

# **National School of Government**

## **Annual Report and Resource Accounts 2007-08**

**(For the year ended 31 March 2008)**

*Ordered by the House of Commons to be printed 30 June 2008*

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ISBN 978 0 10 295641 2

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## **Annual Report**

### **The National School of Government**

#### **Scope**

The Annual Report and Resource Accounts present the results for the financial year 2007-08 of the National School of Government.

*Robin Ryde*

24 June 2008

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

## **Foreword**

I am pleased to be able to lay the 2007-08 Annual Report and Resource Accounts for the National School of Government before the Westminster Parliament, the Scottish Government, the National Assembly for Wales and the Northern Ireland Assembly.

This Report is the second to be published by the National School as a department and the first to cover a full financial year after separation from the Cabinet Office in January 2007. The Report reflects the Department's continuing progress in transforming the way it supports individual and organisational development to build capability across the public service in the way strategies and policies are developed and implemented to improve the way services are delivered to our citizens.

**Tom Watson MP**  
**Parliamentary Secretary, Cabinet Office**



## Chairman's Introduction

This has been an important year of consolidation for the National School, during which I and my colleagues on the Steering Board have overseen its continued transformation, whilst achieving its overall financial target.

Building on the developments of the previous year, the emphasis in the delivery of programmes and courses has continued to shift from supporting the personally driven learning and development needs of individuals to those that are fully aligned to the objectives of the organisations they work for, thus helping to ensure that the National School is playing an important role in support of improving the delivery of public services. But the National School is about much more than delivering courses.

There have been a number of notable events and successes during the year. Some particular highlights have included:

- the publication of a report on the Prime Minister's Public Service Reform Conference that took place at the end of March 2007, organised and run in conjunction with Cabinet Office with support from Ernst and Young;
- the development of the Virtual School (e-learning and communities of practice sites) which I was delighted to launch in October 2007;
- a major conference on innovation in the public sector involving the Minister for the Cabinet Office, Rt Hon Ed Miliband MP and Cabinet Secretary, Sir Gus O'Donnell amongst others; and
- the evaluation of the Capability Review programme by the National School's Sunningdale Institute leading to the report entitled 'Take off or Tail Off?' published in November 2007.
- At the beginning of April 2008, the National School, in partnership with Cabinet Office and Dods, organised and ran *Civil Service LIVE*, the first event of its kind and with almost 6000 delegates, the largest ever gathering of civil servants. The aim was to inspire innovation and encourage the sharing of best practice. It was part of an ongoing programme led by the Cabinet Secretary to ensure the Civil Service has the capability to meet the challenges of tomorrow.

The department also saw a change of leadership during the year with David Spencer's departure at the end of November 2007. On behalf of my colleagues on the Steering Board I record our thanks for the progress David led in developing and implementing a new strategy for the National School, and pay tribute to the way Robin Ryde has carried the baton since then.

On 18 June, we announced the appointment of a new Chief Executive, Rod Clark, who will take up the post at the end of August. I look forward to working with him in meeting the National School's objectives and challenges over the year ahead.

**Sir Brian Bender KCB**  
**Chairman**  
**National School of Government Steering Board**

## Chief Executive's Introduction

The National School enjoys the heritage of being the largest and longest-established public sector academy in the UK with almost 40 years experience of providing high quality development within the civil service. New challenges require fresh solutions, however, and in recent years the School has aligned itself much more closely with the public service reform agenda, whilst strengthening its own capacity and drawing upon the best thinking and practice that the world of public administration has to offer.

Over this last year the National School has continued to raise its profile and its impact across the wider public service. Through innovative approaches to development and capability-building, we have tackled head-on many of the challenges facing public servants of today; from citizen-centric services to climate change and from front-line innovation to corporate leadership. Many of these challenges are cross-cutting and this has signalled the need for us to work across the civil and public service and all the institutions involved in the chain of delivery.

The National School's proposition has changed correspondingly. Building on the heritage of high quality training, we have increased our offer of consultancy, strategy development, tools and diagnostics, research, Leadership Assurance & Benchmarking, e-learning and other styles of intervention that meet the needs of our clients. While a half of our 30,000 customers attended traditional open training programmes at the Sunningdale campus, the remainder have enjoyed on-site and highly bespoke solutions. This broader and more flexible proposition coupled with a highly client-centric offer characterises the new look and shape of the National School of Government.

At the end of a very busy year, it is gratifying that the National School continues to be a powerful force for transformation and capability-building for the public service with a strong reputation internationally. I hope you enjoy reading in this report the changes that have occurred and the impact the School has had.

**Robin Ryde**  
**Principal and Chief Executive**  
**National School of Government**

## The Annual Review

The National School of Government is a force for new thinking and innovative approaches to learning and development. It is uniquely positioned within government to provide practical help to the people and organisations delivering and transforming public services through its training programmes, research, consultancy, evaluation, toolkits, events and tailored services.

## Looking back...

Since its launch in June 2005 and subsequent separation from the Cabinet Office and change of status to a department, the organisational priority for the National School has been capacity-building. The £11.8m investment funding from departments over the 3 years ending on 31 March 2008 has appropriately been focused on:

- Developing the existing faculty
- Refreshing the associate faculty
- Establishing partnerships with some of the best universities and business schools and consultancies
- Working with other UK public sector academies
- Building the School's reputation internationally

## Relationship Management

The investment funding has allowed for the development of a strategic relationship management (SRM) capability to improve the National School's engagement with its departmental clients and the setting up of a Client Relationship Management (CRM) system to better capture and use information about client requirements.

## Leadership Development

The National School's contribution to leadership development has greatly benefited from the investment, enabling the development of its suite of corporate leadership development programmes such as *SCS Base Camp* for those new to the SCS and *Leaders UnLtd* aimed at developing the future SCS leadership talent from underrepresented groups. *Leadership across Borders* is another example of the new leadership programme for high potential leaders from the UK, Canada, Australia and New Zealand.

## Intellectual Capability – the National School's Sunningdale Institute

The creation of the Sunningdale Institute, with its unique network of leading academics and public sector leaders from the UK and abroad, has enabled the National School to break new ground in relation to thought leadership. The Institute offers knowledge exchange, consultancy, and learning and development for senior public servants. Fellows are brought together from their respective institutions to 'play for the National team' and give briefings, lead research projects, participate in high-level consultancy interventions and facilitate dialogue on particular topics of importance to Government. We have seen its value in their work on Capability Reviews.

## Development of the Virtual School

The development of the new Virtual School, a web-based resource comprising of e-learning packages, materials, online networking and other services would simply not have been possible without the funding from departments. *Government Select* gives access to hundreds of materials. *Understanding the Civil Service* offers a comprehensive online induction programme, and *Finance for All* is a free foundation level package on the core skill of financial management. You can access the link at [www.nationalschool.gov.uk](http://www.nationalschool.gov.uk).

## Raising the Profile

### *...at Home*

Major events such as the Public Sector Reform conferences in 2006 and 2007 which enjoyed the support of both the current and former Prime Minister have done much to build both the reputation and the profile of the National School.

### *...and Away*

Internationally, the demand for a contribution from the National School is increasing. In addition to continuing work in support of transition countries in Central and Eastern Europe, and the former Soviet Union; in Developing countries in Africa, Asia and the Caribbean; in post conflict countries such as the Balkans, Afghanistan, Sierra Leone and Iraq; over the past year the National School has developed strategic partnerships with the emerging democracies in the Gulf States of Abu Dhabi and Bahrain.

## Headline Performance 2007-08

During the 2007-08 financial year, the National School met three key targets:

- to keep within the Parliamentary Estimate;
- achieved the Gershon headcount reduction (22% reduction compared to the 1 April 2004 baseline); and
- exceeded a Gershon related financial efficiency target (£2.630m against a target of £2.5m).

93% of participants attending National School programmes evaluated the events as being either effective or highly effective in meeting their learning aims and objectives (i.e. box 1 or 2 on a 6 box scale, where 1 is high).

## Looking Ahead...

The process of transformation needs to continue beyond the investment funding and this has been reinforced by the Cabinet Secretary, Sir Gus O'Donnell's vision for the National School, the central tenets of which are being grasped by the organisation and driven through as part of the strategy:

### Sir Gus O'Donnell's Vision

- High quality operation
- First port of call for corporate leadership development
- Advancing the strategic priorities of government
- Working across the wider public service
- Creating new thinking e.g. through the Sunningdale Institute
- An increasing international reputation

## Continued Transformation

Underpinning this, the National School's emphasis will continue to shift:

- from purely volume training to activities higher up the value chain e.g. working with the client on developing strategy and commissioning services as well as delivering them
- from individual development on advertised programmed courses to the provision of tailored development and consultancy to organisational clients (inherent in this is an increase in the proportion of National School delivery that constitutes non-residential training)
- from generic programmes to corporate programmes and programmes contextualised and aligned to the priorities of government

## Priorities

The National School will continue to support:

- Professional Skills for Government (Phase II) – a skills framework
- Performance Management
- From policy through to delivery
- Transformational/Strategic HR

New priorities identified will include:

- Departmental Capability Reviews
- Cross-Cutting Public Service Agreements
- Organisational Leadership and Governance
- Employee Engagement
- Service Transformation – Focus on the Customer

The National School is becoming a different organisation and we need to continue to challenge any misconception that we are 'just another provider' and positioned alongside other purely commercial market providers when we should be seen as a corporate resource that has unmatched contextual understanding of the Civil Service and one that acts in the common good. In keeping with this, the National School has agreed a memorandum of understanding with the Office of Government Commerce which articulates this more clearly to departments.

We also need to continue to work hard to challenge the idea that the NSG simply an organisation that provides training courses alone. Sir Gus O'Donnell made it clear that he wanted the National School to be 'unlike the old Civil Service College'. Training will continue to be a fundamental part of what we do, but increasingly working with our associates and strategic partners we carry out consultancy assignments in the UK and internationally, undertake research, conduct evaluations (for example through the Sunningdale Institute), publish best practice, design toolkits (for example on Board Effectiveness), and run senior networks.

NSG is working hard to develop its strategic relationships with the Civil Service Capabilities Group (CSCG), Government Skills and the Office of Government Commerce (OGC). Greater clarity as to how these different agencies work together coherently to support the corporate development agenda is a priority for 2008-09.

## Understanding the Requirement

The National School has a unique position within government and we need to make the most of this to ensure that we understand the Capability Requirements of stakeholders and clients. We currently will do this in a number of ways.

- The National School's Steering Board
- Strategic relationships with both Civil Service Capabilities Group (CSCG) and Government Skills
- Capability Reviews
- Communities of Practice
- Strategic Relationship Management framework

To further advance the National School's engagement with departments, a new Civil Service Stakeholder Engagement Group comprised of representatives from the Civil Service Capabilities Group, Government Skills and HR/OD Directors is being established. The role of the group will be:

- To support the National School in the implementation of its new strategy
- To help define and understand common skills requirements across the Civil Service and consider strategies for addressing them
- To develop and test new ideas related to emerging Civil Service priorities

- To identify specific areas where the School can add most value in terms of development, consultancy and research
- To drive forward innovations in the field of learning and development
- To help articulate the changing role of the National School

## Operating Framework

Within the context of achieving a break even position at the end of the financial year, the key elements of the financial plan are:

- activities are clearly aligned to the Cabinet Secretary's vision for the National School and include support to the achievement of the Government's Public Service Agreement objectives;
- With no further investment funding from departments, the plan includes stretching but realistic income targets;
- Key activities previously funded from Investment Funding are retained. These include the Strategic Relationship Management function, the Sunningdale Institute and the Virtual School (e-Learning);
- Arrangements with departments for funding participation in mandated corporate leadership development programmes;
- Building an increased level of thought leadership activity and research (i.e. through Sunningdale Institute commissions, producing publications and developing new services) adding to revenue generation;
- Continuing to build on the School's strong international reputation, in particular in alignment with Department for International Development and Foreign and Commonwealth Office objectives.
- It does not assume any carry forward of a surplus from 2007-08; and
- Costs will continue to be managed carefully to ensure they remain in line with revenue across the year as a whole.

Planned operating income in 2008-09 is a 19% increase from the 2007/08 outturn.

## Governance

### *Ministerial accountability*

Although the National School is 'non-ministerial' in the sense that the Minister does not normally need to become involved in the day-to-day management of the National School, the Minister for the Cabinet Office is accountable to Parliament for the Department. During 2007-08, the Minister for the Cabinet Office was:

Rt Hon. Hilary Armstrong, MP between 1 April and 27 June 2007;  
Rt Hon. Ed Miliband, MP from 28 June 2007 to date.

### *Role and Membership of the National School of Government Steering Board*

During 2007-08, the Board set up by the Cabinet Secretary to oversee the work of the National School formally adopted terms of reference that underpinned its role as a Steering Board. The membership of the Steering Board is:

Sir Brian Bender (Chair)	Permanent Secretary, Department for Business, Enterprise and Regulatory Reform
Helen Ghosh	Permanent Secretary, Department for Environment, Food and Rural Affairs
Peter Housden	Permanent Secretary, Department for Communities and Local Government
Sir Ian Andrews	Second Permanent Secretary, Ministry of Defence
Sir John Elvidge	Permanent Secretary, Scottish Executive

Dame Sue Street	Strategic Adviser to Deloitte
Jocelyne Bourgon	President Emeritus, Canada School of Public Service
Professor Gillian Stamp	Director, Brunel Institute of Organisation and Social Studies BLOSS
Sir John Harman	Chairman of the Environment Agency and of the Warwick University Institute of Governance and Public Management
Lord Victor Adebawale	Chief Executive, Turning Point
Gill Rider	Director General, Civil Service Capability Group, Cabinet Office
David Spencer	Principal and Chief Executive, National School of Government (to 30 November 2007)
Robin Ryde	Principal and Chief Executive, National School of Government (from 1 December 2007)

The Steering Board's terms of reference are:

To provide support, stretch and challenge to the Head of Department and the Departmental Management Board on the effective management of the Department;

To ensure the National School's alignment with the needs and expectations of the Permanent Secretaries' Management Group (PSMG) and Civil Service Steering Board (CSSB), whilst also bringing some level of appropriate challenge to the Group.

The role of the Board includes:

- developing the strategic direction of the National School, including making proposals to PSMG/CSSB where appropriate, with particular regard to its strategy in relation to the wider public service and in enhancing the effective delivery of public services;
- by acting as champions, contributing to the enhancement of the National School brand and reputation;
- positioning the National School as the provider of choice for the Civil Service rather than simply another provider of development services; and,
- Advising the Department on matters of finance and performance.

#### *Corporate Management Arrangements*

In line with the corporate governance requirements for central government departments an Executive Management Board (EMB) has been set up and progress has been made towards filling the three non-executive positions. (Mr Alex Jablonowski has been appointed as a non executive member of the Board and chair of the Audit and Risk Committee although he did not formally take up the appointment until 1 May 2008.)

Membership of the National School of Government Executive Management Board during 2007-08

David Spencer (Chair)	Principal and Chief Executive (to 30 November 2007)
Robin Ryde (Chair)	Principal and Chief Executive (from 1 December 2007)
Elaine Lorimer	Head of Operations and Corporate Services



Bob MacLennan	Head of Strategy, Governance and External Relations
Professor Sue Richards	Head of Strategic Capability
Vacant Non executive	(chair of the Audit and Risk Committee)
Vacant Non executive	
Vacant Non executive	

**Co-opted member**

Mike Timmis	Head of Finance
-------------	-----------------

**Secretariat**

Mike Pearce	Secretary of the Board
Jonathan Keeling	Secretariat

An Audit and Risk Committee (ARC) is being established under the chairmanship of Alex Jablonowski. A Remuneration Committee will be established chaired by a non executive member when appointed.

Pending the appointment of the non executive members and the full operation of the EMB, the senior management team during 2007-08 was the Executive Committee (ExCom), which met at least monthly. Membership of ExCom is set out below.

Membership of the National School of Government Executive Committee:

David Spencer	(Chair) Principal and Chief Executive (to 30 November 2007)
Robin Ryde	Head of Strategic Leadership (until 31 October 2007) and then (Chair) Principal and Chief Executive (from 1 December 2007)
Eleanor Goodison	Head of Professions Development
Jane Grant	Head of Individual Development
Elaine Lorimer	Head of Operations and Corporate Services
Bob MacLennan	Head of Strategy, Governance and External Relations
Professor Sue Richards	Head of Strategic Capability
David Sweeney	Head of Strategic Leadership (from 1 November 2007)
Mike Timmis	Head of Finance
Janet Waters	Head of Organisational Capability
<b>Secretariat</b>	
Rob Reynolds	Head of Marketing and Communications
Mike Pearce	Secretary of the Committee
Jonathan Keeling	Secretariat



## Our People and Facilities

### People

2007-08 is the first full year that the School has functioned as a non ministerial department.

On separation from the Cabinet Office, the School inherited a Gershon headcount and efficiency target of 51 FTE and £2.63million associated savings. This was an extremely challenging target to meet given the funding model of the School which relies on income generation to cover our costs.

Action was taken to control any recruitment, with decisions being made on a post by post basis and priority being given to staff who were business critical. In addition a review was undertaken of our support staffing and a new structure implemented to ensure efficient working across teams.

Using our autonomy as a new department, we entered into consultations with the Public and Commercial Services union to establish a partnership agreement which it is hoped will pave the way for a positive relationship and will provide the basis for working together as we move forward to establish policies which are relevant for the School.

Encouraging a sensible balance between work and life is important to the School and so we continue to offer our staff opportunities for flexible working and now 28% are on some form of flexible arrangement. In addition in February we organised a successful health and wellbeing event where staff were given the opportunity to find out more about maintaining a healthy lifestyle.

Our diverse workforce represents the demographics of the areas in which our Department is based.

Staff numbers by grade:

Band	Numbers
SCS 2	1
SCS 1	12
A	85
B2	23
B1	52
C	75

Staff numbers by gender:

Gender	Numbers
Males	92
Females	156

Staff numbers by working pattern:

Working pattern	Numbers
Full Time	179
Part Time	59
Flexible Working Pattern	10

Staff numbers by ethnic origin:

Ethnic Origin	Numbers
White	193
Non-White	13
Not Known	42

We have 3% of staff who have a self declared disability under the terms of the Disability Discrimination Act.

The National School of Government is entirely committed to the core principles of fair and open competition for recruitment and selection on merit as laid down by the Civil Service Commissioners. Our systems ensure that we deliver to this exacting standard and they are all subject to audit.

The number of schemes involving external recruitment during 2007-08:

Grade	No of schemes	Numbers Applying			Numbers Successful		
		Total	Males	Females	Total	Males	Females
SCS 3	1	TBC	TBC	TBC	TBC	TBC	TBC
SCS 2	0	0	0	0	0	0	0
SCS 1	0	0	0	0	0	0	0
A	6	111	66	45	4* (waiting to appoint from 2 of the external exercises)	1	3
B2	0	0	0	0	0	0	0
B1	1	2	1	1	1	1	0
C	0	0	0	0	0	0	0

The Principal and Chief Executive, David Spencer departed the organisation in November 2007 and Robin Ryde, who was the Head of the Centre for Strategic Leadership, was promoted on a temporary basis to the position. The recruitment process for a substantive replacement was commenced in March, following the post being upgraded to Director General level, to reflect the importance of the role within the civil service.

#### *Sick Absence Data*

In common with other government departments the National School of Government has signed up to a range of measures agreed by the Civil Service Management Board to assist in tackling absence management. This is the first of the quarterly reports, which provides a brief commentary on the National School of Government results for the period ending 31 December 2007.

Days lost (short term)	Days lost (long term)	Total days lost (12 month period)	Total Staff years	AWDL	Total Staff employed in period (headcount)	Total staff employed in period with no absence (headcount)	% staff with no sick leave
677	1061	1738	232	7.5	277	60	22%

#### *Personal Data*

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

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

The National School has reported no protected personal data related incident to the Information Commissioner's Office in 2007-08; has no other protected personal data related incidents in 2007-08 to report and has had no protected personal data related incidents to report since 2004.

The National School commenced an information assurance project in March 2008 which will give rise to new policies and procedures in 2008 for managing protected personal data.

#### *Investors in People*

Following re accreditation last year, the School has continued this year to place a high level of importance in developing and training our staff.

### *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 Admiralty Arch and 1 Horse Guards, London and at Edinburgh. The School was asked to move out of most of its accommodation at Admiralty Arch by the Cabinet Office and so moved to the Treasury building at 1 Horse Guards in September. The School started preparatory work for exploring options for rationalising accommodation in London with a view to coming up with a solution that pulls together our London presence in one building.

The site at Sunningdale is leased under a 30 year public private partnership arrangement that has been in place since 2002. The arrangement provides flexibility in the School's use of the site and provides that private sector partner with the freedom to fill spare capacity. In 2007-08 De Vere Venues continued to invest in the site, with two bedroom blocks being refurbished and the main restaurant being completely refurbished and re-launched as 'Steam, Bake and Grill'.

Quality of experience of our 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.

<b>Student Numbers at Sunningdale:</b>	<b>7,985</b>
<b>Facilities quality score:</b>	<b>90%</b>

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

<b>Student numbers for Belgrave Road:</b>	<b>5,665</b>
<b>Facilities quality score:</b>	<b>90%</b>

### *Sustainability*

In addition to reviewing our operations at Sunningdale with De Vere to reduce environmental impact, a Green Group has also been set up by staff within the School. The Green Group has been endorsed by senior management team and has been tasked with producing a draft Sustainable Development Action Plan for the Department. In addition, the Green Group has led initiatives to reduce the amount of energy consumption on site, with campaigns on switching off lighting, pc monitors and photocopiers when not in use being well supported by our staff.

### **Pensions**

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

### **Public interest**

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

**Policy on payment of suppliers**

The National School is committed to the Better Payment Practice Code on prompt payment and aims to pay all undisputed invoices within the terms of the contract, usually 30 days of receipt of a valid invoice. During the year the Department paid 94.1% of invoices within 30 days (2006-07: 97.3%). The Department paid £nil (2006-07: £nil) interest charges levied on late payment of invoices for the year ended 31 March 2008.

**Basis of accounts**

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

**Auditors**

The financial statements are audited by the Comptroller and Auditor General, who is appointed under statute and reports to Parliament on the audit examination. Auditors' remuneration and expenses are disclosed at Note 10 to the accounts. No payments were made to the Auditors for any non-audit work in 2007-08.

## Management Commentary

### Departmental reporting cycle

The National School produces an Annual Business Plan which is presented to the Strategy Board. The Annual Business Plan sets out plans and targets for the immediately following year in more detail. The National School will produce a 5-year Strategic Plan.

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

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

The National School Main Estimate for 2007-08 was published on 30 April 2007 as part of the Central Government Supply Estimates 2007-08 Main Supply Estimates (HC438). The Department also applied for a Winter Supplementary Estimate, details of which are available in the Central Government Supply Estimates 2007-08 Winter Supplementary Estimates (HC29). Current and previous estimates can be found on the HM Treasury website: [http://www.hm-treasury.gov.uk/documents/public\\_spending\\_reporting/estimates/estimates\\_index.cfm](http://www.hm-treasury.gov.uk/documents/public_spending_reporting/estimates/estimates_index.cfm)

### Departmental aims 2007-08

The target we were set 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 2007-08 was £24.9 million net of VAT.

In July 2005, the Civil Service Management Board agreed that in order for the National School of Government to develop capacity in the longer term, the stakeholder departments should provide £11.8 million of funding over 3 years. In 2007-08 £3.0 million of funding was requested from departments for the year from September 2007.

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 the Winter Supplementary Supply Estimate (HC 29) for a net resource requirement of £1.217 million, a net voted capital requirement of £1.270 million and a net cash requirement of £1.387 million. Final Outturn for 2007-08 recorded savings of £0.229 million against net resource, savings of £0.025 million against voted capital and a saving of £0.730 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 2007-08 was £0.988 million; £0.229 million less than the Resource Departmental Expenditure approved by Parliament. The under-spend against Resource Departmental Expenditure Limit is largely attributable to the agreement of the Civil Service Management Board in July 2005 that in order for the National School of Government to develop capacity in the longer term, the stakeholder departments should provide £11.8 million of funding over 3 years. In 2007-08 £3.0 million of funding was requested from departments for the year from September 2007. In the event, the National School did not spend all of this funding in 2007-08 leading to a surplus against the Estimate. End Year Flexibility will be requested to make the unused funding available for use by the National School in 2008-09.

*Net Voted Capital*

The National School of Government's capital investment in 2007-08 amounted to £1.245 million; £0.025 million less than the Capital Departmental Expenditure Limit approved by Parliament.

*Net Cash Requirement*

The National School of Government required cash in 2007-08 amounting to £0.657 million to finance its activities; £0.730 million less than the sum approved by Parliament owing to reduced spend on the £3.0 million of funding from other departments for the period from September 2007 as described above and reduced capital spend.

Figure 1

	Estimate	Outturn	Variance
	£ million	£ million	Saving/(Excess) £ million
Resource Departmental Expenditure Limit – RDEL	1.217	0.988	0.229
<b>Net Resource</b>	<b>1.217</b>	<b>0.988</b>	<b>0.229</b>
Capital Departmental Expenditure Limit – CDEL	1.270	1.245	0.025
<b>Net Voted Capital</b>	<b>1.270</b>	<b>1.245</b>	<b>0.025</b>
<b>Accruals Adjustments</b>	<b>1.100</b>	<b>1.576</b>	<b>(0.476)</b>
<b>Net Cash Requirement</b>	<b>1.387</b>	<b>0.657</b>	<b>0.730</b>

Figure 2

*Reconciliation of resource expenditure between Estimates, Accounts and Budgets*

	2007-08 £000
<b>Net Resource Outturn (Estimates)</b>	<b>988</b>
<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	-
<b>Net Operating Cost (Accounts)</b>	<b>988</b>
<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)**  
***of which***Departmental Expenditure Limit (DEL)  
Annually Managed Expenditure (AME)

988

-

## 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 an Executive Management Board to oversee the work of the Department. This board will contain a number of non executive members. No non executive members were appointed for 2007-08 and therefore none received any remuneration or expenses in 2007-08. The remuneration and expenses of executive members of the Executive Management Board are included in the remuneration of the Executive Management Board 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 2007-08 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 2007-08 bonuses paid to senior civil servants in the National School of Government ranged from £3,000 – £10,000.

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](http://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 until they reach the normal retiring age of 60 except David Spencer who was on a fixed term appointment from 26 April 2004 to 25 April 2009. The notice period for David Spencer to terminate his contract was 3 months. Sue Richards is on secondment from the University of Birmingham from June 2005 for 3 years. Her salary is reimbursed by the National School.

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 proposed to establish an Executive Management Board which will include three non executive members. Pending the full



establishment of the Executive Management Board, during 2007-08 the senior management team of the National School was the Executive Committee.

#### A. Remuneration (Audited)

The following table provides audited details of the remuneration of the National School's Executive Committee during the year from 1 April 2007 to 31 March 2008:

Senior Management Name	2007-08		2006-07	
	Salary £000	Benefits in kind	Salary £000	Benefits in kind
Robin Ryde	105-110	-	45-50 (FYE 90-95)	-
Eleanor Goodison	65-70	-	60-65	-
Jane Grant	75-80	-	60-65	-
Elaine Lorimer	80-85	-	30-35 (FYE 75-80)	-
Bob MacLennan	60-65	-	15-20 (FYE 60-65)	-
Sue Richards	85-90	-	85-90	-
Janet Waters	75-80	-	60-65 (FYE 65-70)	-
Mike Timmis	65-70	-	0-5 (FYE 65-70)	-
David Sweeney (from 22 October 2007)	20-25 (FYE 55-60)	-	n/a	-
David Spencer (to 30 November 2008)	85-90 (FYE 115-120)	-	115-120	-

#### Salary

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

#### Benefits in Kind

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

#### B. Pension Benefits (Audited):

Senior Management	Real increase in pension and lump sum at age 60	Accrued pension at aged 60 at 31 March 2008 and related lump sum	CETV at 31 March 2008 or end date	CETV at 31 March 2007 or start date	Real increase in CETV	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	£000
Robin Ryde	0-2.5 lump sum n/a	0-5 lump sum n/a	31	8	17	-
Eleanor Goodison	-0 - -2.5 plus -0 - -2.5 lump sum	30-35 plus 95-100 lump sum	609	537	-11	-
Jane Grant	-0 - -2.5 plus -0 - -2.5 lump sum	25-30 plus 75-80 lump sum	510	449	-8	-

Elaine Lorimer	0-2.5 plus 2.5-5 lump sum	15-20 plus 45-50 lump sum	225	171	20	-
Bob MacLennan	0-2.5 plus 5-7.5 lump sum	20-25 plus 65-70 lump sum	396	309	37	-
Sue Richards*	Information not available	Information not available	Information not available	Information not available	Information not available	Information not available
Janet Waters	-0 - -2.5 plus -0 - -2.5 lump sum	30-35 plus 95-100 lump sum	776	694	-8	-
Mike Timmis	0-2.5 plus 0-2.5 lump sum	30-35 plus 85-90 lump sum	702	613	11	-
David Sweeney	5-7.5 lump sum n/a	5-10 lump sum n/a	115	7	51	-
David Spencer	0-2.5 lump sum n/a	5-10 lump sum n/a	132	99	19	-

\* The University of Birmingham is unable to provide Sue Richards' pension information. She is a member of the Universities Superannuation Scheme.

#### *Civil Service Pensions*

Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium, and classic plus). The schemes are unfunded with the cost of benefits met by monies voted by Parliament each year.

Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5 per cent of pensionable earnings for classic and 3.5 per cent for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service.

Unlike classic, there is no automatic lump sum, but members may give up (commute) some of their pension to provide a lump sum. Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly in the same way as in classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3 per cent and 12.5 per cent (depending on the age of the member) into a stakeholder pension product chosen by the employee from a selection of approved products. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3 per cent of pensionable salary (in addition to the employer's basic contribution).

Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

Further details about the Civil Service pension arrangements can be found at the website: [www.civilservicepensions.gov.uk](http://www.civilservicepensions.gov.uk).

#### *Cash Equivalent Transfer Values*

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued

benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

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

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

#### *Real increase in CETV*

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

## **Statement on the Disclosure of Relevant Audit Information**

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

Robin Ryde  
Accounting Officer  
Principal and Chief Executive of the National School of Government  
24 June 2008

## Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the National School of Government to prepare, for each financial year, resource accounts 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 and of its net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year.

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

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

### **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.

### **The National School as a non ministerial department**

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 an Executive Management Board under the chairmanship of the Chief Executive and Principal (Head of Department) and including a minimum of two independent non executive members.

Following confirmation of the Steering Board's role and draft terms of reference reached in September 2007, arrangements were drawn up to move ahead with the recruitment and selection of up to three non executive members to join the Executive Management Board. The roles were advertised on publicly available websites in December 2007 and January 2008.

In light of the situation that had come about in relation to the Head of Department position, however, a decision was taken to delay the full process pending the appointment of a substantive successor to David Spencer following his departure at the end of November 2007.

The process was not halted entirely as it was necessary to proceed with an appointment of one non executive member who would also become Chair of the Department's Audit and Risk Committee.

The suitability of applicants for that role which had been received following the advertising of the non executive positions was assessed and a short-list drawn up from which, following a round of interviews, Mr Alex Jablonowski has been appointed

On becoming a separate department on 1 January 2007, we drew up a risk register and this has been considered by the National School of Government Steering Board. In 2007-08 we drew up a revised risk register which has been agreed by the Executive Committee. 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.

## **The risk and control framework**

### **Risk Management Framework**

In 2007-08 the National School of Government continued the transition during which the arrangements previously operating within Cabinet Office continued to apply, to the extent they remain relevant, whilst a Risk Management Framework was established that is wholly appropriate to the National School. Key features of this Framework, under each of the five capabilities in the RMAF, are as follows:

### *Leadership*

Pending the appointment of the non executive members and the full operation of the EMB, the Executive Committee has been the senior management team within the National School advising me on issues including the Department's risk management arrangements.

### *Risk strategy and policies*

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

The strategy:

- has been endorsed by the Accounting Officer and the Executive Committee and will be presented to the Executive Management Board and Audit and Risk Committee for their endorsement;
- 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; and
- access to expertise in the Internal Audit Service and in the Finance Unit.

### *Partnerships*

The Department will formulate 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.

The Executive Committee agreed to arrangements for the regular review of the Risk Management Framework.

## **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 met 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 Executive Committee and presented to the Steering Board and reviewed by them during the year, together with headcount controls;
- delegation letters issued to Deputy Directors, 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 Executive Committee 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 Deputy Directors have provided reasonable assurance that the systems of internal control are sound and operating effectively.

## **Planned improvements**

After the end of the 2007-08 financial year, Alex Jablonowski was appointed as a non executive member of the Executive Management Board and chair of the Audit and Risk Committee. The intention is to proceed to appoint two further non executive members when the new Head of Department is in post. They will also become members of the Audit and Risk Committee.

We need to embed the Risk Management, Internal Audit and Audit & Risk Committee operations into the work of the National School of Government as it progresses as a non ministerial department.

We need to continue with the progress achieved in the period under review by taking steps to ensure that good risk management techniques are firmly established as a routine element of all work in the National School of Government.

Effective risk management will be a vital tool in helping us to ensure that our resources are targeted correctly and focusing the Department on delivering its objectives.

We will ensure that risk management continues to have a high profile within the Department by having workshops for staff.

## **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 Head of Operations & 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 2007-08 IAS has provided me with limited assurance on the effectiveness and efficiency of the organisation's arrangements for risk management and governance along with a substantial assurance of the



control environment. 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 will be attended by representatives of the National Audit Office and will have a non-executive chair. Whilst the Executive Management Board will be responsible for the overall oversight and approach to risk management, the role of the Audit and Risk Committee will be to advise me on the adequacy of risk management, control and governance. Its formal terms of reference are expected to be "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 will formally report annually to me as the Accounting Officer with an independent opinion on the risk management process.

Robin Ryde  
Accounting Officer  
Principal and Chief Executive of the National School of Government  
24 June 2008

## **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 2008 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the Statement of Operating Costs by Departmental Aim and Objectives 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**

The Accounting Officer is responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I report to you whether, in my opinion, the information which comprises the Foreword, the Chairman's Introduction, the Chief Executive's Introduction, the Annual Review, the Management Commentary and the unaudited part of the Remuneration Report, included in the Annual Report, is consistent with the financial statements. I also report whether 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.

In addition, I report to you if the Department has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Department's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Foreword, the Chairman's Introduction, the Chief Executive's Introduction, the Annual Review, the Management Commentary and the unaudited part of the Remuneration Report. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### **Basis of audit opinions**

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Department's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that 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. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

## Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Department's affairs as at 31 March 2008, and the net cash requirement, net resource outturn, net operating cost, operating costs applied to objectives, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- information which comprises the Foreword, the Chairman's Introduction, the Chief Executive's Introduction, the Annual Review, the Management Commentary and the unaudited part of the Remuneration Report included within the Annual Report, is consistent with the financial statements.

## 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.

## Report

I have no observations to make on these financial statements.

T J Burr  
Comptroller and Auditor General  
National Audit Office  
151 Buckingham Palace Road  
Victoria  
London  
SW1W 9SS  
27 June 2008

## Statement of Parliamentary Supply

for the year ended 31 March 2008

### Summary of Resource Outturn 2007-08

Request for Resources	Note	2007-08 £000			2007-08 £000			2006-07 £000	
		Gross Expenditure	A in A	Net Total	Gross Expenditure	A in A	Net Total	Net Total outturn compared with Estimate: saving/ (excess)	Net Total
1*	2	31,217	(30,000)	1,217	28,987	(27,999)	988	229	1,274
<b>Total resources</b>	<b>3</b>	<b>31,217</b>	<b>(30,000)</b>	<b>1,217</b>	<b>28,987</b>	<b>(27,999)</b>	<b>988</b>	<b>229</b>	<b>1,274</b>
<b>Non-operating cost A in A</b>				-			-	-	-

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 2007-08

Net cash requirement	Note	2007-08 £000		2006-07 £000	
		Estimate	Outturn	Estimate	Outturn
	4	1,387	657	730	1,501

### Summary of the income payable to the Consolidated Fund

Total	Note	Forecast 2007-08 £000		Outturn 2007-08 £000	
		Income	Receipts	Income	Receipts
	5	-	-	-	-

Explanations of variances between Estimate and outturn are given in Note 2 and in the Management Commentary under the heading Performance against Parliamentary Control Totals.

The notes on pages 38 to 54 form part of these accounts.

**Operating Cost Statement**

for the year ended 31 March 2008

		2007-08 £000	2006-07 £000
	<b>Note</b>		
<b>Administration costs</b>			
Staff Costs	9	11,858	11,951
Other administration costs	10	<u>17,004</u>	<u>17,183</u>
<b>Gross administration costs</b>		28,862	29,134
<b>Income</b>	11	(27,874)	(27,860)
<b>Net operating cost</b>	3	<u><u>988</u></u>	<u><u>1,274</u></u>

All income and expenditure is derived from continuing operations

The notes on pages 38 to 54 form part of these accounts.

**Statement of Recognised Gains and Losses**

for the year ended 31 March 2008

	<b>2007-08</b> £000	<b>2006-07</b> £000
Net gain/(loss) on revaluation of tangible fixed assets	(12)	56
<b>Recognised gains and losses for the financial year</b>	<b><u>(12)</u></b>	<b><u>56</u></b>

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The notes on pages 38 to 54 form part of these accounts.

**Balance Sheet**

as at 31 March 2008

		<b>2008</b>	<b>2007</b>
		£000	Restated £000
	<b>Note</b>		
<b>Fixed assets:</b>			
Tangible assets	12	16,804	16,660
<b>Current assets:</b>			
Debtors	13	3,900	3,326
Cash at bank and in hand	14	<u>730</u>	<u>1,501</u>
		4,630	4,827
Creditors (amounts falling due within one year)	15	<u>(4,298)</u>	<u>(4,646)</u>
<b>Net current assets/(liabilities)</b>		332	181
		<u><b>17,136</b></u>	<u><b>16,841</b></u>
<b>Taxpayers' equity:</b>			
General fund	16	15,057	14,619
Revaluation reserve	17	2,079	2,222
<b>Total</b>		<u><b>17,136</b></u>	<u><b>16,841</b></u>

*Robin Ryde*

Accounting Officer

Principal and Chief Executive of the National School of Government

24 June 2008

The notes on pages 38 to 54 form part of these accounts.

**Cash Flow Statement****for the year ended 31 March 2008**

		<b>2007-08</b>	<b>2006-07</b>
		<u>£000</u>	<u>£000</u>
	<b>Note</b>		
Net cash outflow from operating activities	18(a)	588	94
Capital expenditure and financial investment	18(b)	(1,245)	(1,070)
Payments of amount due to Treasury in respect of Consolidated Fund	18(e)	(1,501)	(2,187)
Financing	18(d)	1,387	2,477
<b>Increase/(decrease) in cash in the period</b>	18(e)	<u><u>(771)</u></u>	<u><u>(686)</u></u>

The notes on pages 38 to 54 form part of these accounts.



**Statement of Operating Costs by Departmental Aim and Objectives**

for the year ended 31 March 2008

	2007-08			2006-07		
			£000			£000
Aim	Gross	Income	Net	Gross	Income	Net
Objective 1	28,862	(27,874)	988	29,134	(27,860)	1,274
<b>Net operating costs</b>	<b>28,862</b>	<b>(27,874)</b>	<b>988</b>	<b>29,134</b>	<b>(27,860)</b>	<b>1,274</b>

The Department's objective was as follows:

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

The notes on pages 38 to 54 form part of these accounts.

## Notes to the Departmental Resource Accounts

### 1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2007–08 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

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

Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Department for the purpose of giving a true and fair view has been selected. The Department's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

#### 1.1 Accounting convention

These accounts have been prepared under the historical cost convention (HCC). In previous years the HCC was modified to account for the revaluation of fixed assets where material, at their value to the business by reference to their current costs. 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 Tangible fixed assets

Fixed assets are stated at the lower of replacement cost and recoverable amount. Expenditure on tangible fixed assets 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.

In previous years all tangible fixed assets were restated to current value each year. No such adjustment was made in 2007/08. Note 1.1 explains why the Department no longer uses MHCA. Land and buildings are shown as the value using professional valuations (using the RICS Appraisal and Valuation Model) in accordance with FRS 15 as at 1 April 2007. 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 tangible fixed assets at the amount of unitary charge allocated for the acquisition of the residual to the balance sheet date plus an adjustment based on the net present value of the change in the fair value of the residual as estimated at the start of the contract and its estimated fair value at the balance sheet date.

#### 1.3 Depreciation

Tangible fixed assets are depreciated at rates calculated to write them down to estimated residual value on a straight-line basis over their estimated useful lives. Assets 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 fixed assets**

The Department does not currently have any material holdings of intangible fixed assets.

#### **1.5 Stocks**

There are no material holdings of stocks.

#### **1.6 Operating income**

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

#### **1.7 Administration and programme expenditure**

The Department does not have any programme expenditure

#### **1.8 Capital charge**

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

#### **1.9 Foreign exchange**

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

#### **1.10 Pensions**

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

#### **1.11 Leases**

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

#### **1.12 Private Finance Initiative (PFI) transactions**

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

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

### 1.13 Provisions

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

### 1.14 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with FRS 12, 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 FRS 12 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by FRS 12 are stated at the amounts reported to Parliament.

### 1.15 Value Added Tax

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

### 1.16 Third party assets

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

## 2 Analysis of net resource outturn by section

	2007-08						Estimate		2006-07
	Admin	Other current	Grants	Outturn £000	A in A	Net Total	Net Total	Net Total outturn compared with Estimate	£000
<b>Request for resources 1:</b>									
<i>Central Government Spending:</i>									
National School of Government	28,987	-	-	28,987	(27,999)	988	1,217	229	1,274
<b>Resource Outturn</b>	<b>28,987</b>	<b>-</b>	<b>-</b>	<b>28,987</b>	<b>(27,999)</b>	<b>988</b>	<b>1,217</b>	<b>229</b>	<b>1,274</b>
<b>Resource Outturn against Resource Departmental Expenditure Limit</b>	<b>28,987</b>	<b>-</b>	<b>-</b>	<b>28,987</b>	<b>(27,999)</b>	<b>988</b>	<b>1,217</b>	<b>229</b>	<b>1,274</b>

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

The under-spend against Resource Departmental Expenditure Limit is largely attributable to the Department not spending all of the Investment funding in 2007-08 provided by stakeholder departments, leading to a surplus against the Estimate.

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(a) Reconciliation of net resource outturn to net operating cost**

		2007-08 £000	2006-07 £000
	Note	Outturn	Supply Estimate
			Outturn compared with Estimate
			Outturn
Net Resource Outturn	2	988	1,217
			(229)
Prior Period Adjustments		-	-
Non-supply Income (CFERs)	5	-	-
Non-supply Expenditure		-	-
<b>Net Operating Cost</b>		<b>988</b>	<b>1,274</b>

**3(b) Outturn against final Administration Budget**

	2007-08 £000	2006-07 £000
	Budget	Outturn
		Outturn
Gross Administration Budget	31,217	28,987
Income allowable against the Administration Budget	(30,000)	(27,999)
<b>Net outturn against final Administration Budget</b>	<b>1,217</b>	<b>988</b>
		<b>1,274</b>

**4 Reconciliation of resources to cash requirement**

	<b>Note</b>	<b>Estimate</b>	<b>Outturn</b>	<b>Net total outturn compared with Estimate: saving/(excess)</b>
		£000	£000	£000
<b>Resource Outturn</b>	2	1,217	988	229
<b>Capital:</b>				
Acquisition of fixed assets	12	200	175	25
Capitalisation of reversionary interest	18(b)	1,070	1,070	-
<i>Non-operating A in A:</i>				
Proceeds of fixed asset disposals	7	-	-	-
<i>Accruals adjustments:</i>				
Non-cash items	10	(1,100)	(1,728)	628
Movement in debtors and creditors relating to items not passing through the Operating Cost Statement	18(a)	-	152	(152)
<i>Excess cash receipts surrenderable to the Consolidated Fund</i>	5	-	-	-
<i>Net cash requirement</i>		<b>1,387</b>	<b>657</b>	<b>730</b>

The National School of Government required £0.730 million less than the sum approved by Parliament owing to reduced spend on the £3.0 million of investment funding from other departments for the period from September 2007 and reduced capital spend.

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

**5 Analysis of income payable to the Consolidated Fund**

	<b>Note</b>	<b>Forecast 2007-08</b>		<b>Outturn 2007-08</b>	
		<b>Income</b>	<b>Receipts</b>	<b>Income</b>	<b>Receipts</b>
		£000	£000	£000	£000
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	-	-	-	-
<b>Total income payable to the Consolidated Fund</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**6 Reconciliation of income recorded within the Operating Cost Statement to operating income payable to the Consolidated Fund**

	Note	2007-08 £000	2006-07 £000
Operating income	11	27,874	27,860
Netted off in Operating Cost Statement: Seconded staff	9	125	212
Gross income		27,999	28,072
Income authorised to be appropriated-in-aid		(27,999)	(28,072)
<b>Operating income payable to the Consolidated Fund</b>	5	<u>-</u>	<u>-</u>

**7 Non-operating income - Excess A in A**

	2007-08 £000	2006-07 £000
Proceeds on disposal of fixed assets	-	-
Other	-	-
<b>Non-operating income - excess A in A</b>	<u>-</u>	<u>-</u>

**8 Non-operating income not classified as A in A**

	Income £000	Receipts £000
<b>Total</b>	<u>-</u>	<u>-</u>

**9 Staff numbers and related costs**

	Total	2007-08 £000		2006-07 £000
		Permanently employed staff	Others	
Wages and salaries	8,630	8,630	-	8,854
Social Security costs	733	733	-	770
Other pension costs	1,705	1,705	-	1,769
Temporary staff agency fees	556	-	556	411
	<b>11,624</b>	11,068	556	<b>11,804</b>
Inward Secondments	359	359	-	359
Total	<b>11,983</b>	11,427	566	<b>12,163</b>
Less recoveries in respect of outward secondments	(125)	(125)	-	(212)
<b>Total net costs</b>	<b>11,858</b>	<b>11,302</b>	<b>566</b>	<b>11,951</b>

During the year, costs of £1,705,140 were incurred in respect of pensions (2006-07: £1,768,770).

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

For 2007-08, employers' contributions of £1,696,318 were payable to the PCSPS (2006-07: £1,758,297) at one of four rates in the range 17.1 to 25.5 per cent of pensionable pay, based on salary bands (the rates in 2006-07 were between 17.1 per cent and 25.5 per cent).

The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2007-08 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 £10,732 (2006-07: £9,818) 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 £987 (2006-07: £655), 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:

	2007-08			2006-07
	Total	Permanently employed staff	Others	
Objective 1	239	214	25	261



**10 Other Administration Costs**

	Note	2007-08 £000	2006-07 £000
<b>Rentals under operating leases:</b>			
Hire of plant and machinery		217	251
Land and buildings		718	674
		935	925
<b>PFI service charges</b>	21	2,307	2,484
<b>Non-cash items:</b>			
Depreciation	12	1,043	1,171
Loss on disposal of fixed assets		47	-
Costs of capital charges	16	594	583
Auditors' remuneration*	16	44	40
		1,728	1,794
		4,970	5,203
<b>Other expenditure</b>		12,034	11,980
<b>Total</b>		<b>17,004</b>	<b>17,183</b>

\* No payments were made to the auditors in respect of non-audit services

**Other expenditure comprises:**

Staff travel, subsistence and hospitality	630	486
Other staff related costs	252	273
External lecturer fees and contracted out courses	5,719	5,817
Supplies and services	3,486	3,576
Accommodation and utilities	1,947	1,828
<b>Other expenditure</b>	<b>12,034</b>	<b>11,980</b>

**11 Income**

	2007-08 Total £000	2006-07 Total £000
<b>RfR1</b>		
<b>Administration income</b>		
Training, seminars and consultancy	24,865	23,895
Investment funding	2,952	3,922
Other operating income	57	43
	<b>27,874</b>	<b>27,860</b>

**12 Tangible fixed assets**

	Computer Systems	Furniture	Equipment	Dwellings	Land and Buildings	Total
	£000					
<b>Valuation</b>						
<b>At 1 April 2007</b>	2,939	353	621	312	19,166	23,391
Additions	175	-	-	-	1,070	1,245
Disposals	(1,004)	(6)	(174)	-	-	(1,184)
Surplus on Revaluations	(20)	-	(6)	-	-	(26)
<b>At 31 March 2008</b>	<b>2,090</b>	<b>347</b>	<b>441</b>	<b>312</b>	<b>20,236</b>	<b>23,426</b>
<b>Depreciation</b>						
<b>At 1 April 2007</b>	2,392	179	497	21	3,642	6,731
during year	189	20	46	5	783	1,043
Disposals	(961)	(6)	(171)	-	-	(1,138)
Revaluation	(11)	-	(3)	-	-	(14)
<b>At 31 March 2008</b>	<b>1,609</b>	<b>193</b>	<b>369</b>	<b>26</b>	<b>4,425</b>	<b>6,622</b>
<b>Net book value at 31 March 2008</b>	<b>481</b>	<b>154</b>	<b>72</b>	<b>286</b>	<b>15,811</b>	<b>16,804</b>
<b>Net book value at 31 March 2007</b>	<b>547</b>	<b>174</b>	<b>124</b>	<b>291</b>	<b>15,524</b>	<b>16,660</b>
<b>Asset financing:</b>						
Owned	481	154	72	-	-	707
PFI finance leased	-	-	-	-	6,584	6,584
PFI contract assets	-	-	-	286	2,074	2,360
PFI residual interests	-	-	-	-	7,153	7,153
<b>Net book value at 31 March 2008</b>	<b>481</b>	<b>154</b>	<b>72</b>	<b>286</b>	<b>15,811</b>	<b>16,804</b>

**Notes****VALUATION****Land and Buildings and Dwellings**

The Valuation Office Agency valued Sunningdale Park, Ascot, Berkshire, occupied by the National School of Government, as at 1 April 2007 on the basis of total worth in existing use reflecting the infrastructure. Sunningdale Park is revalued every three years.

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

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

National School of Government has office buildings of £2.359 million (2006-07: £2.417 million) under an on-balance sheet PFI contract and training facilities of £6.584 million (2006-07: £7.315 million) under a finance lease and a residual interest in training facilities of £7.154 million (2006-07: £6.083 million). Further details about commitments under PFI contracts are disclosed at Note 21.

**13 Debtors****13(a) Analysis by type**

	<b>2007-08</b>	<b>2006-07 Restated</b>
	£000	£000
<b>Amounts falling due within one year:</b>		
Trade Debtors	3,485	3,168
Other Debtors	1	2
Prepayments and Accrued Income	364	140
VAT on debtors	50	16
	<b>3,900</b>	<b>3,326</b>

**13(b) Intra-Government Balances**

	<b>2007-08</b>		<b>2006-07 Restated</b>	
	£000		£000	
	<b>Amounts falling due within one year</b>	<b>Amounts falling due after more than one year</b>	<b>Amounts falling due within one year</b>	<b>Amounts falling due after more than one year</b>
Balances with other central government bodies	2,600	-	2,333	-
Balances with local authorities	262	-	96	-
Balances with NHS Trusts	89	-	7	-
Balances with public corporations and trading funds	310	-	65	-
Subtotal: Intra-government Balances	3,261	-	2,501	-
Balances with bodies external to government	639	-	825	-
<b>At 31 March</b>	<b>3,900</b>	<b>-</b>	<b>3,326</b>	<b>-</b>

The 2006-07 figures have been restated due to a change in the accounting treatment of certain deposits for courses in future years. The net effect on the balance sheet is £nil.

**14 Cash at bank and in hand**

	<b>2007-08</b>	<b>2006-07</b>
	£000	£000
Balance at 1st April	1,501	2,187
Net change in cash balances	(771)	(686)
<b>Balance at 31 March</b>	<b>730</b>	<b>1,501</b>

The following balances at 31 March are held at:

Office of HM Paymaster General	726	1,495
Cash in hand	4	6
<b>Balance at 31 March</b>	<b>730</b>	<b>1,501</b>

**15 Creditors****15(a) Analysis by type**

	<b>2007-08</b>	<b>2006-07 Restated</b>
	£000	£000
<b>Amounts falling due within one year:</b>		
VAT	75	97
Other Taxation and Social Security	234	240
Trade Creditors	1,003	1,073
Other Creditors	179	188
Accruals and Deferred Income	1,997	1,458
Credit Notes	80	89
Amounts issued from the Consolidated Fund for supply but not spent at year end	730	1,501
	<b>4,298</b>	<b>4,646</b>

**15(b) Intra-Government Balances**

	<b>2007-08</b>		<b>2006-07 Restated</b>	
	£000		£000	
	<b>Amounts falling due within one year</b>	<b>Amounts falling due after more than one year</b>	<b>Amounts falling due within one year</b>	<b>Amounts falling due after more than one year</b>
Balances with other central government bodies	3,073	-	3,389	-
Balances with local authorities	120	-	55	-
Balances with NHS Trusts	30	-	67	-
Balances with public corporations and trading funds	49	-	36	-
<i>Subtotal: Intra-government Balances</i>	<u>3,272</u>	<u>-</u>	<u>3,547</u>	<u>-</u>
Balances with bodies external to government	1,026	-	1,099	-
<b>At 31 March</b>	<b><u>4,298</u></b>	<b><u>-</u></b>	<b><u>4,646</u></b>	<b><u>-</u></b>

The 2006-07 figures have been restated due to a change in the accounting treatment of certain deposits for courses in future years. The net effect on the balance sheet is £nil.

**16 General Fund**

The General Fund represents the total assets less liabilities of the Department, to the extent that the total is not represented by other reserves and financing items.

	<b>2007-08</b> £000	<b>2006-07</b> £000
Balance at 1 April	14,619	14,265
Net Parliamentary Funding: Drawn Down	1,387	2,477
Year end adjustment: Supply Creditor - current year	(730)	(1,501)
Net Transfer from Operating Activities: Net operating cost	(988)	(1,274)
Non-Cash Charges: Cost of capital	594	583
Auditors' remuneration	44	40
Transfer from revaluation reserve	131	29
<b>Balance at 31 March</b>	<b><u>15,057</u></b>	<b><u>14,619</u></b>

**17 Reserves****Revaluation reserve**

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments (excluding donated assets).

	<b>2007-08</b> £000	<b>2006-07</b> £000
Balance at 1 April	2,222	2,195
Relating to disposal of previously revalued assets	(12)	56
Transfer to general fund in respect of realised element of revaluation reserve	(131)	(29)
<b>Balance at 31 March</b>	<b><u>2,079</u></b>	<b><u>2,222</u></b>

**18 Notes to the Cash Flow Statement****18(a) Reconciliation of operating cost to operating cash flows**

	Note	2007-08 £000	2006-07 £000
<b>Net operating cost</b>		(988)	(1,274)
Adjustments for non-cash transactions	10	1,680	1,794
Loss on disposal of fixed assets	10	47	-
Decrease/(Increase) in debtors	13	(574)	519
(Decrease)/Increase in creditors	15	(348)	(1,631)
Movement in creditors relating to items not passing through the Operating Cost Statement	15	771	686
<b>Net cash outflow from operating activities</b>		<b>588</b>	<b>94</b>

**18(b) Analysis of capital expenditure and financial investment**

	Note	2007-08 £000	2006-07 £000
Tangible fixed asset additions	12	(175)	-
Capitalisation of reversionary interest	12	(1,070)	(1,070)
<b>Net cash outflow from investing activities</b>		<b>(1,245)</b>	<b>(1,070)</b>

**18(c) Analysis of capital expenditure and financial investment by Request for Resources**

	Capital expenditure	Loans £000	A in A	Net total
Request for Resources 1	1,245	-	-	1,245
<b>Total 2007-08</b>	<b>1,245</b>	<b>-</b>	<b>-</b>	<b>1,245</b>
<b>Total 2006-07</b>	<b>1,070</b>	<b>-</b>	<b>-</b>	<b>1,070</b>

**18(d) Analysis of financing**

	Note	2007-08 £000	2006-07 £000
From the Consolidated Fund (Supply) - current year	16	1,387	2,477
Advances from the Contingencies Fund		2,700	-
Repayments to the Contingencies Fund		(2,700)	-
<b>Net financing</b>		<b>1,387</b>	<b>2,477</b>

**18(e) Reconciliation of Net Cash Requirement to increase/decrease in cash**

	Note	2007-08 £000	2006-07 £000
Net cash requirement		(657)	(976)
From the Consolidated Fund (Supply) - current year	16	1,387	2,477
Payment to Treasury in respect of amount due to Consolidated Fund		(1,501)	(2,187)
Amount due to Treasury in respect of Consolidated Fund received and not paid over - current year		-	-
<b>(Decrease)/Increase in cash</b>		<b>(771)</b>	<b>(686)</b>

**19 Capital commitments**

	<b>2007-08</b> £000	<b>2006-07</b> £000
Contracted capital commitments at 31 March 2008 for which no provision has been made	Nil	Nil

**20 Commitments under leases****20.1 Operating leases:**

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires.

	<b>2007-08</b> £000	<b>2006-07</b> £000
<b>Land and buildings</b>		
Expiring within one year	-	-
Expiring after one but no more than five years	897	816
Expiring over five years	-	-
	<u><b>897</b></u>	<u><b>816</b></u>
<b>Other</b>		
Expiring within one year	36	44
Expiring after one but no more than five years	98	77
Expiring over five years	30	-
	<u><b>164</b></u>	<u><b>121</b></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 £2.359 million (2006-07: £2.417 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 2008 is £6.584 million (2006-07: £7.315 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 2008 is £7.154 million (2006-07: £6.083 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 2008 is reflected in the combined carrying value of the deferred asset and reversionary interest of £13.738 million (2006-07: £13.398 million).

### *Combined value*

The combined carrying value of the office buildings and training facilities disclosed at Note 12 is £16.097 million (2006-07: £15.815 million). This is the sum of the Dwellings balance and Land and Buildings balance in note 12.

### **Charge to the Operating Cost Statement and future commitments**

The total amount charged in the Operating Cost Statement in respect of PFI transactions was £2,306,915 (2006-07: £2,484,388) as disclosed at Note 10 Other Administration Costs. The payments to which the Department was committed during 2007-08, analysed by the period during which the commitment expires, are as follows:

	<b>2007-08</b>	<b>2006-07</b>
	£000	£000
Expiry within one year	-	-
Expiry within 2 to 5 years	-	-
Expiry within 6 to 10 years	2,294	-
Expiry within 11 to 15 years	-	2,265
Expiry within 16 to 20 years	-	-
Expiry within 21 to 25 years	-	-
Expiry within 26 to 30 years	-	-
	<b><u>2,294</u></b>	<b><u>2,265</u></b>



**22 Other financial commitments**

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

**23 Financial instruments**

FRS 13, Derivatives and Other 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 FRS 13 mainly applies. The Department has very limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Department in undertaking its activities.

**24 Contingent Liabilities disclosed under FRS 12**

There were no material contingent liabilities at 31 March 2008.

**25 Contingent liabilities not required to be disclosed under FRS 12 but included for parliamentary reporting and accounting purposes**

There were no material contingent liabilities at 31 March 2008.

**26 Losses and special payments****26(a) Losses Statement**

		2007-08	
		No of Cases	Amount £
<b>A</b>	<b>CASH LOSSES</b>		
	TOTAL	6	986.58
<b>B</b>	<b>STORES LOSSES</b>		
	TOTAL	0	0
<b>C</b>	<b>FRUITLESS PAYMENTS</b>		
		0	0
<b>D</b>	<b>CLAIMS WAIVED OR ABANDONED</b>		
		14	9,861.08
	<b>TOTAL LOSSES FOR THE NATIONAL SCHOOL</b>	<b>20</b>	<b>10,847.66</b>

**26(b) Special Payments**

<b>E</b>	<b>SPECIAL PAYMENTS</b>		
	TOTAL	0	0.00
	<b>TOTAL LOSSES AND SPECIAL PAYMENTS</b>	<b>20</b>	<b>10,847.66</b>

**27 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 2007/08 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 2007/08 were Ministry of Defence, Department for International Development and the Home Office.

A number of steering 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.

During the year, no minister, steering board member, key manager or other related parties has undertaken any material transactions with the National School of Government.

**28 Third-party assets**

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

**29 Post Balance Sheet Events**

The National School of Government's financial statements are laid before the Houses of Parliament by HM Treasury. FRS 21 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 30 June 2008



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ISBN 978-0-10-295641-2



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