financing:

| | | | | | | |
|--|-----------|------------|----------|------------|---------------|---------------|
| Owned | 75 | 102 | - | - | - | 177 |
| PFI finance leased | - | - | - | - | 4,389 | 4,389 |
| PFI contract assets | - | - | - | 271 | 1,919 | 2,190 |
| PFI residual interests | - | - | - | - | 9,918 | 9,918 |
| Net book value at 31 March 2011 | 75 | 102 | - | 271 | 16,226 | 16,674 |

13. Intangible assets

Intangible assets comprise purchased software licences.

| | Total £000 |
|--|-----------------------|
| Valuation | |
| At 1 April 2010 | 167 |
| Additions | 15 |
| Disposals | (44) |
| Surplus on Revaluations | - |
| At 31 March 2011 | <u>138</u> |
| Amortisation | |
| At 1 April 2010 | 151 |
| Charged in year | 15 |
| Disposals | (44) |
| Revaluation | - |
| At 31 March 2011 | <u>123</u> |
| Analysis of intangible assets | |
| Net book value at 31 March 2011 | <u>15</u> |
| Net book value at 31 March 2010 | <u>16</u> |
| | 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> |
| Analysis of intangible assets | |
| Net book value at 31 March 2010 | <u>16</u> |
| Net book value at 31 March 2009 | <u>32</u> |

14. 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, therefore exposure to interest rate risk is minimal. 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. Although the School does provide some training to overseas organisations, income and expenditure relating to the School's activities are largely sterling dominated and hence exposure to exchange rate volatility is minimal.

15. Trade receivables and other current assets

15.1 Analysis by type

| | 2010-11 £000 | 2009-10 £000 |
|--|-----------------|-----------------|
| Amounts falling due within one year | | |
| Trade receivables | 886 | 4,809 |
| Prepayments and Accrued Income | 598 | 137 |
| VAT on trade receivables | 14 | 63 |
| | <u>1,498</u> | <u>5,009</u> |

15.2 Intra-Government Balances

| | 2010-11 £000 | | 2009-10 £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 |
| Balances with other central government bodies | 689 | - | 4,119 | - |
| Balances with local authorities | 41 | - | 52 | - |
| Balances with NHS Trusts | 38 | - | 57 | - |
| Balances with public corporations and trading funds | 46 | - | 54 | - |
| <i>Subtotal: Intra-governmental Balances</i> | <u>814</u> | <u>-</u> | <u>4,282</u> | <u>-</u> |
| Balances with bodies external to government | 684 | - | 727 | - |
| At 31 March | <u>1,498</u> | <u>-</u> | <u>5,009</u> | <u>-</u> |

16. Cash and cash equivalents

| | 2010-11 £000 | 2009-10 £000 |
|---|-----------------|-----------------|
| Balance at 1 April | 1,850 | 1,076 |
| Net change in cash and cash equivalent balances | 4,055 | 774 |
| Balance at 31 March | 5,905 | 1,850 |

The following balances at 31 March are held at:

| | | |
|--------------------------------|--------------|--------------|
| Office of HM Paymaster General | 5,900 | 1,846 |
| Cash in hand | 5 | 4 |
| Balance at 31 March | 5,905 | 1,850 |

17. Reconciliation of Net Cash Requirement to increase/(decrease) in cash

| | 2010-11 £000 | 2009-10 £000 |
|---|-----------------|-----------------|
| Net Cash Requirement | - | (325) |
| From the Consolidated Fund Supply – current year | 531 | - |
| Amounts due to the Consolidated Fund received in a prior year and paid over | 1,525 | 1,076 |
| Amounts due to the Consolidated Fund – received and not paid over | 1,999 | - |
| Increase/(decrease) in cash | 4,055 | 751 |

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

| | 2010-11 £000 | 2009-10 Restated £000 |
|--|-----------------|--------------------------|
| Amounts falling due within one year | | |
| VAT | 25 | 79 |
| Other Taxation and Social Security | 208 | 232 |
| Trade payables | 1,023 | 813 |
| Other payables | 586 | 578 |
| Accruals and Deferred Income | 3,647 | 3,339 |
| Credit Notes | 108 | 102 |
| Amounts issued from the Consolidated Fund for supply but not spent at year end | 531 | - |
| CFERs due to be paid to the Consolidated Fund | 1,135 | 1,525 |
| | 7,264 | 6,668 |

18.2 Intra-Government Balances

| | 2010-11 | | 2009-10 Restated | |
|---|-------------------------------------|--|-------------------------------------|--|
| | £000 | | £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 |
| Balances with other central government bodies | 5,486 | - | 5,058 | - |
| Balances with local authorities | 24 | - | 123 | - |
| Balances with NHS Trusts | 28 | - | 38 | - |
| Balances with public corporations and trading funds | 36 | - | 44 | - |
| <i>Subtotal: Intra-governmental Balances</i> | <u>5,574</u> | - | <u>5,263</u> | - |
| Balances with bodies external to government | 1,690 | - | 1,405 | - |
| At 31 March | <u>7,264</u> | - | <u>6,668</u> | - |

19. Capital commitments

| | 2010-11 | 2009-10 |
|--|---------|---------|
| | £000 | £000 |
| Contracted capital commitments at 31 March 2011 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.

Obligations under operating leases for the following periods comprise:

| | 2010-11 | 2009-10 Restated |
|---|--------------|------------------|
| | £000 | £000 |
| Land | | |
| Not later than one year | - | - |
| Later than one year and not later than five years | - | - |
| Later than five years | - | - |
| | <u>-</u> | <u>-</u> |
| Buildings | | |
| Not later than one year | 1,155 | 1,116 |
| Later than one year and not later than five years | - | 277 |
| Later than five years | - | - |
| | <u>1,155</u> | <u>1,393</u> |
| Other | | |
| Not later than one year | 165 | 159 |
| Later than one year and not later than five years | 221 | 371 |
| Later than five years | - | - |
| | <u>385</u> | <u>530</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 £2.189 million (2009-10: £2.246 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 2011 is £4.389 million (2009-10: £5.121 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 2011 is £9.918 million (2009-10: £9.294 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 2011 is reflected in the combined carrying value of the deferred asset and reversionary interest of £14.307 million (2009-10: £14.415 million).

Combined value

The combined carrying value of the office buildings and training facilities disclosed at Note 12 is £16.496 million (2009-10: £16.661 million). This is the sum of the Dwellings balance and Land and Buildings balance in note 12.

Charge to the Statement of Comprehensive Net Expenditure and future commitments

The total amount charged in the Statement of Comprehensive Net Expenditure in respect of PFI transactions was £2,266,549 (2009-10: £1,950,181) as disclosed at Note 10 Other Administration Costs. The payments to which the Department was committed during 2010-11, analysed by the period during which the commitment expires, are as follows:

| | 2010-11 | 2009-10 Restated |
|------------------------------|---------------|---------------------|
| | £000 | £000 |
| Expiry within one year | - | - |
| Expiry within 2 to 5 years | - | - |
| Expiry within 6 to 10 years | 15,485 | 17,308 |
| Expiry within 11 to 15 years | - | - |
| Expiry within 16 to 20 years | - | - |
| Expiry within 21 to 25 years | - | - |
| Expiry within 26 to 30 years | - | - |
| | 15,485 | 17,308 |

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 2011.

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 2011.

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

| | | 2010-11 | |
|----------|---|-------------|--------------|
| | | 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 | 2 | 2,745 |
| | TOTAL LOSSES FOR THE NATIONAL SCHOOL | 2 | 2,745 |

25(b) Special Payments

| | | | |
|----------|---|----------|--------------|
| E | SPECIAL PAYMENTS | | |
| Ei | Extra contractual and ex-gratia payments to contractors | 0 | 0 |
| Eii | Other ex-gratia payments | 0 | 0 |
| Eiii | Compensation payments | 0 | 0 |
| Eiv | Extra Statutory payments | 0 | 0 |
| | TOTAL | 0 | 0 |
| | TOTAL LOSSES AND SPECIAL PAYMENTS | 2 | 2,745 |

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 2010-11 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 2010-11 were Ministry of Defence, Home Office and Department for Work and Pensions.

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.

Two non-executive members of the Board (Sir David Pepper and Lord Victor Adebawale) received payments in respect of other work for the School. These payments are detailed in the Remuneration Report.

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

On 1 April 2011 the activities and functions of the School transferred to the Efficiency and Reform Group within the Cabinet Office. This transfer will be accounted for in accordance with the FreM guidance for Machinery of Government changes. The introduction of the Next Generation HR programme and the establishment of Civil Service Learning will have implications for the School, which could involve closure or the transfer of some or all of the School's activities, although no decision has yet been made.

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 7 July 2011.



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