Inspiring leaders to
improve children's lives

National College
for School Leadership

National College for School Leadership

Annual Report and Accounts

2011|12

National College for School Leadership

Annual Report and Accounts 2011–12

On 1 June 2011 the College changed its name from the National College for Leadership of Schools and Children's Services.

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Contents

Foreword

The schools white paper *The Importance of Teaching* signalled a radical reform programme for the schools system. It made clear that the National College for School Leadership has an important role to play in supporting the implementation of these reforms and delivering further improvements to schools and academies. In his remit letter to the College on 28 March 2011, the Secretary of State recognised that the College had demonstrated that it is schools themselves and our best headteachers who are ideally placed to drive improvement in other schools. He asked that the College continue to support them in doing so. He stated that the success of the reform programme rested on the supply, quality and deployment of headteachers. He asked that the College review the content of the National Professional Qualification for Headship (NPQH) to make sure that it meets the highest standards for leadership development. He also recognised that it will take some time to establish a fully school-led system, and that in the meantime the focus on improving the quality of education for all pupils through effective leadership of every school must not be lost. Finally, he made clear that the best value for money should be secured from the investment being made in the College.

This has therefore been a year of significant change for the College as we have played our part in delivering both the education reform programme and the reform of arm's length bodies. We have introduced teaching schools and specialist leaders of education, and continued to expand the number of schools and leaders involved in supporting others. We have introduced changes to the way in which we operate, moving from commissioning to licensing our leadership development. We have established an income-generating international business unit. We have restructured the organisation and reduced the number of posts by 38 per cent, from 377 in April 2010 to 233 in April 2012. We have undertaken preparations for our change of status from a non-departmental public body to an executive agency within the Department for Education (DfE) with effect from 1 April 2012. And we have delivered a significant and sustainable reduction in our expenditure whilst maintaining our impact.

We are confident that we will continue to succeed in delivering this rapid and significant reform agenda.

Vanni Treves

Steve Munby

4 Section 1: **Introduction**

The National College for School Leadership (the College) opened in November 2000. The College has responsibility for training and developing leadership in England's schools and children's centres.

At the beginning of 2011–12, the College was a company limited by guarantee and a non-departmental public body (NDPB) known as the National College for Leadership of Schools and Children's Services. In November 2010 the Secretary of State for Education announced that the College would become an executive agency with effect from April 2012. On 1 June 2011 the College changed its name to the National College for School Leadership. On 1 April 2012 the College became an executive agency of the Department for Education (DfE).

During 2011–12, the College's expenditure net of income was £109.2 million. This is 2.2 per cent less than the remit of £111.7 million. Over £39 million of this was paid directly to schools and academies. Our budget for next year is £79 million, a 29 per cent reduction.

The Secretary of State's remit letter for the National College asked that we continue with an approach that increases the ability of the headteachers and principals of schools, academies and children's centres to take ownership of leadership development and of the improvement of the education sector. As this develops, the College is expected to decrease its role in providing direct support and to focus on content development, licensing, quality assurance and designation.

There are two main components to the changes that we have made this year to what we do and how we do it. First, the College is shifting from commissioning to licensing leadership development courses and qualifications within a new curriculum. Second, the College is expanding its efforts to enable schools to improve other schools.

This report summarises the College's activities this year, what this has cost, and what impact it has achieved. Section 2 summarises our activity to enable schools to support other schools, to maintain leadership development provision while shifting towards a licensing approach, to ensure the supply of headteachers and other staff with leadership roles, and to provide high-quality services to our members. Section 3 describes the significant changes we have made to the College. Section 4 contains our accounts, including our company information and management commentary.

Section 2: **Delivery**

Leadership development

Our leadership development provision supports headteachers, principals and other staff with leadership roles in schools, academies and children's centres throughout their careers. The College has made significant progress this year both to reduce its expenditure on leadership development provision and to switch from commissioning to licensing.

The majority of the College's leadership development provision in 2011–12 was commissioned to providers. These providers included charities, higher education institutions and private sector organisations.

Since 2000, over 160,000 school and academy leaders have taken part in these programmes. Schools and academies that have taken part in the College's leadership development programmes have improved faster than those that haven't. The Key Stage 2 results of schools that took part in at least one of the College's leadership development programmes since 2007 increased by 1.3 per cent between 2010 and 2011, compared with 0.9 per cent in schools that did not. The GCSE results of engaged schools increased by 3.4 per cent in the same period, compared with 2.7 per cent improvement in schools that had not engaged.

During 2011–12 the College trained over 370 new groups of schools to deliver the **Middle Leadership Development Programme,** taking the total to over 550 groups involving over 5,000 schools. This has increased the College's reach, as almost half of these schools had not engaged with any National College provision previously. The **Teaching Leaders** programme is aimed at outstanding heads of department, heads of year and other whole-school roles. A further 150 participants have been recruited this year, taking the total to 300. Satisfaction rates exceed 90 per cent, and the College is tracking how many participants remain within challenging secondary schools two years after completion of the programme and how many gain promotion within two years.

The **Tomorrow's Heads** and **Future Leaders** programmes provide accelerated routes towards headship for individuals with high potential, including those from non-teaching backgrounds. The Tomorrow's Heads programme has 200 participants, and aims for 95 per cent of these to progress to the **National Professional Qualification for Headship (NPQH)** within three years. Over 50 per cent of participants had achieved promotion by the end of the programme's first year, and a further 12 have been accepted onto NPQH. The Future Leaders programme has been expanded. In 2011, there were 73 new recruits, and 94 per cent of participants that started in 2010 gained senior leadership roles at the end of their placement year.

Almost 2,000 individuals have been recruited onto the NPQH this year. Headteachers and principals who have graduated from NPQH now lead 58 per cent of schools. The evidence shows that they deliver more rapid improvements in school standards and exam results. The **Academy Associate Principal Programme,** developed in partnership with the Independent Academies Association (IAA), was oversubscribed this year and was rated highly by 29 of the 31 participants. Both this programme and the NPQH are accredited by a number of universities.

The Secretary of State asked that the College carry out a thorough **review of the NPQH** to ensure that it is widely recognised by the profession as providing excellent preparation for headship. The College has worked with outstanding headteachers and other leadership experts in the design and development of a revised qualification. This new qualification, which is no longer mandatory, was made available for license in December 2011.
A competitive process took place during March with the initial licences awarded to successful schools and other partners in April 2012. The new NPQH programme will recruit participants over the summer and will begin delivery in autumn 2012.

The new NPQH has been designed as part of a wider modular curriculum offer aimed at those who hold or aspire to hold leadership positions in every phase and type of school or academy. The College carried out extensive consultation on its proposals for a modular curriculum and a new licensing model. The proposals received strong support. The curriculum will be organised under the three broad areas of educational excellence, operational management and strategic leadership. The training modules and qualifications that make up the curriculum will be licensed to the best schools and other providers and linked to Master's level credits. The College will provide targeted subsidies so that small schools and under-represented groups can participate. Further licences for provision for senior and executive headteachers, chairs of governors and leaders of children's centres will be made available during the coming year.

In order to focus on its highest priorities, reduce expenditure and as part of the shift towards licensing, the College has closed down a significant proportion of its commissioned provision and is moving the content into the modular curriculum. Further provision is in the process of being closed and will close during 2012–13. Care has been taken to manage this carefully and to honour existing commitments to headteachers, principals and other leaders. Two commissioned programmes were closed before April 2012, and a further five closures are under way.

The College was asked to consider how to identify and develop talented individuals in the primary sector who in time could take on headship and executive headship roles. The **Primary Executive Headteacher** programme was piloted last year. A three-year licence for the national delivery of this programme was awarded to the Centre for Educational Leadership at the University of Manchester in July 2011. This training programme now has 137 participants. The College is working with the licensee to enhance the core programme materials to take account of the changing landscape, particularly academy chains.

The College was asked to develop an understanding of the skills needed by the **principals of free schools** and to ensure that its leadership development training programmes offer relevant content. It was asked to consider how best to support free school academy trusts in recruiting, training and developing potential principals of free schools. The College aims to provide leadership development support to the principals of free schools that opened in September 2011 and to find out more about their specific needs. This will inform a leadership development module for free school principals which will be licensed in autumn 2012.

All schools should be working to make savings and get the greatest value for money from their expenditure, so that they can maximise their investment in teaching. The College's suite of **school business manager** qualifications have recruited 2,500 individuals this year, taking the total trained to over 10,500 since this provision began in 2003. The programmes are now charged for and have generated £371,000 in income. The structure of the provision has been revised to offer more choice through training modules focused on specific skills alongside the core programmes. Over 800 individuals have been recruited to these modules this year. In 2011, the College launched the Certificate in Financial Reporting for Academies, which is accredited by the Chartered Institute of Public Finance and Accountancy (CIPFA) and was delivered through a licensed model to 869 individuals this year. The College has provided training to 98 aspiring school business managers who have come from outside education, along with access to a job-seeking support package. There is strong evidence that trained school business managers save money and free up the time of headteachers and principals. PwC estimated that each pound spent on school business manager training generates £1.80 of value for the school. The College continues to support and monitor the 233 primary school partnerships that are each sharing a school business manager.

The College was asked to develop training and support for **chairs of governors** to provide them with the skills, knowledge and confidence to undertake their role successfully. The College has worked with the National Governors' Association (NGA), the National Co-ordinators of Governor Services (NCOGS), the Freedom and Autonomy for Schools – National Association (FASNA) and other delivery partners to develop and deliver this offer. The booklet *Leading governors: the role of the chair of governors in schools and academies* was published in September 2011 for which demand has been high. A training and support offer has been developed and agreed and will be made available from April 2012. The College has also invited applications from outstanding chairs to be designated as national leaders of governance whose role will be to support other chairs, particularly in school improvement. The first 70 have been designated and deployed from April 2012.

The College was asked to continue to support the leadership of early years education and to support children's centre leaders in delivering reform and supporting each other. This year, 425 children's centre leaders were recruited to the **National Professional Qualification in Integrated Centre Leadership;** 400 individuals graduated and provided evidence of the impact they have had as part of the graduation process. The College has maintained the **Children's Centre Leaders Network.** Over 150 delegates take part in leadership development events each term. Once firmly established, the network will be sector led. The College has worked with excellent early years leaders to develop a sustainable and sector-led approach to system leadership. The approach is being tested with 13 local authorities through the development of 50 children's centre system leaders, and recommendations on an approach to sector-led improvement in early years will be provided during 2012–13.

The Secretary of State asked the College to honour its existing commitments for the **Director of Children's Services provision,** but to ensure that responsibility for this work migrated successfully to another organisation by March 2012. This provision was transferred to the DfE with effect from 1 November 2011.

Securing the supply of headteachers and principals

The College was asked to continue to invest in its work to secure the future supply of high-quality headteachers and academy principals. It was asked to pay particular attention to the needs of faith schools, rural primaries and challenging urban secondary schools. The College has continued its succession-planning work this year aimed at reducing both the risk of a shortage of headteachers and the costs and impact of failing to recruit. Local areas have been supported in developing sustainable approaches to talent identification and management. The College has continued its targeted support programme aimed at encouraging more leaders onto the NPQH and at encouraging more NPQH graduates into headship positions. The targeted support available during the 2010–11 school year directly supported 2,200 individuals. Within three months of completion, one-third had become headteachers and one-fifth had achieved promotion. Over 5,000 individuals are being supported by this targeted support during the 2011–12 school year. Headteacher vacancy rates have remained low at 0.1 per cent. The number of headteacher and principal posts that are temporarily filled has remained low at 1.5 per cent. Grants to dioceses have resulted in 33 per cent of supported leaders securing headships in a faith school within six months. The percentage of posts readvertised for Church of England and Catholic headships have stabilised at 42 per cent and 51 per cent respectively. Both figures meet the target that was agreed with the College.

Work has begun to transfer the succession-planning role to teaching schools. The first 100 teaching schools have been provided with a grant to support their supply work. The College has maintained its positive action provision for female leaders and leaders from black and minority ethnic backgrounds, including an Ofsted shadowing scheme. Of the participants in the Ofsted programme, 50 per cent have achieved a promotion, and 10 per cent have been accepted onto the NPQH.

Schools supporting schools

The College was asked to lead the creation of a new **teaching school** designation, working with the Training and Development Agency for Schools (with effect from 1 April 2012 this is now known as the Teaching Agency). Led by outstanding headteachers, these schools bring together excellence in both teaching and professional development. Each school is part of a local group of schools that promote excellence and deliver improvement. The College was asked to designate 200 teaching schools by March 2012, and to establish key performance indicators to measure future impact. The College was also asked to provide a grant to support schools in preparing to apply for teaching school status, and to establish a national research and development group of teaching schools.

This has been a critical development year. A robust process for the prioritisation, designation and de-designation of teaching schools has been established. By March 2012, 184 teaching schools had been designated, with an additional 34 sharing a designation. The teaching schools initiative was launched by the Secretary of State at the College's Learning and Conference Centre. There were 196 applications for the grant funding aimed at supporting schools to apply for teaching school designation, and £4 million has been provided to 127 schools; 101 teaching schools and 35 higher education institutions are working with the research and development group. A clear set of eight key performance indicators has been agreed. These include reduced headship vacancies, faster rates of improvement in the quality of teaching and leadership and in pupil attainment, fewer poorly performing schools and more good and outstanding schools, and reductions in the achievement gap between different groups of pupils. The College is working with the Teaching Agency to develop a measure of the quality of initial teacher training provided by teaching schools. Teaching schools have been asked to demonstrate within their business plans how they will contribute to these national priorities.

National leaders of education (NLEs) are outstanding headteachers and academy principals who use their knowledge and skills to provide additional leadership capacity to schools and academies in challenging circumstances. Support is also provided by the staff in their own school or academy, which is designated as a national support school. **Local leaders of education (LLEs)** are successful headteachers who support other schools and leaders. The College was asked to double the number of NLEs and LLEs by 2014–15, ensuring their effective induction and deployment. The College was asked to ensure that both delivered significant improvement in the schools that they support, while maintaining their own high standards.

This year, the College has increased the number of **NLEs** from 481 to 650, exceeding the target of 500. This includes 232 academy principals. Among the new NLEs, 94.5 per cent rated their induction as good or very good, exceeding the target of 90 per cent. The College provided schools with £5.8 million to support the deployment of NLEs; 80 per cent have been deployed within three months of their designation. The exam results of national support schools have remained above the national average, and those schools that they have supported have improved more rapidly than the national rate of improvement (see table opposite on page 9).

The College has increased the number of **LLEs** from 1,217 to 2,188 this year, exceeding the target of 2,000. Of the new LLEs, 93 per cent rated their induction as good or very good, meeting the target; 40 per cent have been deployed within three months of their designation. The teaching school deployment fund has improved this figure, and steps are being taken to resolve some data management issues. The exam results of schools led by headteachers who are LLEs have remained above the national average, and those schools that they have supported have improved more rapidly than the national rate of improvement (see table on page 10). In addition, LLEs have taken the role of acting as professional partners to new headteachers; 42 per cent of new headteachers have benefited from this support.

Taken together, NLEs and LLEs have maintained the standards in their own schools and delivered significant improvement in the schools that they have supported. NLEs and LLEs are also at the forefront of wider change in the education system: 73 of the first 100 teaching schools are led by an NLE and are national support schools, and over 430 academies are led by NLEs or LLEs.

The College was asked to develop and implement proposals for a new designation of **specialist leaders of education (SLEs).** These are excellent professionals in leadership positions other than headships, such as deputy headteachers, subject and behaviour management specialists, and business managers who have the skills to support individuals or teams in similar positions in other schools. The College was asked to designate 1,000 SLEs by March 2012.

The College established a robust designation process and a leading role for teaching schools. Schools submitted a total of 1,583 applications for SLEs, and 1,004 were designated by March 2012. The College is monitoring their deployment rate, which is a key performance indicator for teaching schools. The target is that 50 per cent of SLEs will be deployed within three months of being designated. The College will continue to monitor their impact.

Impact of Year 1* NLE support: **Key Stage 2 (Level 4+ incl English and maths)**

	Average KS2 attainment: pre-support	Average KS2 attainment: end of Year 1 support	% Change	% Change vs schools who have had no engagement
Receiving NLE support	63.6%	67.5%	+3.9%	+3.1%
National support schools	84.0%	85.9%	+1.9%	+1.1%
No system leadership engagement	74.2%	75.0%	+0.8%	N/A

Impact of Year 1* NLE support: **Key Stage 4 (5+ GCSEs A*–C incl English and maths)**

	Average KS2 attainment: pre-support	Average KS2 attainment: end of Year 1 support	% Change	% Change vs schools who have had no engagement
Receiving NLE support	42.9%	48.2%	+5.3%	+2.5%
National support schools	63.9%	66.4%	+2.5%	-0.4%
No system leadership engagement	51.9%	54.8%	+2.8%	N/A

* *'Year 1' includes the first year of support in any year, ie it combines results from the 2007–08, 2008–09, 2009–10 and 2010–11 academic years.*

Impact of Year 1* LLE support: **Key Stage 2 (Level 4+ incl English and maths)**

	Average KS2 attainment*: pre-support	Average KS2 attainment*: end of Year 1 support	% Change	% Change vs schools who have had no engagement
Receiving LLE support	65.0%	68.7%	+3.7%	+2.9%
Providing LLE support	79.3%	80.3%	+1.0%	+0.2%
No system leadership engagement	74.2%	75.0%	+0.8%	N/A

Impact of Year 1* LLE support: **Key Stage 4 (5+ GCSEs A*–C incl English and maths)**

	Average KS2 attainment*: pre-support	Average KS2 attainment*: end of Year 1 support	% Change	% Change vs schools who have had no engagement
Receiving LLE support	47.7%	52.9%	+5.2%	+2.4%
Providing LLE support	53.3%	56.0%	+2.7%	-0.1%
No system leadership engagement	51.9%	54.8%	+2.8%	N/A

* *'Year 1' includes the first year of support in any year, ie it combines results from the 2007–08, 2008–09, 2009–10 and 2010–11 academic years.*

Providing services

Since its launch in September 2009, the National College's **membership scheme** has grown to include over 100,000 members. The College now has members in over 90 per cent of the schools, academies and children's centres in England. Membership of the College is free and is a requirement for anyone applying for a College programme or event. Membership provides access to the College's programmes and library, and to a range of other benefits.

The College's **research work** has focused on understanding the needs of headteachers and principals and the ways in which the school sector is changing. Teaching schools have been involved in research to deliver improvement. The College conducted **consultation** on proposals for teaching schools, SLEs and the new NPQH in the spring of 2011. The College has brought together education officials and headteachers and principals to ensure that policy is informed by practice.

Over 1,600 delegates attended the College's **annual Seizing Success training event** in June 2011. Of these, 91 per cent said they were very satisfied or satisfied with it and would attend again. Over 250 new headteachers and principals attended the College's **annual New Heads training event** in November 2011: 99 per cent said they were very satisfied or satisfied with it; 84 per cent rated it as excellent; and 98 per cent indicated that they would recommend the event to others.

The College's **website** remains the point of access for all College provision and has maintained its position as the first choice for headteachers, principals and other leaders. Use of the website has grown: for example, it was 46 per cent higher in September 2011 than it was in September 2010. The College's annual survey of headteachers and principals in spring 2011 showed that 99 per cent of headteachers are aware of the College and 86 per cent strongly agree that the College helps to improve the quality of school leadership.

The College's **International Business Unit** was formally established on 1 May 2011. Its purpose is to generate new income and to further strengthen the College's brand. The unit has secured a viable and sustainable sales pipeline which includes a pilot to license the Middle Leadership Development Programme in Queensland, Australia. The College has received 124 enquiries about its products and services. The College has hosted a number of paid-for study tours to the UK. The unit has supported the development of a professional qualification for school principals in Oman. Discussions have taken place with British Schools Middle East about the delivery of the NPQH.

12 Section 3: **Reform and restructure**

The education reforms and the arm's length body reform programme meant that the College needed to change significantly to meet the needs of the government and the sector.

The chief executive and governing council took the decision to **restructure** the College in the light of the new remit for the College set out in the education white paper and the significant budget reduction that the College would be expected to make. The leadership team was restructured first, reducing its size from 28 to 23. A number of posts are fixed term, which will result in the leadership team reducing by a further three posts in 2012 and reducing to 15 posts by 2014–15. A restructure of the rest of the College then took place between June and October 2011, involving full consultation with all staff. The new structure took effect on 1 November. As a consequence of this, the number of posts in the College has been reduced by 38 per cent, from 377 in April 2010 to 233 (full-time equivalent (FTE)) in April 2012, and will reduce further over time.

The College has worked with the DfE to prepare for the move to a **shared services** arrangement in which some services will be provided by the department and some delivered by the College. As a result of this, College staff who work in human resources (HR), finance, commercial and some ICT functions have been through a DfE job-matching process. The College has been working with the department's Chief Information Officer Group (CIOG) on the transition to a centralised ICT platform. The scope of this work includes the replacement of the College's desktop, the replacement of the College's back-office HR and finance systems with the department's resource management (RM) system (supplied by the Department for Work and Pensions) and the retention or replacement of a number of the College's other business applications.

Other activities have been undertaken to prepare for the College's change of status from a non-departmental public body (NDPB) to an **executive agency.** These activities have included: the formal closure of the College as a company through the members' voluntary liquidation route; the harmonisation of the terms and conditions of every member of College staff with that of the Civil Service; the novation of all of the College's contracts and licences from the company to the Secretary of State; the governance arrangements for the new agency; arrangements for the movement of the College's public-facing web content to the DfE website; and arrangements for inducting staff into the Civil Service and providing training relating to new systems.

Section 4: **Accounts**
Company information

Directors serving during the 2011–12 financial year and up to the point liquidators were appointed on 13 April 2012	Appointed	Resigned
V Treves (chair)	1 September 2004	
D Absalom	1 January 2010	
H Baker	1 September 2006	
M Callaghan	1 September 2006	
J Coughlan	1 January 2010	
J Dunford	1 January 2010	
P Jervis	1 September 2006	
B Levin	23 March 2008	
G Lowth	1 January 2010	
J McVittie	1 September 2006	
A Middleton	1 December 2008	30 November 2011
J Pullen	1 September 2006	29 June 2011
D Ross	1 September 2006	
A Seber	1 September 2006	

Company secretary

Caroline Maley
Old School House
Leake Road
Stanford-on-Soar
Loughborough
Nottinghamshire
LE12 5QL

Auditor

National Audit Office
157–197 Buckingham Palace Road
London
SW1W 9SP

Solicitors

Pinsent Masons Solicitors
1 Park Row
Leeds
LS1 5AB

Registered office

Lime House
Mere Way
Ruddington
Nottingham
NG11 6JS

Head office

Triumph Road
Nottingham
NG8 1DH

Registered number

4014904

Bankers

Citibank (CitiDirect)
25 Canada Square
Canary Wharf
London
E14 5LB

National Westminster Bank Plc
Government Banking Service
London Corporate Service Centre
3rd Floor
2½ Devonshire Square
London EC2P 2GR
PO Box 64388

Management commentary

Background information

References in this report to 'the Secretary of State' relate to the Secretary of State for Education. The Department for Education is referred to as 'the DfE'.

The National College for School Leadership Limited (the National College) was incorporated on 14 June 2000. It is an executive non-departmental public body (NDPB) sponsored by the DfE. It is a company limited by guarantee, having no share capital. The accounts have been prepared in accordance with an accounts direction issued by the Secretary of State with the consent of HM Treasury.

The full accounts direction is available on request but in summary the direction requires the National College to comply with the 2011–12 Government Financial Reporting Manual (FReM), based on the International Financial Reporting Standards (IFRS), where this exceeds or does not conflict with the Companies Act, and HM Treasury guidance in relation to IFRS compliance.

Principal activities

The National College works to develop and inspire great headteachers, academy principals and other leaders of schools and early years settings so that they can make a positive difference to children's lives. This is achieved by ensuring the supply of excellent leaders, providing high-quality leadership qualifications and development, and supporting the best headteachers and principals to lead the improvement of the school system.

Review of 2011–12

Full details of the National College's achievements are given in the first three sections of this Annual Report (pages 4–12). The College has delivered on the remit that it was given while at the same time completing a restructure, reducing both its budget and its staffing complement, and preparing for its transition to executive agency status.

Charitable and political donations

There were no charitable or political donations during the year.

Equality and diversity

The Equality Act 2010 introduces a new equality duty for public bodies which is intended to protect people from discrimination, harassment and victimisation on the basis of certain protected characteristics: race, gender, disability, religion and belief, sexual orientation, gender identity, and age. The National College equalities policy was updated during 2011 to reflect these changes to legislation. The National College has a legal duty to meet the Equality Act 2010 requirements, but also a moral duty to promote diversity and to value the differences that each individual brings. This contributes to and enables our drive to diversify the leadership of schools and children's services.

At the National College, reward and recognition depend solely on individual ability and performance. All employees and potential employees, whether part time, full time or temporary, are treated fairly and with respect and dignity. Selection for employment, promotion, training or any other benefit is on the basis of aptitude and ability. Our equality scheme and action plan, which have been reviewed this year, outline our commitment to equality and diversity in the way that we employ staff, provide services and work with partners and stakeholders. All the National College's facilities are easily accessible to guests and staff with disabilities, for whom the National College also provides special reserved car parking and purpose-built bedrooms at its Learning and Conference Centre. The National College's conference rooms and a selection of meeting rooms are equipped with facilities for delegates with hearing difficulties. Furthermore, the National College provides alarm systems in bedrooms for guests with impaired hearing. The National College has the 'two ticks' disability accreditation, which confirms its commitment to good practice in employing disabled people.

For the first year, the National College has become a Stonewall Diversity Champion. This title recognises the steps we take to ensure the College is a safe and respectful place to work for all employees and particularly our lesbian, gay and bisexual (LGB) staff.

Employee engagement

Employee engagement, or passion for work, involves feeling positive about your job, as well as being prepared to go the extra mile to make sure you do your job to the best of your ability. High levels of engagement have been linked to a whole range of beneficial outcomes, including high levels of performance. Engaged employees also experience increased job satisfaction and more positive attitudes and emotions towards their work.

Effective communication is key to both developing and sustaining employee engagement. At the National College, employee communication includes regular team meetings, intranet news, monthly cascade briefings for all staff via their directors and quarterly 'In Conversation' presentation sessions. There is also an online forum where staff can post questions directly to the strategic leadership team with a 24-hour response turnaround. Staff are also encouraged to get involved in the National College charity group and use the staff representative committee as a channel for ideas and to raise issues and questions. The National College holds two all-staff meetings annually which include a presentation by the chief executive to help ensure staff are kept informed about key National College issues.

Sickness absence

For the nine months to December 2011 the total number of working days lost due to sickness absence amounted to 2,094 days (2010–11 full year; 1,890 days). This is an average of 7.7 days per employee over the nine months (2010–11 full year; 5.8 days). Even though the average number of days has increased this year, the College kept within its annual target of 3 per cent with a nine-month average of 2.4 per cent. System data is not available for the period January to March 2012 as the HR system was switched off to allow data transfer for the transition to DfE systems. This data has been collected locally by line managers, who will input onto the new system after 1 April.

Sustainable development

The National College is committed to embedding sustainability through best practice across its estate. Initiatives and commitments include: year-on-year reduction in utility consumption and associated CO^2 emissions, reduction in water consumption, analysis of business mileage and how this impacts on our overall CO^2 emissions, continued focus on waste to increase segregation at source and targeted increase in recycled waste and associated reduction in waste to landfill.

During 2011–12, the College exceeded the government's target for reduction in CO^2 for the year, achieving a 19.4 per cent reduction, as well as increasing the average for waste recycling across our Nottingham sites to 89 per cent. We achieved a reduction of 12.7 per cent in water consumption (m^3), and we also achieved a further reduction in grey fleet (staff) mileage to under 150,000 miles – a 50 per cent decrease on the previous year.

Sustainable procurement principles are embedded within all product sourcing. In addition to this, we continue to focus on food procurement, working alongside our facilities contractor, to ensure that food is sourced sustainably and responsibly through accredited schemes such as the Marine Stewardship Council, and the Red Tractor scheme. Food wastage targets are reviewed and set each year, with a focus on year-on-year reduction.

We continuously monitor our performance in all of the above areas, measuring against benchmarks, year-on-year statistics, government targets and industry best practice.

Grant-in-aid

The National College's funding is agreed with the DfE on an annual basis and is confirmed by the receipt of a remit letter. This remit letter lays out the activity of the National College for the coming year as well as the level of funding that will be made available for the National College. Any funding not used during the year must be given back to the DfE.

The National College received a final funding allocation for 2011–12 of £111.7 million grant-in-aid (2010–11: 110.9 million). The initial allocation of £107.3 million was increased during the year in order to support additional activities and pension liabilities. As at 31 March 2012, £106.7 million grant-in-aid funding had been received in cash from the DfE.

The FReM requires NDPBs to account for grant-in-aid (other than that provided to finance a specific asset) as financing because it is regarded as a contribution from a controlling party (the DfE), which gives the DfE a financial interest in the National College.

The College remit for 2011–12 was split between programme costs (£89.2 million) and administration costs (£22.5 million). In 2010–11 the remit did not separate programme and administration costs.

Financial results for 2011–12

These financial statements at pages 32 to 68 cover the 12 months to 31 March 2012 and have been audited by the National Audit Office on behalf of the Comptroller and Auditor General.

Total funding from the DfE and other sources of £113.6 million was available in 2011–12.

Total expenditure during 2011–12 was £111.1 million (2010–11: £112.1 million).

Following adjustments for pensions, interest, Secretary of State's contributions and income, the net expenditure for the year amounted to £94.7 million (2010–11: £107.0 million)

Cash balances as at 31 March 2012

As at 31 March 2012, the National College had a net cash balance of £0.4 million (2010–11: £0.04 million). *Note 12* to the accounts provides further details of the National College's cash balances.

Payment of payables

The National College endeavours to comply with the principles of HM Treasury's Better Payment Practice Code and monitors performance on a monthly basis, taking measures where appropriate to improve compliance. During the year, 80 per cent (2010–11: 81 per cent) of invoices were paid within a 10-day period.

Pension arrangements

The National College operates a defined benefit staff pension scheme providing benefits based on final pensionable salary. The scheme is part of the Nottinghamshire County Council Pension Fund (NCCPF), which is administered under the statutory framework of the Local Government Pension Scheme (LGPS).

After 1 April 2012, members of the pension scheme will have the option to transfer accrued pension rights to the Principal Civil Service Pension Scheme (PCSPS) or to maintain their fund in the LGPS. The DfE will make employer and employee contributions only to the PCSPS after the transfer date.

The pension scheme is independently valued in order to assess the value of any transfer to the PCSPS and to establish any surplus or deficit which will need to be accounted for by the National College.

Note 22 to the accounts details the National College's pension liability and arrangements.

Auditor services

In respect of the year ended 31 March 2012, the National College's external auditors, the National Audit Office on behalf of the Comptroller and Auditor General, completed the statutory audit. The audit fee for 2011–12 is £50,000 (2010–11: £50,000). The National College's internal audit service has been provided by KPMG LLP.

The external auditors received no remuneration from the National College for non-audit services during the year.

The members of the strategic leadership team (including the accounting officer) employed at the date of approval of this Management commentary confirm that, so far as they are aware, there is no relevant audit information of which the National College's auditors are unaware and that they have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the National College's auditors are aware of that information.

Going concern

On 1 April 2012 the assets, liabilities and activity of the National College will be transferred to an executive agency of the DfE. This change represents no material risk to the National College's aims and objectives being pursued under its revised status, or to the National College's financial capabilities. Furthermore, there are no material risks to the National College's customers or suppliers as a result of the change of status. Due to the planned changes it is not considered appropriate to produce the National College's accounts for 2011–12 on a going concern basis. However, as all assets will be transferred at book value, the reported financial position is the same under both the going concern and non-going concern bases.

The statement of financial position at 31 March 2012 shows a net position of £0.0 (2010–11: £9.4 million) reflecting the agreement of the Secretary of State to take on the net liabilities of the company. In addition, *Note 13* shows payables of £5.5 million (2010–11: £12.2 million) arising from expenditure already committed. This reflects the inclusion of liabilities falling due in future years which, to the extent that they are not to be met from the National College's other sources of income, may only be met by future grant-in-aid from the DfE. This is because, under normal conventions applying to parliamentary control over income and expenditure, grant-in-aid may not be issued in advance of need.

A letter of comfort has been issued by the DfE confirming that the amounts required to meet the National College's liabilities falling due in 2012–13 have been included in the DfE supply estimate for that year.

Closure of National College for School Leadership Limited

On 28 March 2012 the directors signed a Statutory Declaration of Solvency, and on 1 April all activities, assets and liabilities were transferred to a new executive agency of the DfE. The appointed liquidators, Baker Tilly Restructuring and Recovery LLP, entered the limited company into a members' voluntary liquidation on 13 April 2012.

Elective resolution

On 16 November 2001, an elective resolution was passed to dispense with the annual appointment of auditors and laying of the accounts before the National College in a general meeting.

Signed by order of the board by:

D Ross Director
Dated: 17 May 2012

Approved by:

Steve Munby

S Munby Chief Executive
Dated: 17 May 2012

Statement of governing council members' and accounting officer's responsibilities

The governing council members (who are also the directors under company law) are responsible for preparing the annual report and accounts in accordance with the Companies Act 2006 and directions issued by the Secretary of State.

Although the Companies Act does not require an account to be produced in the National College's last year of operation, directions from the Secretary of State require the governing council members to prepare accounts for this financial year which give a true and fair view of the state of affairs of the company and of the surplus or deficit for that period.

In preparing those accounts, the governing council members are required to:

- observe the accounts direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimate on a reasonable basis
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts
- prepare the accounts on an appropriate basis

The Secretary of State has appointed the National College's chief executive as accounting officer. The responsibility 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 assets, is set out in *Managing Public Money,* issued by HM Treasury.

20 Governance statement

Scope of responsibility

As accounting officer, I have responsibility for maintaining a sound system of governance that supports the achievement of the policies, aims and objectives of the National College for School Leadership (National College), whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in the non-departmental public body accounting officers' memorandum.

Transition to executive agency status

The National College changed its legal status to become an executive agency on 1 April 2012. This change brings, amongst other things, a change in the governance structure of the National College. The change of status has presented a considerable challenge to maintaining an effective control environment throughout the year. During 2011–12 the National College has faced transition risks, in addition to the business risks associated with the ongoing business.

The National College has therefore developed, over the last year, the appropriate controls, structures and relationships that will allow a smooth transition to a revised governance structure, and the National College to continue to succeed under its new legal status.

Governance framework

The National College for School Leadership is an executive non-departmental public body sponsored by the DfE.

During the year the National College was led by the chief executive, who was supported by a strategic leadership team, which included a chief operating officer, deputy chief executive officer, executive director for leadership development and, until 31 October 2011, an executive director for children's services. They were responsible for the strategic direction of the National College, along with a team of directors who focus on the delivery of activity and monitoring of performance against the National College's goals. The National College is governed by a board of non-executive directors (the governing council) appointed by the Secretary of State.

The National College's financial memorandum and management statement set out the respective roles of the accounting officer and governing council. Further details are contained in the section titled 'Statement of governing council members' and accounting officer's responsibilities'. The National College's operational plan and balanced scorecard, which reflect the expectations set by the annual remit letter, have been developed in consultation with the DfE.

Governing council

The governing council receives regular reports on financial and operational performance as well as reviews of the risk management strategy and updated risks. The governing council relies on five subcommittees to assist it in carrying out its role. These subcommittees are the strategy committee, the finance and remuneration committee, the provision, research and technology committee, the audit and risk assessment committee, and the international committee.

At each governing council meeting a variety of topics was considered in relation to the operation of the College. During 2011–12 key areas covered included the development of delivery programmes such as the new NPQH model, and licensed delivery and Teaching Schools and how they would be implemented. The governing council were also engaged in the reorganisation of the College and transition to an executive agency.

The governing council is assured that the information it is supplied with by the National College is accurate, sufficient and meets its strategic needs through the continued support and detailed scrutiny provided by the subcommittees. The ability to directly question senior staff and direct enquiries through this forum ensures robust intelligence. Independent assurance is also provided through sources such as internal audit and governing council members' own direct engagement with external stakeholders.

Governing council members are appointed by the Secretary of State, normally for a fixed term of a minimum of three years.

The following people served during the year 2011–12:

Chair:	Vanni Treves CBE	Chair of the governing council
Directors:	Dr Deborah Absalom	Consultant and former Director of Children's Services, London Borough of Bexley
	Helen Baker DL	Chair, Advance
	Martin Callaghan OBE	Former Partner, PricewaterhouseCoopers
	John Coughlan CBE	Director of Children's Services and Deputy Chief Executive, Hampshire County Council
	Dr John Dunford OBE	Chair, Whole Education and Chair, Chartered Institute of Educational Assessors
	Pamela Jervis MBE	Former Headteacher, Kirkby Sports College, Knowsley
	Dr Ben Levin	Professor and Canada Research Chair in Education Leadership and Policy, University of Toronto
	Glynn Lowth	Past President, Chartered Institute of Management Accountants
	Joan McVittie	Headteacher, Woodside High School, Haringey, London
	Andrew Middleton	Education Consultant and former Principal of Stamford College
	Jill Pullen	Former Headteacher, Colegrave Primary School, presently vice chair Outer North East London NHS Trust
	Diana Ross	Former Director, Jobcentre Plus South West
	Andrew Seber CBE	Consultant, former President, Confederation of Education Service Managers

Attendance at board and other meetings for 2012

The board met on five occasions during the year following a formal agenda. Attendance at formal board meetings and subcommittee meetings during the year is shown in the following table:

Schedule of committee meetings for 2011– 12

Governing council board members	Full governing council meeting 5 meetings were held during 2011–12	Audit 5 meetings were held during 2011–12	Finance and remuneration 4 meetings were held during 2011–12	Strategy 4 meetings were held during 2011–12	International 5 meetings were held during 2011–12	Provision research and technology 4 meetings were held during 2011–12
V Treves (Chair)	5	n/a	n/a	n/a	5	n/a
D Absalom	5	n/a	n/a	n/a	n/a	3
H Baker *	5	5	2	3	n/a	n/a
M Callaghan	5	5	4	n/a	5	n/a
J Coughlan	5	n/a	n/a	3	n/a	n/a
J Dunford	4	n/a	n/a	4	n/a	n/a
P Jervis *	5	2	4	n/a	n/a	4
B Levin	3	n/a	n/a	n/a	4	n/a
G Lowth *	5	2	4	n/a	n/a	n/a
J McVittie	5	n/a	n/a	3	n/a	n/a
A Middleton **	3	n/a	2	n/a	n/a	2
J Pullen **	0	1	n/a	0	n/a	n/a
D Ross *	5	5	2	3	n/a	n/a
A Seber	5	n/a	n/a	4	n/a	3

* *Committee membership changed during the year*

* * *J Pullen resigned 29 June 2011, A Middleton resigned 30 November 2011*

Board performance

Throughout the year the board has performed its duties and operated in a way consistent with the corporate governance code. It has adapted its methodology to the changes taking place in the College, including reshaping its agenda to focus on the transition, receiving feedback and instruction from the DfE, and overseeing the successful restructure and transition. As the board will no longer exist after 31 March 2012, it felt that self-assessment would not be productive or add any value. Constituent committees have, however, provided legacy statements which will be passed to the new advisory board.

Board members' directorships and significant interests

The National College requires board members to register with the National College any company and organisation directorship or other significant interests.

The National College maintains a register of interests of the financial, political and other relevant interests of board members. The register is available for inspection on request during normal working hours at the National College's office at Lime House, Mere Way, Ruddington, Nottingham, NG11 6JS.

Note 15 to the accounts has details of board members' related party transactions for 2011–12.

Audit and risk assessment committee

A duly constituted audit and risk assessment committee, a subcommittee of the governing council, has operated throughout the year and its terms of reference reflect best practice. The audit and risk assessment committee consists of five members of the governing council.

The committee has met regularly throughout 2011–12 and has considered reports from internal audit on the system of internal control, risk management and governance. On an annual basis the committee carries out a review of the effectiveness of the National College's system of internal control and reports the results of this review to the governing council.

In line with best practice, the committee has also completed a self-assessment of its effectiveness during 2011–12. The assessment indicated that there were no significant issues to address with the current situation but suggested some important considerations for the College as it moves to become an executive agency. These include the development of a holistic assurance framework showing the sources of assurance available, along with the need for the accounting officer to have independent scrutiny and challenge in addition to existing departmental sources to support him in discharging his responsibilities. These points will be raised with the executive and the DfE.

Strategy committee, provision, research and technology committee, finance and remuneration committee, and the international committee

It was felt that it was unnecessary for these committees, which similarly report into governing council, to carry out a self-assessment, but all apart from the international committee provided a legacy statement at the year-end.

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 a reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of organisational policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively and economically. The system of internal control has been in place in the National College for the 12 months ended 31 March 2012 and up to the date of approval of the annual report and accounts, and accords with HM Treasury guidance. During the year the system of internal control has been further improved to ensure consistent treatment and reporting of risk across the National College.

Risk management and delivery assurance

The National College has maintained and improved its processes for managing risks. Guidance on risk management is available through the College's intranet and risk management training has been made available to staff. A strategic risk register is owned by the strategic leadership team. Each directorate and each programme and project also maintains its own register. The likelihood and potential impact of each identified risk is assessed. This assessment determines whether action is required. Each risk has an owner. Any high-level risks are escalated appropriately to the College's governing council and strategic leadership team. Monthly management information reports combine information on risk, finance, performance and progress. These reports are considered at relevant meetings of the governing council and its committees, and at meetings between the senior leaders of the College and the DfE. The strategic leadership team reviews the strategic risk register on a quarterly basis.

The key strategic risks for the National College during this year have included:

- *The possible failure of one or more of the College's new initiatives.* This risk has been particularly relevant to the development of the new teaching schools designation and the development of a revised NPQH qualification. This risk has been managed by effective consultation on the white paper proposals for leadership with headteachers, principals, and other school and children's centre leaders. The College has maintained effective programme and project management controls and reported performance through its monthly management information report. All risks arising from these new initiatives have been discussed with DfE officials at the highest level to ensure that there is a clear understanding of exposure and required mitigation.
- *The restructuring of the National College and its transition to an executive agency could impede the College's ability to deliver its remit.* The College has worked closely with DfE colleagues to deliver the arm's length body reform programme. A joint transition board has been in operation. Clear lines of authority, accountability and decision-making have been agreed.
- *The closure of a number of leadership development programmes combined with the change in status of the NPQH could result in the loss of stakeholder confidence.* A clear message regarding the change in status of the NPQH was communicated to the sector on the day of the Secretary of State's announcement. The College has maintained frequent communications and strong relationships with its providers and potential licensees.

Key control mechanisms

The National College has in place the following key controls which help to manage the risks detailed above:

- quarterly business reviews with the leadership group, led by the accounting officer, where assurance can be gained that the risks are being managed appropriately across the National College
- regular reviews by the leadership group of the management information pack and reports indicating financial and operational performance against forecasts
- review and updating of the National College's policies and procedures and systems of delegation in 2011–12 to ensure that they continue to provide control and assurance
- a system of delegation of authority with defined spend authorisation limits
- a comprehensive budgeting system with an annual budget that is reviewed by the finance and remuneration committee of the governing council
- a business continuity plan, which has been tested during 2011–12

Leadership group

The leadership group, which consists of the National College's executive directors and directors, is responsible for ensuring that risks are being managed according to the risk assurance framework. The leadership group also provides peer review of operational planning and budget-setting activities and the content of the management information pack.

Information risk management

Arrangements have been made to ensure that the National College complies with the requirements of both HM Government and Cabinet Office policy and guidance in addressing risks to information and information systems. The chief operating officer is the designated senior information risk owner (SIRO) with overall responsibility for the management of information security at the National College.

The National College has a variety of information assets which are essential to the effective and efficient operation of the organisation and the delivery of its strategic aims and objectives. Information asset owners (IAOs) have the responsibility for protecting the information assets that are assigned to them. Monthly reports assist them in discharging this responsibility.

The National College recognises that a key risk to the security of its assets is the understanding of the importance of information security within the organisation, and by third parties who may access or use our data in carrying out their work. The National College has formed an information security panel, chaired by the SIRO and attended by a broad range of stakeholders, which meets regularly to ensure that information security continues to maintain a high profile in all the work of the organisation.

The National College continues to highlight the importance of information security and the associated risks in order to maintain a high sense of responsibility. Information security matters regularly feature in the College's various formal communication channels to staff. All National College employees complete the Cabinet Office level 1 e-learning programme within their first two weeks of employment and all employees undertake an annual refresher training programme. Furthermore, a level 2 training programme is available, and all staff of managerial grade and above complete this within their first six weeks of employment at a managerial grade. The requirement to complete this training has been extended to include non-staff who have access to the National College's internal ICT systems. A level 3 programme is also in place, relevant to staff in the most senior positions within the National College.

A further key risk is the potential loss of National College information assets by suppliers and delivery partners (including their subcontractors). All of the National College's suppliers and delivery partners are assessed for risk in terms of the data they may handle on behalf of the National College. Once assessed, the appropriate requirements are included in a schedule to their contract clearly setting out the information security requirements to be fulfilled. Therefore if a supplier has access to or holds a large amount of sensitive data belonging to the National College, the schedule requires more rigorous information security procedures to be in place. Work has been carried out during the year to identify and rectify minor issues related to the security of the College's external-facing systems.

The finance and remuneration committee is informed of all incidents in relation to information security within the National College, along with the action taken and how the incident has been closed. During 2011–12 there have been no reportable losses of data or significant data security lapses.

Internal audit

A professional and independent internal audit service, carried out by KPMG, was maintained throughout the year.

Internal audits were carried out in accordance with the annual audit plan, as agreed by the audit and risk assessment committee, to provide assurance about the level of controls operating. The audit plan for the year was compiled based on the National College's strategic activities and the high risks to the National College, and included payments without purchase orders, grants administration, and collaborative fund arrangements, financial systems and the International Business Unit, with any emergent transition issues being immediately addressed.

During the year there were suggestions that certain areas should be considered for possible internal audit review, but were not pursued, as they were considered to yield no benefit given the College's change of status from 1 April 2012.

Based on the audit work carried out and the actions that are being taken to address and monitor identified control weaknesses, the internal auditors have concluded that the National College has adequate and effective risk management, control and governance processes to manage the achievement of its objectives. All areas that underwent an internal audit during the year received either a 'satisfactory' or 'good' rating. No areas subject to audit were identified as having either significant or material control weaknesses.

Government restrictions and the transparency agenda

Since the creation of the coalition government in 2010, the National College has, along with other central government and arm's length bodies, continued to be subject to a number of restrictions on the activities it is able to engage in. For the National College, the most significant of these have been in relation to recruitment, use of consultants, marketing expenditure, ICT expenditure and more general procurement activities. The National College has put arrangements in place to ensure compliance with the relevant requirements of the government.

The restrictions have increased the risk of the National College failing to achieve its policies, aims and objectives, and therefore failing to meet its original targets for the year. The procedures and processes that are detailed here have allowed the National College to manage and mitigate these risks, whilst meeting the majority of the expectations of the National College. Throughout the course of the year the finance and remuneration committee of the governing council has received regular reports on the implications of the restrictions and the actions taken to manage and mitigate their impact.

As part of the transparency agenda, the National College is now required to publish the details of certain financial and contractual obligations. This is being done through the National College website and by the reporting of such information to the DfE for inclusion in any wider disclosures.

Areas for development

During the year the National College focused on some key areas to improve control (as identified through current and previous years' internal audit plans). As a result of the liquidation of the company at the end of the financial year and the shift of all activities to the DfE, many development actions were removed from the plan throughout the year as they were no longer relevant.

As accounting officer I am therefore satisfied with the National College's internal control, risk management and governance arrangements.

Steve Munby

S Munby Accounting Officer
Dated: 17 May 2012

Remuneration report

The National College ensures it is able to deliver its remit by attracting and keeping highly talented individuals. This entails maintaining a competitive stance with respect to the overall remuneration package on offer when compared with both the private and public sectors.

The National College has undertaken a pay freeze in line with government policy. No further work has been done on pay and grading comparisons as on transfer all staff will convert to DfE pay rates.

The finance and remuneration committee during the year comprised:

- Martin Callaghan (Chair)
- Helen Baker
- Glynn Lowth
- Pamela Jervis
- Andrew Middleton
- Diana Ross

Andrew Middleton's term of office as a member of the governing council and therefore his committee membership ended on 30 November 2011. Diana Ross and Helen Baker joined the committee in January 2012.

Generally, the remuneration package for each staff member could comprise salary, pension (LGPS) and performance-related bonus. However, for 2011–12, in the light of government policy, the chief executive chose to forgo any bonus and the governing council decided that no performance-related bonuses would be paid to staff.

The performance of all staff members is assessed on an annual basis by reviewing how well they have performed against their objectives for the year and against the National College leadership competencies. The performance appraisal review includes input from stakeholders and colleagues. Performance is reviewed and targets are set for the next year. The target-setting process ensures that individual goals are aligned with and designed to achieve the National College's objectives as laid out in the operational plan. The chief executive conducts the review for the people reporting directly to him and the chair of the governing council conducts the review for the chief executive.

The National College's policy on executive director contracts is as follows:

- Duration of contracts:
  - The chief executive is employed on a five-year, fixed-term contract. The current chief executive, Steve Munby, was awarded a new five-year contract with effect from 1 January 2009. The contract is terminable on six months' notice.
  - All other directors are employed on contracts which are terminable on notice but otherwise continue until retirement.
- Notice periods – all executive directors are on six months' notice.
- Termination payments – there are no formal termination payments for executive directors.
- Redundancy payments – redundancy payments for loss of office are based on two weeks' payment for each complete and partial year of service plus pay in lieu of notice.

In accordance with the DfE's guidelines on employment, the National College offers its employees the option of joining a pension scheme, which in 2011–12 was the LGPS. The terms and conditions are very similar to those for central government schemes. The scheme is not available to non-executive directors, as they are not employees of the National College.

Audited information

The salary, pension entitlements and benefits for the board and executive directors are as follows:

	Salary paid *2011–12	Salary paid *2010–11	Real increase/ (decrease) in pension at 60	Real increase/ (decrease) in lump sum	Total accrued pension and related sum	CETV** at 1 April 2011	CETV** at 31 March 2012	Employer funded real increase in cash equivalent value in the year
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
			Col A	**Col B**	**Col C**	**Col D**	**Col E**	**Col F**
Steve Munby *Note (b)* CEO	140–145	140–145	0–2.5	0–(2.5)	55–60 140–145	1,071	1,155	84
Maggie Farrar Director	105–110	105–110	2.5–5	0–2.5	35–40 90–95	694	775	81
Catherine Fitt *** *Note (a)* Director of Children's Services	65–70	140–145	(57.5)–(60)	(150)–(152.5)	*Note (a)*	1,153	–	(1,153)
Ken Gill **** *Note (a)* Director	20–25	130–135	(55)–(57.5)	(147.5)–(150)	*Note (a)*	1,128	–	(1,128)
Caroline Maley Chief Operating Officer	130–135	130–135	0–2.5	0–(2.5)	5–10 0–5	76	112	36
Toby Salt Deputy CEO	130–135	135–140	0–2.5	0–(2.5)	45–50 115–120	688	795	107

Col A – The real increase during the year 2011–12 in the pension at age 60 in bands of £2,500

Col B – The real increase during the year 2011–12 in the lump sum in bands of £2,500

Col C – The total accrued pension at 31 March 2012 and related sum at age 60 in bands of £5,000

Col D – The value of the cash equivalent transfer value at 1 April 2011, to the nearest £1,000

Col E – The value of the cash equivalent transfer value at 31 March 2012, to the nearest £1,000

* Steve Munby's remuneration excludes benefits in kind of £3,467 (2010–11: £1,285). This brings his total remuneration excluding pension to £145,000—£150,000 (2010–11: £140,000–£145,000). Maggie Farrar's remuneration excludes benefits in kind of £3,933 (2010–11: £716). This brings her total remuneration excluding pension to £110,000–£115,000 (2010–11: £105,000–£110,000).

** cash equivalent transfer value. The actuarial factors that are used in the CETV calculation uses the consumer price index (CPI) as the measure used to uprate local government pensions.

*** left 30 Sep 2011

**** left 31 May 2011

Note

(a) Two executive directors took voluntary redundancy during the year. Catherine Fitt received a redundancy package of £308,000, including pension strain of £222,000. Ken Gill received a redundancy package of £307,000, including pension strain of £212,000 (£328,000 was provided for in the 2011 accounts).

(b) The banded remuneration of the highest paid director in the National College in the financial year 2011–12 was £145,000–£150,000 (including benefits in kind). This was 5.35 times the median remuneration of the workforce, which was £27,553.

Non-exec directors	Total paid 2011–12 *****	Total paid 2010–11 *****
	£'000	£'000
Vanni Treves	44.3	41.0
Deborah Absalom	4.4	Nil
Helen Baker	6.0	5.1
Martin Callaghan	6.8	0.8
John Coughlan	0.9	Nil
John Dunford	4.8	3.9
Pamela Jervis	7.8 *Note (a)*	3.9 *Note (a)*
Ben Levin	Nil	Nil
Glynn Lowth	5.6	3.9
Joan McVittie	Nil *Note (a)*	Nil *Note (a)*
Andrew Middleton	3.5	2.6
Jill Pullen	0.5	2.4
Diana Ross	7.1	5.6
Andrew Seber	9.5	9.8

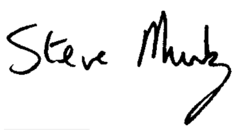
***** total paid includes salary, allowances and any benefits in kind

There were no partnership pensions in existence.

All non-executive directors, with the exception of the chair, are allowed to claim a daily board attendance fee of £300 per day. In addition, all non-executive directors including the chair are entitled to claim travel expenses.

Note

(a) Board attendance fees were paid directly to their employer in accordance with the DfE and government guidelines. Some payments were made to third parties in respect of directors Joan McVittie and Pamela Jervis, amounts being paid through their respective schools, £5,400 (2010–11: £4,800) was paid to Joan McVittie's school and £1,500 (2010–11: £1,800) was paid to Pamela Jervis's school.



S Munby Accounting Officer
Dated: 17 May 2012

30 The certificate and report of the Comptroller and Auditor General to the members of the National College for School Leadership

I certify that I have audited the financial statements of the National College for School Leadership for the year ended 31 March 2012 under the Government Resources and Accounts Act 2000. The financial statements comprise the Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Tax Payer's Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union. 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, governing council members and the auditor

As explained more fully in the Statement of Governing Council Members' and Accounting Officer's responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by European Union; and
- the financial statements have been prepared in accordance with the Companies Act 2006

Emphasis of matter – financial statements not prepared on a going concern basis

Without qualifying my opinion, I draw attention to *Note 2.1* of the financial statements. On 13 April 2012, the National College for School Leadership entered into members' voluntary liquidation. As a consequence, the directors do not consider the National College for School Leadership to be a going concern and the financial statements have been prepared on a basis other than going concern. Details of the impact of this on the financial statements are provided in *Note 2.1* to the financial statements.

Opinion on other matters

In my opinion:

- the part of the Remuneration report to be audited has been properly prepared in accordance with the Government Financial Reporting Manual; and
- the information given in the Management commentary and Company information sections in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157–197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Dated: 28 May 2012

Statement of comprehensive net expenditure for the year ended 31 March 2012

	Note		2012			2011 Restated	
		£'000	£'000	£'000	£'000	£'000	£'000
Turnover							
From continuing operations:							
Income	5			**1,873**			3,920
From continuing operations:							
Expenditure							
Programme costs	8		**(91,480)**			(91,588)	
Administration costs	8	**(15,970)**			(20,088)		
Movement in administration provisions	14	**(3,601)**			(388)		
			(19,571)			(20,476)	
				(111,051)			(112,064)
Net expenditure before IAS 19 adjustments				**(109,178)**			(108,144)
Expected return on scheme assets	22		**2,598**			2,239	
Current service cost	22		**(1,531)**			(2,335)	
Past service gain	22		**–**			4,428	
Curtailments and settlements	22		**(813)**			(12)	
Interest on obligation			**(2,037)**			(2,360)	
				(1,783)			1,960
Asset impairment	10.2			**–**			(38)
Contribution from Secretary of State for the College's net liabilities	21			**16,364**			–
Net expenditure from continuing operations				**(94,597)**			(106,222)
Interest payable and similar charges	19			**(132)**			(808)
Net expenditure				**(94,729)**			(107,030)
Tax on net expenditure	2.10			**–**			–
Net expenditure for the year				**(94,729)**			(107,030)

For 2011–12 expenditure was reported as programme costs and administration costs (all staff and support costs) in line with the College remit. For 2010–11 expenditure was reported between programme costs (which included the staffing costs of the programme) and support costs (which was the cost of support functions finance, HR, ICT and facilities). The figures for 2010–11 have been recast to reflect the current classification of expenditure and provide comparable figures. Pension adjustments in accordance with IAS 19 Employee Benefits have been restated in 2010–11 to reflect a more accurate comparison to 2011–12 adjustments.

Statement of financial position as at 31 March 2012

	Note		2012		2011
		£'000	£'000	£'000	£'000
Non-current assets					
Property, plant and equipment	*10.1*	19,817		20,740	
Intangible assets	*10.2*	693		1,007	
Pension assets	*22*	–		1,640	
Total non-current assets			20,510		23,387
Current assets					
Trade and other receivables	*11*	656		799	
Contribution from Secretary of State	*21*	16,364		–	
Cash and cash equivalents	*12*	438		43	
Total current assets			17,458		842
Total assets			37,968		24,229
Current liabilities					
Trade and other payables	*13*	(5,481)		(12,211)	
Provisions	*14*	–		(393)	
Pension provision	*14*	(11,869)		–	
Total current liabilities			(17,350)		(12,604)
Net current assets/(liabilities)			108		(11,762)
Non-current assets plus net current assets/(liabilities)			20,618		11,625
Non-current liabilities					
Provisions	*14*	(90)		(85)	
Other payables	*13*	(20,528)		(20,963)	
Total non-current liabilities			(20,618)		(21,048)
Assets less liabilities			–		(9,423)
Capital and reserves					
General reserve			–		(9,423)
Total capital and reserves			–		(9,423)

These financial statements were approved and authorised for issue by the board of directors and signed on their behalf by:

D Ross
Chair of the audit and risk assessment committee
Dated: 17 May 2012

S Munby
Chief Executive and Accounting Officer
Dated: 17 May 2012

34 Statement of cash flows for the year ended 31 March 2012

	2012	2011
	£'000	£'000
Cash flows from operating activities		
Net expenditure after interest	**(94,729)**	(107,030)
Deferred capital grant released/(applied)	**761**	423
Release of capital reserve	**–**	(384)
Decrease in trade and other receivables	**143**	772
Increase in Secretary of State contribution provision	**(16,364)**	–
Depreciation	**933**	951
Amortisation	**1,476**	1,870
Asset impairment	**–**	38
Loss on asset disposal	**20**	–
Interest on pension	**(561)**	121
Non-cash pension charges	**1,531**	2,335
Expected return on scheme assets	**(2,598)**	(2,239)
Pension past service costs	**–**	(4,428)
Pension curtailments	**813**	12
Decrease in trade and other payables	**(7,165)**	(7,820)
Interest on obligation	**2,037**	2,360
Increase of provisions	**3,601**	388
Net cash outflow from operating activities	**(110,102)**	(112,631)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(30)**	(172)
Purchase of intangible assets	**(1,162)**	(1,789)
Net cash outflow from investing activities	**(1,192)**	(1,961)
Cash flows from financing activities		
Grant-in-aid from the DfE	**111,689**	108,500
Net financing	**111,689**	108,500
Net increase/(decrease) in cash and cash equivalents in the year	**395**	(6,092)
Cash and cash equivalents at beginning of the year	**43**	6,135
Cash and cash equivalents at end of the year	**438**	43

Statement of changes in taxpayers' equity for the year ended 31 March 2012

	2012	2011
	£'000	£'000
Balance at 1 April	**(9,423)**	(18,960)
Changes in tax payers' equity		
Deferred grant-in-aid	–	–
Deferred capital grant released/(applied)	**761**	423
Net actuarial pension gains/(losses)	**(8,298)**	8,028
Net operating costs	**(94,729)**	(107,030)
Movement in capital reserve	–	(384)
Total recognised income and expense	**(102,266)**	(98,963)
Grant-in-aid from the DfE	111,689	108,500
Balance at 31 March	–	(9,423)

36 Notes to the accounts

1 Company status

The company is an executive non-departmental public body, sponsored by the DfE. It is registered in England as a private company limited by guarantee with no share capital, registration number 04014904. The maximum liability of each member is £1. The sole member is the Secretary of State.

The registered office of the company is:

National College, Lime House, Mere Way, Ruddington, Nottingham, Nottinghamshire, NG11 6JS.

On 1 April 2012 the business, assets and liabilities were transferred into an executive agency of the DfE. This leaves no assets, liabilities or activity within the current company which was placed into members' voluntary liquidation on 13 April 2012. The appointed liquidators are Baker Tilly Restructuring and Recovery LLP.

2 Accounting policies

The accounts have been prepared in accordance with the Companies Act 2006, applicable accounting standards and in accordance with a direction given by the Secretary of State with the consent of HM Treasury. The particular accounting policies adopted are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

The accounts comply with the 2011–12 IFRS-based Government Financial Reporting Manual (FReM), where this exceeds or does not conflict with the Companies Act, and HM Treasury guidance in relation to IFRS compliance. Under IAS 20 the National College has opted to continue to account for assets purchased via the deferred income process rather than applying the guidance from the FReM.

This year, the National College has, for the first time, incorporated the revised obligations of IAS 24 Related Party Disclosures. The revised IAS 24 simplifies and clarifies the definition of a related party.

2.1 Accounting convention

As detailed in *Note 1*, on 1 April 2012 the assets, liabilities and activity of the National College were transferred to an executive agency of the DfE. This change represents no material risk to the National College's aims and objectives being pursued under its revised status, or to the National College's financial capabilities. Furthermore, there are no material risks to the National College's customers or suppliers as a result of the change of status. Due to the planned changes it is not considered appropriate to produce the National College's accounts for 2011–12 on a going concern basis. All assets were transferred at book value to the DfE, and therefore the reported financial position is the same under both the going concern and non-going concern bases.

The financial statements have been prepared under the historical cost convention, and, where material, current asset investments and stocks have been modified by revaluation to fair value as determined by the relevant accounting standard. Assets received from the DfE for which no consideration is paid are capitalised at their cost to the DfE. In line with the accruals basis of accounts preparation, all costs relating to the closure of the limited company, whether incurred before or after 31 March 2012 have been charged to this financial year.

A gain has been recognised in the accounts to represent the value of the Secretary of State taking on the net liabilities (both current and future) of the company, which will be part of the newly established National College for School Leadership agency.

The accounts are presented wholly in pounds sterling and, unless specifically stated otherwise, all figures have been rounded to the nearest thousand pound sterling.

2.2 Accounting estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amount of income and expenditure. All estimates are based on knowledge of current facts and circumstances, assumptions concerning past events and forecasts of future events and actions. For example, pension provision liabilities are assessed by actuaries and are based on factors such as life expectancy, age of scheme members, prevailing interest and inflation rates and projected returns on invested funds. Actual results may differ from these estimates.

2.3 Government grants

The National College is funded mainly by grant-in-aid from the DfE. Grant-in-aid is received monthly and, except as detailed below, is treated as financing, credited to the income and expenditure reserve, because it is regarded as a contribution from a controlling party. Outstanding grant-in-aid at the year-end is not accrued on the statement of financial position.

Amounts used for the purchase of non-current assets are held as deferred income in payables and released to the income and expenditure account in line with depreciation on the relevant assets.

Where the National College receives funds from the DfE that are earmarked for specific assets, the income is recognised to the extent that expenditure has been incurred, any unspent income being taken to payables as deferred income.

2.4 Income

Income, other than government grants (see *Note 2.3*), is recognised in the period in which the associated expenditure is incurred.

2.5 Segmental reporting

In identifying operating segments, management follows the National College's organisational structure and strategic lines of operation. Following a comprehensive restructure of the organisation during 2011–12 the segments reported were changed, and 2010–11 figures have been restated.

The National College operates five main operational segments: leadership development, children's services, international, school to school support and business services.

The activities undertaken by leadership development include the provision of a range of programmes targeted at headteachers, aspiring headteachers, middle leaders and senior leadership teams within schools, the provision of e-learning materials to support the work of the National College and the National College membership scheme, building knowledge of the most effective development and delivery of our provision and ensuring that we stay ahead of advances in knowledge about effective leadership development. Additionally, succession planning work aims to secure the supply of high-quality, next-generation leaders and regional work is building meaningful relationships with leaders and their local practice.

Children's services provided a range of programmes targeted at directors of children's services (DCSs) and aspiring DCSs in addition to supporting the early years agenda and the development of integrated working for extended schools alongside its multi-agency partners. The DCSs activity was transferred from the College back to the DfE from 1 November, and will continue with an alternative provider.

International work includes the provision of consultancy and licensing of College materials for use outside the United Kingdom.

School to School support provides support and improvement across the country and delivers on its key objectives through the work of regional associates, Teaching Schools, NLEs, LLEs, professional partners (PPs), SLEs and other key players.

Business services provides support for all operational activities of the College, including membership services and impact and evaluation.

Income and costs are allocated between these operating segments based on where they are managed, eg interest payable is retained in business services.

Assets and liabilities are managed centrally with no segregated buildings, credit control or bank accounts. Accommodation is shared and several employees divide their time between different areas. Assets and liabilities are accounted for centrally and are not reported to management by segment. For this reason we have adopted the amendment to IFRS 8 made as part of Improvements to IFRS published in April 2009 which clarifies that segmental information for total assets is required only if such amounts are regularly reported to the chief operating decision-maker. Segmental split of assets is therefore not disclosed here.

To comply with HM Treasury requirements all arm’s length bodies, from 2012, are required to request and account for their funding in the same categories as government departments. As such, the National College was allocated £22.5 million of administration funding to cover operational activities including staff costs and £89.2 million of programme funding which relates to frontline delivery.

2.6 Research and development

Expenditure on research activities, including research grants, is written off to the income and expenditure account as incurred, due to the inherent uncertainty surrounding the economic benefit resulting from it. Capitalisation of development is contingent on fulfilling the criteria noted in IAS 38 (Intangible Assets).

2.7 Grants paid

Grants to other bodies are recognised upon payment becoming due according to an agreed profile or specified milestones.

2.8 Early departure costs

The National College has a standard policy available to all staff on redundancy that covers, amongst other things, definition of redundancy, consultation process, statutory duties and redundancy calculations. The National College is committed to minimising the necessity for redundancy and to provide continuity of employment wherever practicable. However, where required, redundancy payments are calculated as two weeks’ salary per complete or part year of service, which includes statutory redundancy amounts payable. Additionally, staff may or may not be asked to work their notice period, depending on the needs of the business. Payment in lieu of notice, less all statutory deductions, will be made to those who are not required to work their notice.

2.9 Pensions

The National College participates in a defined benefit staff pension scheme providing benefits based upon final pensionable salary. The scheme is part of the Nottinghamshire County Council Pension Fund (NCCPF) which is administered under the statutory framework of the LGPS. The scheme is funded with assets held by trustees. The pension scheme deficit or surplus is recognised in full on the face of the statement of financial position. Pension scheme actuarial gains/losses are recognised in reserves as required by the FReM. Further details are at *Note 22*. On 1 April 2012 staff were transferred to the Principal Civil Service Pension Scheme (PCSPS). During 2012–13 staff will have the option to keep accrued pension up to 31 March 2012 in the NCCPF or move it to PCSPS.

2.10 Taxation

2.10.1 Corporation tax

The National College is not liable to corporation tax for the 12 months to 31 March 2012. HMRC has confirmed that the National College is treated as a dormant company for corporation tax purposes because no profits have been made, and therefore no corporation tax is owed. Consequently, there are no provisions for current or deferred corporation tax. This position is reviewed annually.

2.10.2 Value added tax

The National College is treated as an eligible body for VAT purposes and its supplies of education and vocational training are exempt from VAT. Irrecoverable VAT, excluding that on non-current assets, is charged to the income and expenditure account in the period in which it is incurred.

2.11 Non-current assets

Tangible non-current assets with a purchase cost in excess of £2,500 and intangible assets with a cost greater than £2,500 are capitalised unless they are part of a recognised scheme, in which case items with a lower cost are capitalised as distinct groups.

Where the National College receives assets for nil consideration from the DfE, these are capitalised on their receipt at the cost to the DfE and a corresponding entry is credited to deferred grants. A release is made from deferred grants to income in line with the depreciation charge on the associated asset.

In accordance with the FReM, the College holds non-current assets at fair value at the date of revaluation less any accumulated depreciation and impairment losses where any such revaluation is material. In 2010–11 an assessment made by the National College calculated the net book value of non-current assets under the revaluation model, and this was not materially different to the net book value under the cost model. The accounts were therefore not amended to reflect this immaterial adjustment.

As part of the transition of the College to an executive agency, the National College will transfer all non-current assets at the end of 2011–12 at net book value.

A full year's depreciation or amortisation is taken in the year of purchase for non-current and intangible assets respectively.

The National College and the DfE have the same policies with respect to expected useful lives of all classes of non-current assets.

2.11.1 Property, plant and equipment

Depreciation is provided for on all tangible non-current assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Land and buildings	50 years
Building improvements	10 years
Computer hardware and communications equipment	3 years
Office furniture and equipment	3 years

In accordance with the FReM, low value assets are carried at depreciated cost as a proxy for fair value based on asset values and useful estimated lives.

2.11.2 Intangible assets

Intangible assets include software licences, purchases and website development costs that meet the IAS 38 requirement of delivering future service potential.

Amortisation is provided for on all intangible non-current assets as per the policy for tangible non-current assets above. The expected useful life for intangible assets is as follows:

Websites that deliver services	**2 years**

Impairment reviews are carried out annually, or where there are indications of impairment.

2.12 Leases

Operating lease rentals are charged to the income and expenditure account on a straight line basis over the period of the lease.

The National College has a lease from the DfE in respect of the Learning and Conference Centre building at Triumph Road, Nottingham. The land element is treated as an operating lease and the building is treated as a finance lease.

The value of the finance lease asset was capitalised at the discounted value of the lease payments and is being depreciated over the estimated asset life. The lease liability is reduced by annual principal and interest payments. Details of the impact of the lease, which came into effect on 1 April 2008, appear in *Note 18* to the accounts.

2.13 Financial instruments

2.13.1 Financial assets

The National College holds receivables in this category. Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are carried in the statement of financial position at cost less appropriate provisions for specific doubtful receivables. The National College does not hold any loans.

2.13.2 Financial liabilities

These comprise trade and other payables and other financial liabilities. They are initially recognised at the fair value of consideration received, less directly attributable transaction costs. They are subsequently measured at amortised cost.

The National College is required to disclose the role that financial instruments had during the year in creating or changing the risks faced by the National College in undertaking its activities. As a non-departmental public body funded by the government, the National College is not exposed to any liquidity or interest rate risks and therefore is not exposed to the degree of financial risk faced by other business entities. The National College has no powers to borrow or invest surplus funds, and financial assets and liabilities generated by day-to-day operational activities are not held to change the risks facing the National College in undertaking its activities.

Liquidity risk: no significant exposure given the National College's net resource requirement is financed through resources voted annually by Parliament.

Interest rate risk: no exposure as the National College's main financial assets and liabilities carry nil or fixed rates of interest.

Foreign currency risk: during 2011–12, the National College has engaged in overseas activities but currently does not operate any foreign currency bank accounts. This minimises any potential foreign currency risk.

Credit risk: the National College does not have a significant credit risk as the majority of its activities are for government entities. Working capital is managed to ensure that cash requirements from the DfE are kept to a minimum. New commercial customers are reviewed for credit worthiness and appropriate trading terms agreed.

2.14 Cash and cash equivalents

Cash for the purpose of the statement of cash flows comprises cash in hand and deposits repayable on demand. The company has no cash equivalents and during the year there were no material unrecognised non-cash transactions.

2.15 Provisions

In accordance with IAS 37, the National College provides for the reliably estimated costs of any current obligations of past events. Currently, the National College maintains a provision for potential dilapidation costs of leased buildings and for the payment of cessations costs of the NCCPF. Further details are provided in *Note 14*.

2.16 Managing capital

The National College has several objectives in managing its capital:

- seeking to comply with the objectives set by the DfE in terms of cash holding
- seeking to reduce its net liabilities as far as possible while working within the DfE guidelines
- aiming to pay invoices within 10 days

3.1 First-time adoption of IFRS

In line with the requirements of IAS 8, the National College has applied the following accounting policies for the first time during 2011–12.

IAS 24 Related Party Disclosures

The revised IAS 24 simplifies and clarifies the definition of a related party. There is partial exemption from disclosure of transactions and outstanding balances. The application has had no impact on College reporting of related party transactions.

3.2 IFRSs in issue but not yet effective

In line with the requirements of IAS 8, the National College has identified various IFRSs which have been issued and that would have had an impact on the accounts, but have not been applied as they are not yet effective and the College is being liquidated.

4 Prior period adjustment

The pension movements through the statement of comprehensive net expenditure have been restated to comply with IAS 19. This increased net expenditure in 2010–11 by £3,534,000.

5 Income

In addition to the grant-in-aid, the National College has also received programme funding from several other sources during 2011–12:

	2012	2011
	£'000	£'000
Training and Development Agency for Schools – bursar training	**–**	1,187
Capita – school improvement partners	**–**	42
Fees and charges	**1,873**	2,691
	1,873	3,920

The National College charges fees to participants on several of its programmes. When the fees were initially set they were based on a percentage of the costs the National College pays to the providers of the programmes. The 2011 income from the Training and Development Agency for Schools (TDA) represented the recognition of £1,187,000, received in earlier years, for bursars' programmes delivered during 2010–11. From April 2011 onwards the funding for the bursars' programmes was received directly as grant-in-aid.

Income received from TDA and Capita was purely to cover the cost of the activity that the National College was asked to deliver.

6 Fees and charges

	2012		
	Income	**Expenditure**	**Surplus/ (deficit)**
	£'000	**£'000** *(Note i)*	**£'000**
Programme fees *(Note ii)*	696	(28,698)	(28,002)
Conferences *(Note iii)*	916	(1,132)	(216)
Licences *(Note iv)*	40	(27)	13
Consultancy *(Note v)*	150	(512)	(362)
Other income *(Note vi)*	71	(8,214)	(8,143)
	1,873	(38,583)	(36,710)

	2011		
	Income	**Expenditure**	**Surplus/ (deficit)**
	£'000	**£'000** *(Note i)*	**£'000**
Programme fees *(Note ii)*	1,064	(25,549)	(24,485)
Conferences *(Note iii)*	1,291	(1,716)	(425)
Licences *(Note iv)*	195	(243)	(48)
Consultancy *(Note v)*	88	(109)	(21)
Other income *(Note vi)*	53	(53)	–
	2,691	(27,670)	(24,979)

Note i: Expenditure includes all costs directly attributable to the relevant activity which has generated the income. Central costs are excluded as the National College does not routinely re-allocate these to an activity.

Note ii: The College runs a range of programmes, some of which are, as a result of agreement with the DfE, either fully or part subsidised. The income represents contributions from participants, or other organisations, towards the cost of some programmes. The expenditure represents the total direct expenditure on any programme where income has been received.

Note iii: Income from conferences includes delegate fees, exhibition sales and sponsorship.

Note iv: This refers to licences to allow third parties to run courses using College materials.

Note v: The College provides advice and consultancy at a fee to the international market.

Note vi: Other income represents a number of low value activities for which the direct costs are not available. As the values are immaterial it is assumed, for the purpose of this note, that the income represents recovery of any directly related expenditure.

7 Segmental reporting

Management currently identifies the National College's operating segments as described in *Note 2.5*. These operating segments are monitored by the chief operating officer and management in the running and monitoring of the National College. Following the principle of IFRS 8 as being disclosure relating to how the chief operating decision-maker is informed and how management decisions are made, items are disclosed here as they are accounted for rather than being arbitrarily allocated. The operating segments were changed during 2011–12 and so the prior year has been restated.

2011–12	Leadership development	Children's services	International	School to school support	Business services *Note i*	Other	**Total**
	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
Turnover							
Other income	803	–	151	2	917	–	**1,873**
Costs	(48,283)	(5,146)	(511)	(35,707)	(15,577)	(2,226)	**(107,450)**
Movement in provisions	–	–	–	–	–	(3,601)	**(3,601)**
Less employers' LGPS costs	–	–	–	–	2,598	–	**2,598**
Current service cost	–	–	–	–	(1,531)	–	**(1,531)**
Past service gain	–	–	–	–	–	–	**–**
Curtailments and settlements	–	–	–	–	(813)	–	**(813)**
Interest on obligation	–	–	–	–	(2,037)	–	**(2037)**
Asset impairment	–	–	–	–	–	–	**–**
Contribution from Secretary of State	–	–	–	–	16,364	–	**16,364**
Interest payable and similar charges	–	–	–	–	(132)	–	**(132)**
Net expenditure for the year	**(47,480)**	**(5,146)**	**(360)**	**(35,705)**	**(211)**	**(5,827)**	**(94,729)**

Note i: Business services costs include the running costs of the Learning and Conference Centre, which is used to provide accommodation for delegates attending courses and conferences. This amounts to £2,936,000 (2011: £3,394,000).

2010–11	Leadership development	Children's services	International	School to school support	Business services	Other	**Total**
	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
Turnover							
Other income	2,285	2	283	43	1,307	–	**3,920**
Costs	(58,539)	(7,863)	(145)	(25,694)	(17,455)	(1,980)	**(111,676)**
Increase in provisions	–	–	–	–	–	(388)	**(388)**
Less employers' LGPS costs	–	–	–	–	2,239	–	**2,239**
Current service cost	–	–	–	–	(2,335)	–	**(2,335)**
Past service gain	–	–	–	–	4,428	–	**4,428**
Curtailments and settlements	–	–	–	–	(12)	–	**(12)**
Interest on obligation	–	–	–	–	–	–	**–**
Asset impairment	–	–	–	–	–	(38)	**(38)**
Contribution from Secretary of State	–	–	–	–	–	–	**–**
Interest payable and similar charges	–	–	–	–	(808)	–	**(808)**
Net expenditure for the year	**(56,254)**	**(7,861)**	**138**	**(25,651)**	**(12,636)**	**(2,406)**	**(104,670)**

During 2011–12 there has been limited, non-material, overseas activity. As this activity has not been material during the year no geographical split is included.

In addition to grant-in-aid, the National College has also received income to fund programme delivery, from participants on College programmes, from delegates, exhibitors and sponsorship in relation to College conferences and from limited overseas activities. The National College had no customers in 2011–12 that contributed more than 10 per cent of total revenue.

8 Expenditure details

a) Programme costs

	2012	2011 Restated
	£'000	£'000
Leadership development	**44,858**	49,939
Schools supporting schools	**33,494**	24,679
Securing the supply of headteachers and principals	**6,287**	8,478
Learning and conference centre	**1,601**	2,457
Research and development	**1,776**	1,593
Annual and new headteachers conferences	**1,055**	1,621
Depreciation	**933**	951
Amortisation	**1,476**	1,870
	91,480	91,588

b) Administration costs

	2012	2011 Restated
	£'000	£'000
Activities to support programmes	**9,100**	12,636
Core operational ICT costs and projects	**1,371**	2,065
Senior managers and governance	**1,890**	1,558
Human resources	**685**	901
Core marketing and corporate communications	**687**	617
Ruddington accommodation	**787**	769
Commercial management	**531**	737
Auditors' remuneration:		
Audit services – external auditors, statutory audit	**50**	50
Audit services – internal auditors	**62**	72
Finance	**807**	683
Depreciation	**–**	–
	15,970	20,088

Included within administration are the costs of closing the limited company, amounting to £233,000.

9 Staff numbers and related costs

a) Staff costs included within administration costs above comprise:

	Permanently employed staff	Other	2011–12 Total	2010–11 Total
	£'000		£'000	£'000
Wages and salaries	10,308	239	10,547	11,991
Social security costs	831	–	831	956
Other pension costs	1,531	–	1,531	2,335
Sub-total	12,670	239	12,909	15,282
Less recoveries in respect of outward secondments	(28)	–	(28)	(68)
Total net costs	12,642	239	12,881	15,214

b) Average number of persons employed under contracts of service by the National College:

	Permanently employed staff	Other	2011–12 Total	2010–11 Total
Directly employed	265	2	267	327
Other	–	1	1	7
Total	265	3	268	334

'Other' consists of seconded staff and temporary staff.

The average number of persons employed is determined, on a full-time equivalent basis, by dividing the relevant annual numbers, including staff on maternity leave, by the number of months in the financial year.

During 2011–12 the National College staff numbers reduced, as result of direction from the DfE on the future of certain activities. This was implemented through a combination of natural attrition and voluntary redundancies. As a result of redundancy, 27 members of staff left or were due to leave the College. Redundancy costs amounted to £570,000 for redundancy payments, including pay in lieu of notice and £437,000 in relation to any appropriate pension contributions, net of provisions made in 2011 of £393,000. These costs are included within activities to support programmes detailed at 8(a) above.

Salaries include gross salaries and performance bonuses, where payable, but do not include the estimated monetary value of benefits in kind. Following the adoption of IAS 19, the employer's pension cost in respect of the National College's main pension fund, the Nottinghamshire County Council Pension Fund, is charged directly to the pension liability in the statement of financial position. The amount charged for the year was £1,521,000 (2011: £3,413,000). For further pension scheme details see *Note 22*.

Details of directors' emoluments are shown in the Remuneration report. The chair of the governing council is the only member of the governing council who receives a salary from the National College. With effect from September 2005, other members of the governing council, who are directors for the purpose of company law, have been entitled to claim an allowance for meeting attendance; for those directors employed full time in the public sector this is paid to their employer. Expenses incurred for attendance at meetings are also reimbursed.

Information in respect of the remuneration and pension entitlements of the chief executive, who is not a director for the purposes of company law, and the individual salary and pension entitlements of the other executive directors are shown in the Remuneration report.

Exit packages agreed	**No of compulsory redundancies**	**No of other departures agreed**	**2011–12 Total no of exit packages by cost band**	2010–11 Total no of exit packages by cost band
< £10,000	–	**5**	**5**	8
£10,000–£25,000	–	**12**	**12**	9
£25,000–£50,000	–	**4**	**4**	5
£50,000–£100,000	–	**5**	**5**	–
£100,000–£150,000	–	–	–	–
£150,000–£200,000	–	–	–	–
£200,000–£250,000	–	–	–	–
£250,000–£300,000	–	–	–	–
£300,000–£350,000 *	–	**1**	**1**	1
Total no of exit packages by type	**0**	**27**	**27**	23
	£'000	**£'000**	**£'000**	£'000
Total resource cost	**–**	**1,007**	**1,007**	680

* 2011–12 shows only one exit package in the £300,000–£350,000 range despite two directors being shown as leaving in the Remuneration report. Ken Gill was included in the 2010–11 statistics (see above) as his departure was known about at the time of the preparation of last year's financial statements.

10 Non-current assets

10.1 Property, plant and equipment

	Buildings		Information technology	Furniture and fittings	Information technology, furniture and fittings	Total
	Owned	Held under finance lease	Owned	Owned	Donated	
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 April 2011	3,038	23,617	1,051	468	12	28,186
Reclassified *(Note i)*	–	–	–	–	–	–
Additions	3	–	27	–	–	30
Disposals	(67)	–	(11)	(63)	–	(141)
At 31 March 2012	2,974	23,617	1,067	405	12	28,075
Depreciation						
At 1 April 2011	1,939	4,161	866	468	12	7,446
Reclassified *(Note i)*	–	–	–	–	–	–
Charge for the year	302	475	156	–	–	933
Disposals	(47)	–	(11)	(63)	–	(121)
At 31 March 2012	2,194	4,636	1,011	405	12	8,258
Net book value At 31 March 2012	**780**	**18,981**	**56**	**–**	**–**	**19,817**
At 31 March 2011	1,099	19,456	185	–	–	20,740
Asset financing: Owned	780	18,981	56	–	–	19,817
Net book value At 31 March 2012	**780**	**18,981**	**56**	**–**	**–**	**19,817**

Owned buildings includes building improvements for the Learning and Conference Centre and the Ruddington office. Buildings held under finance lease relates solely to the Learning and Conference Centre.

	Buildings		Information technology	Furniture and fittings	Information technology, furniture and fittings	Total
	Owned	Held under finance lease	Owned	Owned	Donated	
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 April 2010	3,033	23,617	1,404	730	12	28,796
Reclassified *(Note i)*	–	–	(469)	–	–	(469)
Additions	5	–	167	–	–	172
Disposals	–	–	(51)	(262)	–	(313)
At 31 March 2011	3,038	23,617	1,051	468	12	28,186
Depreciation						
At 1 April 2010	1,635	3,686	1,186	720	12	7,239
Reclassified *(Note i)*	–	–	(431)	–	–	(431)
Charge for the year	304	475	162	10	–	951
Disposals	–	–	(51)	(262)	–	(313)
At 31 March 2011	1,939	4,161	866	468	12	7,446
Net book value At 31 March 2011	**1,099**	**19,456**	**185**	**–**	**–**	**20,740**
At 31 March 2010	1,398	19,931	218	10	–	21,557
Asset financing: Owned	1,099	19,456	185	–	–	20,740
Net book value At 31 March 2011	**1,099**	**19,456**	**185**	**–**	**–**	**20,740**

10.2 Intangible assets

	Websites that deliver services	Total
	£'000	£'000
Cost or valuation		
At 1 April 2011	6,591	6,591
Additions	1,162	1,162
Reclassified *(Note i)*	–	–
Impairment *(Note ii)*	–	–
Disposals	–	–
At 31 March 2012	**7,753**	**7,753**
Amortisation		
At 1 April 2011	5,584	5,584
Charged in the year	1,476	1,476
Reclassified *(Note i)*	–	–
Disposals	–	–
At 31 March 2012	7,060	7,060
Net book value		
At 31 March 2012	**693**	**693**
At 31 March 2011	1,007	1,007
Asset financing:		
Owned	693	693
Net book value		
At 31 March 2012	**693**	**693**

	Websites that deliver services	Total
	£'000	£'000
Cost or valuation		
At 1 April 2010	4,767	4,767
Additions	1,789	1,789
Reclassified *(Note i)*	469	469
Impairment *(Note ii)*	(38)	(38)
Disposals	(396)	(396)
At 31 March 2011	6,591	6,591
Amortisation		
At 1 April 2010	3,679	3,679
Charged in the year	1,870	1,870
Reclassified *(Note i)*	431	431
Disposals	(396)	(396)
At 31 March 2011	5,584	5,584
Net book value		
At 31 March 2011	**1,007**	**1,007**
At 31 March 2010	1,088	1,088
Asset financing:		
Owned	1,007	1,007
Net book value		
At 31 March 2011	**1,007**	**1,007**

Note i: In 2009–10 a small number of assets were classified as ICT equipment. During 2010–11 these were reviewed and were re-classified as intangibles. The net value of the assets was not material and therefore an in-year adjustment was made during 2010–11. Some of these assets were no longer in use and were therefore written off in full during 2010–11.

Note ii: As a result of the cessation of the College's 14–19 programme, a programme database specifically developed for this programme became obsolete. As there was no alternative use for this asset, the value of the asset was fully impaired during 2010–11.

Expenditure on software and websites that deliver services has been capitalised and amortised.

Intangibles amortisation is found within the programme costs line of the income and expenditure account.

11 Trade receivables and other current assets

	2012	2011
	£'000	£'000
Trade receivables	**543**	332
Other receivables	**–**	91
Deposits and advances	**3**	–
Prepayments and accrued income	**110**	376
	656	799

These balances can be analysed between:

	2012	2011
	£'000	£'000
Other central government bodies (including non-departmental public bodies)	**–**	–
Local authorities	**162**	492
Bodies external to government	**494**	307
	656	799

Trade receivables by ageing are analysed as:

	2012	2011
	£'000	£'000
0–30 days	**483**	148
31–60 days	**34**	122
61–90 days	**12**	20
91–120 days	**1**	17
Greater than 120 days	**13**	25
Total trade receivables	**543**	332

Items older than 30 days are past due.

12 Cash and cash equivalents

The National College's cash balances at the year-end were:

	2012	2011
	£'000	£'000
Balance at 1 April		
HMPG main account (closed 31 Mar 2011)	–	254
HMPG Early Headship Provision account (closed 31 Mar 2011)	–	4,679
HMPG CitiDirect	**1,933**	1,061
HMPG NatWest	**(1,890)**	141
	43	6,135
Net change in cash and cash equivalent balances	**395**	(6,092)
Balance at 31 March	**438**	43

The following balances at 31 March were held at:

HMPG CitiDirect	**3,020**	1,933
HMPG NatWest (overdrawn)	**(2,582)**	(1,890)
	438	43

All balances are held with the Government Banking Service (GBS). The CitiDirect and NatWest accounts comprise a single account set within the GBS and these accounts are therefore reported net in the financial statements.

The National College has no cash equivalents.

13 Trade and other payables

	2012	2011
	£'000	£'000
Amounts falling due within one year		
VAT	**53**	61
Other taxation and social security	**26**	266
Trade payables	**74**	3,528
Other payables	**–**	118
Accruals and deferred income	**3,640**	6,188
	3,793	10,161
Deferred capital grant	**966**	1,328
Current finance lease	**722**	722
Total trade and other payables	**5,481**	12,211

These balances can be analysed between:

	2012	2011
	£'000	£'000
Other central government bodies (including non-departmental public bodies)	**2,003**	2,378
Local authorities	**330**	118
Bodies external to government	**3,148**	9,715
	5,481	12,211

An accrual for holiday pay of £174,000 (2011: £188,000) is included in the accruals and deferred income line above. This represents holiday earned up to 31 March 2012 which had not been taken at that point.

The holiday pay accrual has been based on the difference between the holidays taken in the period to 31 March 2012 and the total holiday entitlement for the year up to that date. The records of holidays taken are found within the National College's HR Information System (CHRIS). Although the CHRIS system was turned off for transition, annual leave data was available as this was booked in advance.

Amounts falling due after more than one year

	2012	2011
	£’000	£’000
Deferred capital grant – land and buildings	**554**	794
Deferred capital grant – other	**9**	168
Finance leases	**19,965**	20,001
	20,528	20,963

14 Provisions

	Senior management restructure	Other including dilapidation	Total
	£’000	£’000	£’000
Balance 1 April 2011	393	85	478
Provided/(utilised) in the year	(393)	5	(388)
Balance at 31 March 2012	**–**	**90**	**90**

	Pension contribution	Total
	£’000	£’000
Balance 1 April 2011	–	–
Transfer from IAS 19 Liability	**7,880**	**7,880**
Provided/(utilised) in the year	**3,989**	**3,989**
Balance at 31 March 2012	**11,869**	**11,869**

A provision was made in 2006–07 in respect of anticipated dilapidation costs in respect of other leased premises. This is reviewed annually and adjusted based on the National College’s latest estimate for the costs of restoring rented premises to the state in which they were when first entered into. This provision will be utilised in November 2013 when we exercise the break clause on the Ruddington accommodation.

A provision was made in 2010–11 for expected redundancy costs as a result of a restructuring of the College’s leadership group that was under way, but not completed, at the year-end. This was utilised early in 2011–12.

A further £4.0 million was provided in agreement with the funding requirements as determined in *Note 22.1*.

15 Related party transactions

The National College is an NDPB and a company limited by guarantee. The guarantor is the Secretary of State and thus is considered a related party. Grant-in-aid income of £111,689,448 (2011: £108,500,000) was received during the year from the DfE.

At 31 March the DfE owed the National College £Nil (2011: £Nil). The National College owed the DfE £Nil (2011: £Nil) at 31 March 2012.

The DfE invoiced the National College £123,598 (2011: £Nil).

The National College paid the DfE £125,778 (2011: £126,732) for rent of office space in Sanctuary Buildings in London and £750,000 (2011: £750,000) for rent in respect of the Learning and Conference Centre including £686,105 (2011: £687,288) in finance lease interest. Rent prepayments of £Nil (2011: £Nil) were also paid to the DfE.

The National College paid a policy commission grant of £39,500 (2011: £16,022) to the Association of Directors of Children's Services Ltd (ADCS). Board member Deborah Absalom is a non-executive director of the ADCS.

The National College paid £4,395,663 (2011: £4,405,171) to Future Leaders Ltd for delivery of part of the Accelerate to Headship programme. Board member Pam Jervis is a leadership development adviser for Future Leaders Ltd. Also, the National College paid £710 to the Association of School and College Leaders (ASCL). Pam Jervis is a member of ASCL.

The National College paid £1,800 to John Dunford Consulting Ltd. Board member John Dunford is a director of John Dunford Consulting Ltd.

The National College paid £17,559 to Hampshire County Council. Board member John Coughlan is the Director of Children's Services for Hampshire County Council.

The National College paid £3,265 to Nottingham Trent University (NTU). Board member Glynn Lowth is a Visiting Fellow of NTU.

The National College paid £9,680 to Oxfordshire County Council (OCC). Board member Helen Baker is a Deputy Lieutenant of OCC.

The National College paid £4,162,646 (2011: £3,507,018) to Serco Limited and invoiced it £40,612 (2011: £19,560) during the year. The National College owed Serco Limited £Nil (2011: £41,299) at the year-end and is due £Nil (2011: £Nil) from Serco Limited. A sister of board member Joan McVittie is a senior executive at Serco Limited.

The National College paid £48,196 (2011: £78,749) to Andrew Seber Limited for consultancy services in respect of national succession planning. Board member Andrew Seber and his wife own Andrew Seber Limited with a 50 per cent share each. Additionally, the TDA received £1,447 and was invoiced £932 by the National College. Andrew Seber is an observer on the board of the TDA.

Maggie Farrar, a member of the College's strategic leadership team was a trustee, and is now an advocate for the Academy of Youth Ltd. During 2011–12, the College paid the Academy of Youth Ltd £20,000 (2011: £1,025).

Toby Salt, a member of the College's strategic leadership team is a Governor of Chichester College. The National College paid £1,476 to Chichester College. Additionally, the University of Wolverhampton received £229 from the National College. Toby Salt is a Visiting Professor of the University of Wolverhampton. The National College also paid £710 to ASCL. Toby Salt is a member of ASCL.

The National College requires staff to declare any potential conflicts of interest where they may or do have a financial interest, prior to contracting. Where it is deemed applicable for a procurement to proceed, staff are not permitted to take any part in the contract negotiations with any related party.

None of the governing council members, senior management personnel or other related parties has undertaken any material transactions with the National College during the year, other than those noted above.

16 Grant payments made

The National College made £40.7 million (2011: £30.8 million) grant payments to support research and educational activity, of which £0.1 million (2011: £0.5 million) relating to the Fast Track programme was distributed by a provider on behalf of the National College. Of this, £39.8 million (2011: £30.0 million) went to bodies within the public sector, including schools, local education authorities and universities and the balance of £0.9 million (2011: £0.8 million) was paid to a range of educational and training providers.

Grant payments made	**2012**	2011
	£'000	£'000
Succession planning	**4,276**	5,825
DCS succession planning	**2,900**	2,600
Leadership strategies (City Challenge)	**–**	12,323
Teaching schools	**15,656**	–
National leaders of education	**11,958**	3,189
Fast Track	**135**	486
School business managers	**1,526**	3,688
Others	**4,256**	2,724
Balance at 31 March 2012	**40,707**	30,835

The leadership strategies programme closed at the end of March 2011. The teaching schools programme started during summer 2011.

17 Financial performance targets

The primary financial target was to achieve a percentage of actual net expenditure against funding per remit within an agreed tolerance level of -2.5 per cent to +2.5 per cent on a monthly basis and -2.5 per cent to 0 per cent on an annual basis. The actual variance for the year was 2.2 per cent underspent, within the agreed tolerance, calculated on an accruals basis.

18 Lease commitments

18.1 Operating leases

Changes to IAS 17 Leases have had no impact on the College treatment of operating leases. Total future minimum lease payments under operating leases are given in the table below.

	2012	2011
Obligations under operating leases comprise:	**£’000**	£’000
Land		
Not later than one year	**28**	28
Later than one year and not later than five years	**113**	113
Later than five years	**2,376**	2,404
	2,517	2,545
Building		
Not later than one year	**320**	320
Later than one year and not later than five years	**1,278**	1,278
Later than five years	**320**	639
	1,918	2,237

The land operating lease is held with the DfE and runs for 99 years from 31 May 2002 to 28 May 2101; there are 89 years and 2 months remaining. The building operating lease is held with the Ruddington Building Company Limited and started on 17 November 2008. There is a break point dated 17 November 2013 and the expiry date is 17 November 2018.

18.2 Finance leases

Following revision of the lease held with the DfE for the use of the building sited on the Jubilee Campus of the University of Nottingham, a finance lease obligation was created in the accounts for the year ending 31 March 2009. The liability was raised at the initial valuation of £20,822,000 representing the discounted value of future lease payments. After allowing for repayments to 31 March 2012 the liability is £20,687,000.

	2012	2011
Obligations under finance leases comprise:	**£'000**	£'000
Buildings		
Rentals due within one year	**722**	722
Rentals due after one year but within five years	**2,887**	2,887
Rentals due thereafter	**60,749**	61,471
	64,358	65,080
Less interest element	**(43,671)**	(44,358)
	20,687	20,722

As with the land operating lease, the finance lease runs for 99 years from 31 May 2002 to 28 May 2101 with 89 years and 2 months remaining.

19 Interest paid and received during the year

	2012	2011
	£'000	£'000
Interest on pension obligation net of expected return on scheme assets	**561**	(121)
Interest paid on finance lease	**(686)**	(687)
Other interest	**(7)**	–
	(132)	(808)

20 Financial commitments

In addition to the obligations under leases detailed in *Note 18*, the College had contracts in place at 31 March 2012 that included the following financial commitments:

	2012	2011
	£'000	£'000
Obligations under contracts:		
Not later than one year	**27,437**	18,908
Later than one year and not later than five years	**15,539**	15,069
Later than five years	**0**	255
	42,976	34,232

The majority of the College's contracts include the facility for the contract to be terminated should the College no longer receive adequate funding from the DfE.

21 Events after the reporting period

On 1 April 2012, prior to the company being placed into liquidation on 13 April 2012, all assets and liabilities were transferred to the DfE at their book value. If after all liabilities have been settled there is a subsequent deficit from outstanding liabilities, this will be met by the DfE, in full, in accordance with its letter of assurance dated 27 March 2012. To reflect the agreement by the Secretary of State to take responsibility for the net liabilities of the College, a debtor has been recognised to the amount of £16,364,000. The financial statements include accruals for the future costs of terminating the operations of the organisation amounting to £175,000, which will be funded by the DfE.

The financial statements were authorised for issue on 17 May 2012 by Steve Munby, Chief Executive and Accounting Officer.

22.1 Pension provision

On 1 April all staff have been transferred into PCSPS and no further contributions are being made into the NCCPF. Actuaries for the NCCPF have produced a cessation valuation which estimates the cost of the pension liability which arises from this change. As each staff member will be given the option to either retain their accrued pension rights in the NCCPF or to shift this into PCSPS, the estimated liability has been produced as a range. If all staff opt to move their accrued pension into PCSPS it is estimated that the final liability will be £8.1 million and if all staff opt to leave their accrued pension in the NCCPF the estimated liability is £17.9 million.

As the option process for staff will not be completed until late in 2012 a financial model has been developed which takes into account such factors as age, inflation, public sector pay trends and career progression to determine a reasonable level of provision, within the range, to be included in the accounts. The provision has therefore been set at £11,869,000.

Sensitivity analysis has been undertaken to determine the effect of a shift in the assumptions relating to career progression. If staff aged between 50 and 60 have an expectation of continued career progression during the rest of their service, a shift to PCSPS would be financially beneficial, as this is final salary scheme. This would reduce the estimated pension liability by £2.9 million to £9 million. Alternately, if individuals aged 45 to 50 do not expect future career progression and therefore choose to leave their accrued pension in the NCCPF in order to benefit from the annual rise in inflation this would increase the pension liability by £2.2 million to £14.1 million.

22.2 Pensions

Pension costs are assessed every three years in accordance with the advice of a qualified independent actuary. The latest valuation is as at 31 March 2010. The assumptions and other data that have the most significant effect on the determination of the contribution levels are provided in the following tables.

In 2011–12, the National College made total employer contributions to the fund of £1,521,000 (2011: £3,413,000) that was made up of regular contributions (2011 figure includes £2,500,000 lump sum). The pension deficit of £7,880,000 (2011: £1,640,000 surplus) was transferred to a provision to reflect the cessation costs of leaving the scheme – see *Note 22.1* for details.

Contribution rates with effect from 1 April 2011	**As a percentage of pensionable pay**
Employer	10.8%
Employees	
Band 1 £0–£12,600	5.5%
Band 2 >£12,600–£14,700	5.8%
Band 3 >£14,700–£18,900	5.9%
Band 4 >£18,900–£31,500	6.5%
Band 5 >£31,500–£42,000	6.8%
Band 6 >£42,000–£78,700	7.2%
Band 7 >£78,700	7.5%

IAS 19 reporting requirements

Information is based upon the full triennial actuarial valuation of the fund as at 31 March 2010, estimated whole-fund income and expenditure items for the period to 31 March 2012 and estimated whole-fund returns for the period to 31 March 2012 based on actual fund returns for the period to 31 December 2011 and then market returns (estimated where necessary) for the period to 31 March 2012.

Demographic assumptions: Life expectancy from age 65 years

Retiring today	Males	18.60
	Females	22.70
Retiring in 20 years	Males	20.60
	Females	24.50

Financial assumptions as at	**31 March 2012**		**31 March 2011**		**31 March 2010**	
	Real	% pa	Real	% pa	Real	% pa
Price increases	–	3.3%	–	3.5%	–	3.9%
Salary increases	1.4%	4.7%	1.5%	5.0%	1.5%	5.4%
Pension increases	(0.8%)	2.5%	(0.8%)	2.7%	–	3.9%
Discount rate	1.3%	4.6%	1.9%	5.5%	1.5%	5.5%

The discount rate is the yield on the iBoxx AA rated over 15-year corporate bond index.

The expected return on fund assets is based on the long-term expected investment return for each asset class at the beginning of the period (ie as at 1 April 2011 for the year to 31 March 2012). The return on gilts and other bonds is assumed to be the gilt yield and corporate bond yield (with an adjustment to reflect default risk) respectively at the relevant date. The return on equities and property is then assumed to be a margin above gilt yields.

Asset class	**Expected return % pa**		
	1 April 2012	**1 April 2011**	**1 April 2010**
Equities	6.2%	7.3%	7.4%
Gilts	3.3%	4.4%	4.5%
Bonds	4.6%	5.5%	5.5%
Property	5.7%	6.8%	6.9%
Cash	3.0%	3.0%	3.0%

Statement of financial position disclosure of net National College pension assets

	31 March 2012	31 March 2011	31 March 2010
	£'000	£'000	£'000
Present value of funded obligation	47,247	36,408	42,974
Fair value of scheme assets (bid value)	39,367	38,048	34,747
Transfer of liability to provision	(7,880)	–	–
Net liability/(asset) in statement of financial position	**–**	**(1,640)**	**8,227**

Income and expenditure account costs for the year to 31 March 2012

The amounts recognised in the income and expenditure account are:

	2012	2011
	£'000	£'000
Current service cost	**1,531**	2,335
Interest on obligation	**2,037**	2,360
Expected return on scheme assets	**(2,598)**	(2,239)
Past service cost/(gain)	**–**	(4,428)
Losses/(gains) on curtailments and settlements	**813**	12
Total	**1,783**	**(1,960)**
Actual return in scheme assets	**920**	2,612

Pension adjustments in accordance with IAS 19 have been restated in 2010–11 to reflect a more accurate comparison to 2011–12 adjustments.

Asset and benefit obligation reconciliation for the year to 31 March 2012

Reconciliation of opening and closing balances of the present value of the defined benefit obligation	Year to 31 March 2012
	£'000
Opening defined benefit obligation	**36,408**
Service cost	1,531
Interest cost	2,037
Actuarial loss/(gain)	7,580
Losses/(gains) on curtailments and settlements	813
Estimated funded benefits paid (net of transfers in)	(1,668)
Past service cost/(gain)	
Contributions by scheme participants	546
Closing defined benefit obligation	**47,247**

Reconciliation of opening and closing balances of the fair value of scheme assets	Year to 31 March 2012
	£'000
Opening fair value of scheme assets	**38,048**
Expected return on scheme assets	2,598
Actuarial gain/(losses)	(1,678)
Contributions by employer including unfunded benefits	1,521
Contributions by scheme participants	546
Estimated benefits paid including unfunded benefits	(1,668)
Fair value of scheme assets at end of period	**39,367**

Reconciliation of opening and closing surplus/(deficit)

	Year to 31 March 2012	Year to 31 March 2011
	£'000	£'000
Deficit in scheme at beginning of year	**1,640**	**(8,227)**
Current service cost	(1,531)	(2,335)
Employer contributions	1,521	3,413
Past service costs	–	4,428
Other finance (charges)/income	561	(121)
Curtailments and settlements	(813)	(12)
Actuarial gains/(losses)	(9,258)	4,494
Transfer to IAS 19 liability	7,880	–
Surplus/(deficit) at end of year	**–**	**1,640**

Sensitivity analysis showing the impact of a change in discount rate and mortality age rating assumptions on total obligation and projected service cost

	£'000	£'000	£'000
Adjustment to discount rate	**+0.1%**	**0%**	**-0.1%**
Present value of total obligation	45,878	47,247	48,661
Projected service cost	1,792	1,876	1,963
Adjustment to mortality age rating assumption	**+ 1 year**	**None**	**-1 year**
Present value of total obligation	45,417	47,247	49,102
Projected service cost	1,785	1,876	1,968

Amounts for the current and previous periods

	Year to 31 March 2012	Year to 31 March 2011	Year to 31 March 2010	Year to 31 March 2009	Year to 31 March 2008
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Defined benefit obligation	(47,247)	(36,408)	(42,974)	(25,848)	(28,999)
Scheme assets	39,367	38,048	34,747	24,036	27,823
(Deficit)/surplus	(7,880)	1,640	(8,227)	(1,812)	(1,176)
Experience adjustments on scheme assets	(1,678)	(2,029)	6,615	(7,170)	(646)
Experience adjustments on scheme liabilities	–	(2,617)	–	–	1,841

Movements in actuarial loss

	Year to 31 March 2012	Year to 31 March 2011
	£'000	**£'000**
Actual return less expected return on pension scheme assets	**(1,678)**	374
Experience gains and losses	–	(5,020)
Change in assumptions underlying the present value of scheme liabilities	**(7,580)**	9,140
Actuarial gain/(loss) in pension scheme	**(9,258)**	4,494

Projected pension expense for the year to 31 March 2013

	Year to 31 March 2013
	£'000
Service cost	1,876
Interest cost	2,190
Return on assets	(2,263)
Total	**1,803**
Employer contributions	872

Figures exclude the capitalised cost of any early retirements or augmentations that may occur after 31 March 2012.

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