

Registered Company No. 2090588  
Registered Charity No. 297241

**BRITISH EDUCATIONAL COMMUNICATIONS  
AND TECHNOLOGY AGENCY**

(A charitable company limited by guarantee)

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

for the year ended 31 March 2010

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Registered Charity No. 297241

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
for the year ended 31 March 2010

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**Company Details**

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**Company details** (as at 31 March 2010)

**Name:** The British Educational Communications and  
Technology Agency (Becta)

**Charity registration no:** 297241

**Company registration no:** 02090588

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Derek Wise CBE  
John Roberts CBE  
Rosemary Luckin  
John Newbiggin  
Lopa Patel  
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Tim Pearson  
Mark Rogers

**DCSF Assessor:** Dugald Sandeman

**BIS Observer:** John Landeryou

**Chief Executive:** Stephen Crowne

**Company Secretary:** Peter Avis

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## **Introduction from the Chief Executive**

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On 24 May 2010 Graham Badman, the chair of Becta, received a letter from the Secretary of State for Education informing him that Becta's grant in aid funding would not continue past 31 March 2011. The Board took the decision that it would cease the operations of Becta in an orderly manner over the year to 31 March 2011. Consequently these financial statements have been prepared on a basis other than that of a going concern.

Naturally we were all very disappointed at the Government's decision. Becta is demonstrably a very effective organisation with an international reputation, delivering valuable and valued services to schools, colleges and children. I am very grateful for the hard work and dedication of many colleagues right across Becta. I am particularly grateful to the Board and leadership team for their drive and ambition that has helped to create an exemplary Non Departmental Public Body (NDPB).

2009-10 was a period of remarkable challenge and achievement, underlining how far we have come in recent years. We have a convincing record of delivery; secured a step change in Becta's impact and reputation with key stakeholders; made very significant strides forward as an organisation; and handled an intimidating media and political environment very effectively.

The exemplary delivery of the Home Access Programme has been at the heart of our achievement: over 83,000 grants were issued up to 31 March 2010.

Our 'signature week' in January was an outstanding success. The involvement of the Prime Minister and two senior Cabinet Ministers in the Learning and Technology World Forum (L:ATWF) and the overwhelmingly positive response from participants, gave real impetus and profile for Becta. The Prime Minister opened LATWF 2010 and the event successfully attracted around 1,200 leaders from over 100 countries, including more than 70 ministers of education and skills. The event was the largest gathering of education and skills leaders in the world with over 80% of the world's population being represented.

We made good progress towards e-enabling the system, as reflected in the latest official statistics which record for example a 5% point annual rise in the e-enablement of colleges. 40% of colleges and a third of secondary schools are integrating use of technology effectively, but there is slower progress in primary schools.

We have seen continuing successes with our underpinning work challenging schools to improving their practice - 2,067 'new' schools started using the Self Review Framework (SRF), 2,516 schools have made a public commitment to the Charter, 1,170 schools hold the prestigious ICT Mark and 4,186 schools revisited the framework that underpins the Charter and recorded they had progressed towards e-maturity.

We transformed our relationship with the Department for Business, Innovation and Skills (BIS), and secured a strong foothold in 14 to 19, adult learning and skills and the wider competitiveness agenda. The delivery of Generator (used by 89% of colleges) and the design and launch of On-line Basics are just two examples of the concrete difference we have made.

We delivered impressively on savings and efficiencies across the system, exceeding our procurement savings target of £75m by £16m.

We successfully launched a very significant next stage of shaping the supply side through the new ICT services framework with more than double the anticipated number of primary & secondary schools and colleges being helped to use technology more effectively. It is a major achievement to get such a high level of customer and supplier support for our approach.

The landscape changed dramatically over 2009-10. Becta was at the heart of the efforts to deliver efficiencies and support to the front line. We have made significant strides in relation to

**Introduction from the Chief Executive**

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our support for local authorities' efficiency savings through their engagement with our regional team.

The year end financial position of a net movement of funds of a deficit of £43.2m reflects the £8.3m loss on the defined benefit pension scheme (this deficit is to be met by the Department for Education (DfE)) and the decision to hold back on the draw down of the final 2009-10 grant-in-aid payment of £35.4m until 1 April 2010. This was to minimise the working cash balance as at 31 March 2010. The grant costs of the Home Access Programme are recognised on the formal issue of the grant. The payment, however, is only made when the recipient redeems the grant to purchase the IT equipment. So whereas the expenditure has been recognised in these financial statements, the respective cash payment was made after 31 March 2010. Therefore the remaining element of the 2009-10 grant-in-aid was drawn down on 1 April 2010.

Stephen Crowne  
Chief Executive

17<sup>th</sup> November 2010

This annual report and the audited financial statements cover the financial year ended 31 March 2010 for the British Educational Communications and Technology Agency.

They have been prepared in accordance with the reporting requirements of the Statement of Recommended Practice (revised 2005), Accounting and Reporting by Charities. It incorporates the management commentary as required under the Government Financial Reporting Manual and it shows how the charity has pursued and delivered against the objectives set out in its business plan 2009-10.

References are to the Department for Education (DfE) or to the (former) Department for Children, Schools and Families (DCSF) as appropriate to time and context.

### **About the British Educational Communications and Technology Agency**

The British Educational Communications and Technology Agency ("Becta") is a non-departmental public body. It is also a company limited by guarantee with charitable status, governed by its Memorandum and Articles of Association and Management Statement (including the Financial Memorandum) with the DCSF.

Becta was established in 1998 through the reconstitution of the National Council for Educational Technology (NCET) to be the Government's lead agency for Information and Communications Technology (ICT) in education, covering the United Kingdom.

Becta leads the national drive to inspire and lead the effective and innovative use of technology throughout learning. It's our ambition to create a more exciting, rewarding and successful experience for learners of all ages and abilities, enabling them to achieve their potential.

Becta's formal objects are to enhance the education and training of the people of United Kingdom of Great Britain and Northern Ireland by supporting, encouraging, promoting, evaluating, developing, applying and maintaining the use of systems, techniques, aids, discoveries and inventions conducive to the advancement of education and training and aspects of information technology in all spheres relevant to the needs of education and training of all kinds; and supporting encouraging and promoting research and innovation and good practice in educational technology. All of Becta's charitable activities are undertaken to further our charitable purposes for the public benefit and the Trustees have complied with the duty in section 4 of the Charities Act 2006 to have due regard to public benefit guidance published by the Charity Commission.

In furthering these objectives we comply with current statutory requirements, the requirements of Becta's governing documents, the financial memorandum, and any administrative requirements for the use of public funds. Our primary relationship is with the DCSF and we also have strong working links with the Department for Business, Innovation and Skills (BIS).

Becta's remit is published on its website at: <http://foi.becta.org.uk/display.cfm?page=1676>

Becta is funded primarily through grants received from DCSF and BIS. Further funds are derived from specific contracts with a range of other bodies.

## **Structure, governance and management**

### Board members

During the year the Board consisted of nine trustees together with an assessor nominated by the DCSF and a BIS observer. The Chief Executive is an ex-officio member and the Executive Committee (senior leadership) of Becta also attend Board meetings. The Board meets regularly: a minimum of four times a year but in practice more often. The Board met six times during financial year 2009-10.

Board members are currently appointed by the Secretary of State for Education (formally the Secretary of State for Children, Schools and Families). Board members are usually appointed for a term of three years. They are provided with an induction to Becta via an induction pack covering training materials on the responsibilities of trustees of public bodies, a code of conduct, and an introduction to the work of Becta, plus a personal introduction from the Chief Executive.

Members of the Board are the trustees of the charity plus the Chief Executive. During the year ended 31 March 2010 the trustees were:

### **Chairman**

Graham Badman CBE

### **Board**

John Roberts CBE	Stephen Gill (resigned 30 June 2009)
Derek Wise CBE (deceased 16 June 2010)	Rosemary Luckin
John Newbiggin	Lopa Patel
Patricia Bacon (appointed 7 December 2009)	Tim Pearson (appointed 7 December 2009)
Mark Rogers (appointed 7 December 2009)	

Each member completes a register of interests. None of the board members held other company directorships, board positions or other significant interests which may conflict with their responsibilities as trustees. The register is available for inspection at the registered office by prior arrangement during normal business hours.

### **Structure of Becta:**

Becta is organised into three directorates facing the sectors it works to support: Children, Schools and Families; Further Education and 14 to 19; and Childrens' Services and Local Government.

These are supported by three cross-cutting directorates: Strategic Technologies; Strategy and Communications; and Business Delivery and Organisational Development

Becta's Executive Committee in 2009-10 comprised:

Stephen Crowne	Chief Executive
Alan Cowie	Executive Director for Business Delivery and Organisational Development
Niel McLean	Executive Director for Children, Schools and Families
Stephen Lucey	Executive Director for Strategic Technologies
Terry Piggott	Executive Director for Childrens' Services and Local Government
Tony Richardson	Executive Director for Strategy & Policy
Jane Williams	Executive Director for Further Education and 14 to 19

## **Remit and Performance**

### **Decision-making and accountability**

The strategic direction for Becta is set at the start of each financial year in a remit letter from the Secretary of State for Education (formally the Secretary of State for Children, Schools and Families), in agreement with the Secretary of State for Business, Innovation and Skills. This remit letter describes how the Secretary of State wishes Becta to contribute to the education system in the UK, and sets the particular areas of activity and required deliverables for the new financial year.

The Becta Executive developed a strategic plan of activity, designed to realise the objectives of the remit and this was translated into an annual business plan. The Board ensures that the business plan meets the requirements set out in the remit and priorities letter. Once their approval was obtained, more detailed planning developed a structured programme of work.

Performance targets are proposed by the Executive and approved by the Board at the start of the year. The performance against these targets is reported to the Board at least quarterly (in practice more frequently) to ensure that Becta is on track, and to allow corrective action to be taken if there are issues with performance.

Assurance on delivery and quality is reinforced by Becta Directors who comprise the Operational Committee whose remit is to provide cross directorate decision making and intervention at operational level.

The Chief Executive is accountable to the Board for Becta's delivery against its remit and annual priorities and he is the Accounting Officer for the organisation as a Non-Departmental Public Body and its spend of public money.

### **Becta's remit for 2009-10**

In March 2009, Becta's remit letter set out the Government's requirements of Becta for the year ahead in the context of The Children's Plan and the Government's wider aim for a society where all children and other learners are able to achieve their potential. DCSF and BIS set out particular areas of priority.

#### **DCSF priorities**

DCSF required Becta to support developments in the use of technology for the benefit of children, learners, and families, in particular by:

- Successfully delivering the Home Access Programme
- Ensuring that best practice in e-learning was available across the system
- Developing best practice for 14-19 partnerships

DCSF required Becta to lead the implementation of the Harnessing Technology strategy designed to deliver:

- improved teaching and learning
- more flexible tailored learning
- better assessment and tracking of learner progress
- more effective engagement and communication with parents and families

Specifically, DCSF required Becta to:

- Raise expectations for parents for online reporting, and increasing the number of local authorities using online reporting systems  
Monitor infrastructure implementation to ensure best use of capital spend
- Ensure that Home Access equipment is used effectively and with skills and confidence
- Building the skills of teachers, lecturers and support staff in the use of technology for learning
- Develop solutions for managed services in the primary sector

DCSF also required Becta to continue to work closely with the department, sharing expertise and supporting with advice and information.

BIS priorities

Becta is formally sponsored by DCSF but it is a valued and expert partner for BIS. The most important BIS priority was to create a climate for economic success, by supporting skills development and innovation. Becta was asked to support this by helping colleges and other training and skills providers to make the most of the benefits that technology brings for teaching and the management of learning.

The key task for Becta was to develop a leadership role and to help bring about system-wide change. This included:

- Developing confidence and skills in the use of technology across the FE workforce  
Supporting the development of inclusion in the sector
- Raising the quality of technology products and services, and the effective use of technology
- Helping FE colleges and providers to increase their e-maturity.

In response to the remit, Becta's executive developed a business plan for 2009-10. This business plan reflected both Becta's leadership in the delivery of key **Strategic Interventions** to support change and its broader strategic leadership role, described in **Core Activity**.

### **Becta's performance in 2009-10**

In response to the Government remit, Becta's executive developed a business plan for 2009-10, comprising a range of strategic interventions and core activities as set out below.

### **Strategic interventions**

Demand side campaign

During 2009-10 the Next Generation Learning campaign successfully moved from a project centred on driving parental demand to a wider demand creation campaign encompassing schools audiences. Marketing activity focused on a number of key areas, including increasing the number of schools intending to implement online reporting; increasing awareness amongst schools (and in particular primary schools) about the benefits of learning platforms and driving take up of Becta's products and services to support this; encouraging take up of the Next Generation Learning charter and, maintaining the demand and interest levels amongst parents on how they can support their child's learning through technology.

The highlights of the year included the successful launch in November of the Schools and Parents report which focused on the value of effective communication between parents and teachers. The report generated huge media interest including a national news item on GMTV, regional press and numerous online press articles and over 20 regional radio slots. The media coverage in March of the "I'm stuck can you help me?" report exceeded all expectations with

national TV and press coverage on BBC, GMTV, 5 News and Sky News amongst others.

Significantly the number of parents visiting the campaign website who intend to do something as a result remains healthy at 45%. Also in March over 7,200 primary school children took part in the first ever Next Generation Learning National School Quiz.

#### Capital Vision

The Capital Vision Strategic Intervention was about exploiting capital investments to achieve world class outcomes. Engagement and consultation with key partners took place through a series of five half-day consultation workshops and one-to-one meetings and resulted in a set of Key Expectations being published at BETT. Feedback from key partners, local authorities and head teachers, who were involved in workshops which were run based around the Key Expectations, was all very positive. The Association of Professionals in Education and Children's Trusts (Aspect) published an article on the Key Expectations in their journal and has used them in a number of workshops that they have run in local authorities.

#### Home Access

Home Access is the government's drive that helps low-income families who currently lack access to a computer and/or internet to get online at home, which Becta was selected to deliver. We successfully completed the pilot of the Home Access programme in Oldham and Suffolk Local Authorities which began last year before moving on to launching the national programme across England. Alongside the pilot, Becta provided funding directly to over 100 local authorities to run home access (Targeted Funding) schemes to learners for whom they have a particular duty of care. This equated to approximately £18 million capital which benefited around 20,000 learners.

The national programme was officially launched on 11 January 2010 by the Prime Minister, the Secretary of State for Children, Schools and Families and the Secretary of State for Business, Innovation and Skills.

The original targets of the programme were to award 70,000 grants of the overall 270,000 up to the period to 31 March 2010 with the remainder to be awarded in 2010-11. However by 31 March 2010 nearly 83,000 grants had been awarded to eligible families and it is forecast therefore that approximately 187,000 households will benefit from the programme in 10-11.

The risk of potential fraudulent activity being perpetrated has always been a key issue for the Programme. At the initial stages of the programme, in February 2009, the Programme Board considered a paper on the anti fraud strategy and policy for Home Access. As well as considering the strategy towards potential fraudulent activity of individuals falsifying applications or subsequently disposing or exchanging the equipment obtained through a Home Access grant for monetary reward, the paper also considered the inherent risk of the information, ultimately derived from data from the Department for Work and Pensions (DWP), used to assess the validity of claimant (the Home Access scheme is based on receipt of benefits, as opposed to eligibility for benefits). The original conclusion was that DWP's official fraud data indicated that there could be an inherent risk as high as 2.5% (based on DWP's 2007-08 information) of claimants not being a valid recipient but after expert and internal assessment this inherent risk, in Becta's view, would more likely to be approximately 1% because the individuals already defrauding the system are less likely to risk bringing further attention to themselves by making a claim relative to the receiving of a one-off low value monetary benefit. Becta's internal controls around the programme have ensured that we have been very successful in restricting fraudulent activity with detected fraud levels at only 0.053% (cumulative to 13 September 2010).

Feedback from parents on the service has been extremely positive. The customer satisfaction survey which families are asked to complete the first time they log on reported that 95% found their overall experience with the programme very good or quite good. This is reinforced by an

IPSOS Mori survey conducted for Capita in March 2010 which found that 97% of respondents were very satisfied or fairly satisfied with the overall process of getting their package.

The independent evaluation of the pilot, published in January 2010, showed that there had been real and wide-ranging benefits to recipient families. This included learners spending on average an hour more per week for learning-related computer activity than their peers who already had access at home. In addition 97% of parents believed that home access would help their children do better at school, 65% of parents felt they were more involved in their children's education since gaining access and parents reported using the technology themselves to access public services, develop their skills and look for employment.

Our success has enhanced Becta's reputation for delivery with stakeholders and the programme is seen as exemplary by the DCSF's Delivery Assurance Board.

#### Parental engagement

Becta continued to lead the national programme to support all schools, including special schools, in making effective use of ICT to improve parental engagement in their children's learning, including online reporting. This included a formal and comprehensive "one year on" review of school progress which indicated that by September 2010 around 80% of secondary schools and 20% of primary schools will be using ICT to provide appropriate and proportionate information that is timely and meaningful for parents. This is considered as a particularly high level of take up considering there has been no additional financial provision for schools to purchase systems.

After submitting a proposition to support the 'Achievement for All' project across England in the summer we were asked to manage a £1million intervention for schools across 10 local authorities to investigate online reporting for learners with special educational needs and disabilities. It was successfully completed; the resulting action and case study materials will be used nationally in 2010-11.

#### Increasing workforce capability in Schools

In continuing to challenge workforce standards, qualifications and frameworks developed for professional development and institutional processes significant progress has been achieved with the Masters in Teaching and Learning (MTL). The 'use of technology' is now a key element in the guidance for MTL providers and is acknowledged in the programme validation.

The DCSF-funded VITAL continuous professional development (CPD) programme has also been successfully influenced to build on Becta's framework for effective use of ICT by teachers. Discussions started with the Training and Development Agency for Schools (TDA) and Children's Workforce Development Council (CWDC) to explore influence on workforce standards, frameworks and qualifications.

Considerable strides were made in producing materials, influencing and sharing of effective practice from excellent practitioners to support increased adoption of ICT and to increase the demand for technology focused professional development. For example the 21<sup>st</sup> century teacher publication and online tool were completed and well received. Based on the Teaching Standards and supported by the TDA, the resources help teachers to assess and develop their professional use of technology.

Building on successful past activity with Teachers TV (the original Hard to Teach Maths programme is still in the top 2% of the most popular programmes), additional programmes in science and english were broadcast and new programmes in foreign language and geography were broadcast in June 2010.

The final strand of workforce activity is to develop the capacity in the system to provide high quality support on the use of technology in teaching and learning.

The key focus in this year were advanced skills teachers and leading teachers and we have run a series of four successful regional conferences, with support from Qualifications and Curriculum Authority (QCA), TDA and General Teaching Council for England (GTC), to inspire and support this cohort in their role. The conferences brought together exemplary teachers and practitioners and to illustrate how effective technology should be built into curriculum design and practice.

#### Increasing workforce capability in Further Education (FE) colleges

After extensive testing and provider consultation, the first-ever e-Prospectus for technology-focused professional development was launched at the World Forum. Our international benchmarking project (originally developed to underpin our target to reach the top international quartile in deploying technology by 2012) is making good progress with surveys underway in all four European partner countries. This work will continue until closure in 2011.

We are finalising joint research with Lifelong Learning UK (LLUK) on initial teacher training and the joint Becta/Institute for learning research into practitioners' technology capability is progressing well. LLUK published a series of application guides on the role of technology in meeting the national professional standards.

There has been good progress with the online version of the Learning and Skills Improvement Service (LSIS)/Becta e-CPD programme, and the programmes we run with LSIS for leaders, technology staff and governors have over 200 participants. We have piloted and published resources to support the informal adult learning workforce. Again this work will continue until closure in 2011.

We have published safeguarding guides for FE leaders, learners, curriculum managers and technical staff together with a generic guide and as well as contributing to various national LSIS-led safeguarding events.

#### Increasing the reliability and sustainability of ICT use

Our target was to increase the number of primary, secondary and or colleges adopting or planning to adopt ICT services by 500, our actual achievement was 1,061. A number of consistent challenges have emerged through our consultation including the reliability of technology, the need for systems to work together, providing out of hours' access to institutions' ICT systems and enabling learners' own devices to be used in the institution. Many institutions are trying to manage these complex issues themselves and they recognise ICT is not a core competency. Institutions acknowledge the need to move the delivery and maintenance of their ICT systems towards a more service orientated culture. They want the technology to work effectively enabling them to focus on teaching and learning for the benefit of their learners.

A number of Becta procurement arrangements expire during 2010 and this has provided an opportunity to take a fresh look at the market and clearly identify the current and future educational stakeholder requirements to help inform the vision and strategy for next generation of ICT services.

Based on its research and consultation, Becta have defined a vision of the key elements of an effective learner-centric ICT system for educational institutions. The vision is centred on delivering "Technology that works first time, every time, for everyone, wherever and whenever they need it". It identifies both the components of an ICT solution for educational institutions and a need for it to be effectively managed in accordance with recognised best practice methodologies. Becta has identified three mechanisms to enable successful delivery of this vision across the education sector and this guidance will continue to be available until closure.

The first is to provide guidance to customers in developing their technical requirements by developing Becta's functional requirements and technical principles information which have

already been updated through a consultation process and are available to stakeholders via the Becta website. The second is in producing detailed procurement advice and standard terms and conditions for customers to utilise when running their own procurements. The third is to establish and subsequently manage a national procurement arrangement under which customers can run their own competitions based on their local statement of requirements development in this area is already underway.

### **Core activities by directorate**

#### Children, Schools and Families

We grew our support for schools and teachers. 2,067 additional schools started using our Self Review Framework (SRF) and 4,186 existing users carried out further reviews. We have put technology at the heart of the new Masters in Teaching and Learning, our Teachers TV programmes on teaching 'hard-to-teach' concepts are in the top 2% most popular programmes, we have partnered with the National College, National Strategies and QCA on the roll out of the new primary curriculum and our targeted ICT offer through advanced skills and other leading teachers was launched through 4 highly-successful regional conferences with QCA, TDA and the GTCE.

We led the national programme on schools' use of technology to engage parents. Our 'one-year-on' report indicated that by September 2010, 80% of secondary and 20% of primary schools will be providing information to parents online. This significant progress (given the lack of regulatory or financial levers) was welcomed by Ministers, and we contributed directly to the Parents' Charter.

We have maintained our leadership position on online safeguarding. In addition to supporting UK Council for Child Internet Safety (UKCCIS) through chairing the Better Education Working Group and delivering our actions in the Byron Implementation plan, we have increased the number of Local Safeguarding Children Boards (LSCBs) having safeguarding online as part of their business and action planning from 40% to 75%. Over 400 LSCB representatives attended our national safeguarding conference and we have distributed over 70,000 publications to LAs and schools.

#### Further Education and 14 to 19

Our challenge for 2009-10 was to embed programmes across the sector and to strengthen the position of learning technologies within 14-19 and FE policies, and we succeeded. The latest (2009) e-maturity data show, for example, that 40% of FE colleges are now e-mature<sup>1</sup>, up from 35% in 2008.

In 2009 we launched the self review tool, Generator. More than 850 organisations are registered, including 89% of FE colleges. We have made significant contributions to national policies; the areas include the School of Everything portal supporting informal adult learning (IAL), the identification of efficiencies in FE and skills, the Online basics pilot to tackle digital exclusion and our support for the DCSF Raising the Participation Age and the 'Not in Employment, Education or Training' (NEET) strategies.

Initiatives like the Technology Exemplar Network (now covering around two million FE students and 50,000 staff), the Next Generation Learning Awards and our events and publications on issues like safeguarding have raised our profile, making the case for efficient and effective technology.

We developed and maintained good partnerships with BIS and DCSF and the Ministry of Defence, with agencies like Learning and Skills Council (LSC), LSIS, Joint Information

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<sup>1</sup> We are awaiting the data on work-based, adult and community and offender learning.

Systems Committee (JISC) and Ofsted and bodies like the 157 Group (representing large colleges) and this year have talked with DWP, Cabinet Office, UK online centres and organisations like the British Chambers of Commerce and Institute of Directors. But while overall the sector is improving its use of technology, there remain many providers needing support.

#### Childrens' Services and Local Government

Operational engagement with local authorities continued to improve. Our advisers have had significant face-to-face engagement with 88% of local authorities, exceeding the target of 80%. Good relationships with local authorities have now been established across all regions. There was positive feedback from an increasing number of local authorities on the quality of the support they are receiving.

More importantly, there is growing evidence of the impact of the work of the team. For example, in Bath and North East Somerset we supported the formation of an ICT Strategy Group by attending all of their meetings and providing one-to-one coaching for the chair who is the ICT lead for the local authority. This group has grown in strength, agreeing terms of reference and starting to influence ICT decisions in the authority. We also facilitated a workshop in the authority using the Local Authority SRF attended by 38 head teachers, governors and local authority officers. 96% of attendees thought that the workshop had helped them to evaluate the local authority's services.

By the end of 2009-10 85% of local authorities were represented at our regional forums, an 18% increase since summer 2009, meeting our targets. Local authorities attending the forums continue to find them very valuable with 100% of local authorities attending the March forums rating them as 'good' or better.

All 105 City Learning Centres (CLCs) reported broadly successful delivery against their Annual Performance Agreements for 2009-10. Annual Performance Agreements for 2010-11 which have been moderated and approved. The new online tool for these successfully speeded up the approval process. Feedback from CLC managers was very positive. Support for the major capital programmes in the school sector (Building Schools for the Future, Primary Capital and Academies programmes) continued throughout the year. The DCSF has been particularly positive about Becta support for the Academies programmes.

#### Strategic Technologies

We continued to make excellent progress on our cashable cost savings target of achieving £120m cumulative savings over three years to March 2011. This year our target was £75m and this has been exceeded with OGC compliant savings of £91m for the education system. We continued to promote the use of interoperability specifications such as the Systems Interoperability Framework (SIF). The number of UK based organisations in the SIF Association increased from 41 to 60 during the year.

The content packaging profile to provide interoperability of content across learning platforms has been completed in draft, based on requirements supported by the content and learning platform industry and adoption of the whiteboard content interoperability specification is proceeding with product releases due in the coming months. We have also developed a draft learning resource metadata profile for industry adoption through the content ecosystem strategy.

We decided that the Framework for ICT Technical Support (FITS) would be best delivered through an external organisation: the FITS Foundation, in order to become self financing and reduce its reliance on public funding. A grant was provided for its set up and initial operation. Becta will continue to fund FITS in 2010-11 at which point the company will continue on a self financing basis.

The Consultancy Services framework agreement enables local authorities and educational establishments to obtain a range of cost-effective Consultancy Services (Educational, ICT and procurement consultancy) whilst still providing freedom of choice. The scope of the new framework now extends across colleges and learning providers in the FE sector. The agreement commenced on 23 June 2009 with 17 companies who have demonstrated their capability to meet our service requirements awarded a framework agreement.

In July 2008, Microsoft agreed that it would introduce a new subscription-licensing model for UK schools, which would improve schools' choice as to the extent of ICT estate that must be covered by a Microsoft subscription agreement. Since that time Becta has been working to ensure that terms of this agreement are adequately reflected in the contractual and pricing terms being made available to UK schools.

The Open Source Schools community funded by Becta is continuing efforts to increase the awareness and use of open source software in schools. A local authority seminar was held in Bletchley Park in October 2009 that attracted nearly 40 local authorities. Becta presented on the ICT Services offer and the opportunities for increased open source adoption. We also updated Local Authorities on the Cabinet Office action plan for the increased use of open source across government.

In collaboration with the British Standards Institute (BSI) and a number of audio visual industry experts, Becta has led the development of the newly published Publicly Available Specification for the correct and safe implementation of audio visual installations: PAS 122:2009 specification for the installation of audiovisual equipment in classrooms and general publicly accessible areas.

This area of Becta also looks after our internal procurement arrangements. Over £250,000 of cashable cost savings have been achieved during the year through improved procurement practice.

#### Strategy and Communications

For the past year Becta's public profile has been higher than ever before. Mentions and coverage in national press, TV and radio, means name recognition has extended beyond the education sector and has introduced Becta to new consumer audiences, such as parents. For every £1 spent on PR and media, Becta reached 1,529 people through media.

During 2009-10 the Policy Team worked in a challenging policy landscape, making major contributions to the Government's education policy development, including the Independent Review of the Primary Curriculum (The Rose Review) and the 21st Century Schools White Paper. Of course, given this point in the political cycle, any resulting policy changes will be subject to the policy positions of the new administration.

Our relationship with the department is also maintained by our ongoing contributions to ministerial briefings, Ministerial speeches, and handling the high volume of Parliamentary Questions and Departmental correspondence.

The Learning and Technology World Forum (LATWF) is regarded as the premier international event for learning technologies. The Prime Minister opened LATWF 2010 and the event successfully attracted around 1,200 leaders from over 100 countries, including more than 70 ministers of education and skills. The event was the largest gathering of education and skills leaders in the world with over 80% of the world's population being represented. The event was the platform for a number of significant announcements, including the national launch of the Home Access Programme, and the establishment of an Education Technology Task Force. Support from Industry Partners reached £457k for this event, which included over 60 discussions and keynote sessions.

The Innovation and Futures team completed a wide ranging programme of projects and analysis relating to emerging technologies, trends and developments to inform Becta's wider work and strategy development. The team builds Becta's understanding and insight into the opportunities and risks presented by new and emerging technologies enabling Becta to provide expert leadership in this area.

Futurelab completed the second year of a grant funded programme of research and development relating to Harnessing Technology priorities. Research projects have covered a range of areas relevant to the strategy including: barriers to innovation, Digital participation (digital literacy) Home-school and Games and families. In June 2009 we awarded Futurelab an additional grant to build on the DCSF commissioned Beyond Current Horizons project looking at educational futures 2025 and beyond. This grant allowed Futurelab to develop and disseminate the findings of the BCH programme to educators and key partners and to develop curriculum-based teaching materials for use in schools.

We managed and published research covering a range of topics, including: Narrowing the Gap, Parents' Use of Online Services, Home Access Pilot Evaluation, and Impact 2009. Many of these reports have been cited internationally. Outputs have been used with the DCSF and other Becta partners through presentations, seminars and briefings. We have published Official Statistics for the first time on 31 March (FE and skills surveys).

Becta engaged closely with the European Schoolnet (EUN – the member organisation for Ministries of Education across Europe for technology in education). The UK is considered a major player with influence on the way the organisation operates and on the projects it plans to focus on. We now have a complete overview of all EUN projects that are running, what the benefits are to the UK, and levels of input needed along with funding issues which are now clear and transparent.

Becta established effective relationships with the Organisation for Economic Co-operation and Development (OECD) and World Bank which has raised our profile substantially internationally. With the OECD and the US Department of Education, Becta is also leading in work looking at new ways of benchmarking international progress in educational use of technology.

Finally, Becta provided support to the high profile Education Technology Taskforce announced by the Prime minister at LATWF in January 2010.

#### Business Delivery and Organisational Development

The Accommodation project (Nexus) began in the financial year and was completed in July 2010. The project involved amalgamating the two original Becta sites into one refurbished building. This will allow us to achieve the recommended benchmark for public service on office space of 10m<sup>2</sup>/FTE. The design specification of the project will enable Becta to reduce the carbon footprint for energy by 40% exceeding the Sustainable Operations on the Government Estate (SOGE) targets for 2010 and also on the current 'D' rating on the Display Energy Certification (DEC).

#### Corporate governance

Becta has established procedures to enable it to comply with Corporate Governance best practice through the accountable and the transparent management operations, decision-making processes and communications.

The Board has responsibility for key governance decisions and for developing strategic recommendations.

The Audit Committee consists of three of the board trustees; John Roberts (chair), Patricia Bacon and Rosemary Luckin. Its responsibilities includes a regular review of the adequacy of accounting systems and controls, the determination and scrutiny of the internal audit programme and reviewing the reports of the external auditors in relation to compliance with the regulatory and financial reporting requirements. It met three times during the year.

There have been no major changes to Becta's organisational structures or management procedures. Corporate governance and internal controls have been subject to continuing review.

### **Risk management**

The trustees have examined the major strategic, business and operational risks which the charity faces and confirm that systems have been established to enable regular reports to be produced so that the necessary steps can be taken to lessen these risks. During the year, the company's internal auditors were asked to perform a review of risk management processes. All recommendations have been accepted and implemented.

The major risks to Becta are reviewed regularly through the Chief Executive's report to the Board, through its Audit Committee and at the Weekly meetings of the Executive Committee. Systems and procedures are in place to manage those risks and they are reported in the Chief Executive's report. Key risks for 2009-10 included:

- that the economic and fiscal uncertainty leads to uncertainty of commitment, erratic planning and spend at national, local and institutional levels and/or causes some of our critical IT suppliers to schools and colleges to withdraw from sector or cease to trade
- that our agenda is given a significantly lower priority by Government, decreasing our resource and viability and that of our customers.
- that local and regional bodies do not have the capacity and capability to support the changes needed for Becta's strategic objectives.
- the national attitudes to technology in education are damaged by a serious incident relating to the safety and protection of children, arising from misuse of the Internet within the education system.
- that Becta's remit continues to increase without additional resources to provide it with the capacity to deliver its work.
- that the Home Access programme does not have the capacity and capability across the organisation to effectively deliver; that demand for the grants outstrips supply; and that the single supplier for the administration of Home access grants might fail.

Risk management is applied at all levels in the organisation with registers maintained for programme and project steering groups with escalation to the Operational & Executive Committees when appropriate.

### **Sensitive Data Security**

Becta's traditional business does not require it to handle large amounts of sensitive personal data. Notwithstanding this, Becta is implementing the recommendations contained in the Security Policy Framework to ensure that any data held is safely maintained and access and distribution secure. The Home Access programme however, has presented an additional challenge to Becta. Within the programme specific plans and actions were taken to minimise the extent to which any personal data is held by Becta, and minimise the risks associated with

any data that we do hold. In addition extensive action was also taken with our delivery partner to ensure that their systems and processes were at a higher level of protection, verified by external scrutiny. During the year there has been no loss of sensitive personal data.

### **Consultation with employees**

Becta consults with staff and the PCS union. There is a Recognition Agreement in place setting out principles, scope and consultation processes. There is a regular dialogue between the organisation and the Union and this falls under three categories:

- Strategic: changes that could affect all Becta staff, for example, remuneration and benefits.
- Operational: changes that are likely to affect staff in only one department, for example, departmental workload and structure changes
- Individual: issues that affect specific individuals, for example, particular welfare issues and disciplinary and grievance hearings.

The policies, procedures and notices are posted on the intranet for all staff to read and be informed of changes and implications. Also staff briefings and workshops are held as appropriate to explain the changes.

### **Employee relations**

Becta has a good record in relation to sickness absence. For the year ended 31 March 2010 the average number of sick days per employee was 3.2 days (including all types of sickness) compared to the average for the Public Sector of over 9.7 days. Becta has a sickness absence policy which includes return to work interviews which are considered the most effective means of helping to reduce absence levels. The three highest reported reasons for sickness absence were:

- Non work related anxiety and stress
- Cold and Influenza
- Work related anxiety and Stress

HR is currently working on guidelines for managers on how to recognise and deal with signs of stress in their teams.

### **Equal opportunities and diversity**

Becta is committed to equality of opportunity and diversity in all its activities and has appropriate equality and diversity policies in place.

It is the policy of Becta that nobody should be unfairly discriminated against directly or indirectly because of their ethnicity, national origin or nationality, gender, sexual orientation, marital status, religious beliefs, political affiliation, age, social class, disability, trades union membership or employment status.

For example, Becta seeks to ensure that no job applicant or employee receives less favourable treatment, directly or indirectly, on the grounds of disability and therefore reasonable adjustments have been carried out in relation to premises like motorised doors to assist people with impaired mobility.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with Becta continues and that appropriate training is arranged. It is the policy of Becta that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees. For the year ended 31 March 2010 the average percentage of employees that were recorded as disabled was 9.7%.

### **Training & Development**

Becta has a dedicated Training & Development Manager and a Learning & Development Committee, which is chaired by a member of the Executive, to prioritise and co-ordinate training proposals based on the Learning & Development Strategy. The Committee met five times in the year. Individual needs are assessed as part of the Performance Development Review process which is operated throughout the year and action plans agreed with the relevant line manager.

### **Environmental policy**

Becta's premises were assessed under the Energy Performance of Buildings (Certificates & Inspections) (England & Wales) in 2008-09 and both buildings were rated 'D' which is above the benchmark for existing buildings of 'E'. A major element of the current accommodation refurbishment project is to improve the efficiency and environmental impact of Becta 1. The project is on target so that the new working environment will have an Energy Performance Certificates (EPC) rating of a high 'B' and a BRE Environmental Assessment Method (BREEAM) assessment of very good. All practical recommendations for improvements in building efficiency were included in a programme of refurbishment (project Nexus) that commenced in 2009-10 and completed in July 2010.

### **Social and community issues**

Becta's primary purpose is concerned with a major area of public life through its ambition to create a more exciting, rewarding and successful experience for learners of all ages and abilities enabling them to achieve their potential.

### **Health and safety management**

Becta has a robust set of Health & Safety procedures in place as part of its management arrangements and this is promoted throughout the organisation via the Health & Safety Committee, which meets quarterly, and consults with staff representatives.

Becta normally audits its Health & Safety practices annually through a Health & Safety Executive recognised audit and the results and actions posted on the staff intranet. However during 2009-10 the decision was taken to delay the audit until staff returned back to Becta 1 on the completion of the office refurbishments. Becta's baseline score was eight for 2008-09. As part of Health & Safety and for the wellbeing of all staff, Becta records and reports all accidents and sickness absence to the Health & Safety committee focusing on issues such as stress within the workplace.

Graham Badman CBE  
Chairman

17<sup>th</sup> November 2010

Stephen Crowne  
Accounting Officer

17<sup>th</sup> November 2010

Part A: Unaudited

The Remuneration report has been prepared in accordance with the Government Financial Reporting Manual.

The Remuneration Committee met once during the year to consider the remuneration policy for the Chief Executive, Executive Directors and Directors. Membership of the Remuneration Committee during 2009-10 was:

Graham Badman CBE  
 John Roberts CBE

The Chief Executive's remuneration is reviewed annually in the light of the Secretary of State's decision on the recommendations of the Senior Salaries Review Body and is subject to full satisfactory performance. The Chief Executive has a contract of employment which commenced on 12 June 2006.

The Chief Executive, Executive Directors and Directors are subject to performance related pay including a non-consolidated element of up to 10% of their salary. These are agreed by the Remuneration Committee and as part of the annual pay remit. They are entitled to be members of the Local Government Pension Scheme, or where previous membership applies, the Teachers Pension Scheme. The statement also provides details of the terms relating to severance for loss of office. Currently there are no special arrangements for Executive Directors to receive termination awards.

The Chief Executive, Executive Directors and Directors are entitled to receive six months notice of termination of employment. Terry Piggott commenced employment with Becta on 1 October 2009 on a 12 month secondment from Rochdale Metropolitan Borough Council.

The following sections provide details of the audited remuneration and pension interests of the Board of Trustees and senior employees.

Part B: Audited

**Remuneration of the board of trustees**

	<b>Date of appointment to Board</b>	<b>2009-10 £'000</b>	<b>2008-09 £'000</b>
<b>Chairman of the Board</b>			
Andrew Pinder			
Salary		-	26
Employers National Insurance Contributions		-	3
		<u>-</u>	<u>29</u>
Graham Badman	1 April 2006		
Fee (including VAT)		35	9
		<u>35</u>	<u>38</u>
<b>Chairman of the Audit Committee</b>			
John Roberts	1 May 2008		
Fee		5	5

No other member of the board received remuneration from the company. Authority to pay the Chairman's remuneration is given under the Memorandum and Articles of Association and agreed with the Charity Commission; the Chair of the Audit Committee's remuneration has been approved by the Charity Commission.

Expenses of £4,258 (2008-09: £5,650) were reimbursed to 8 (2008-09: 8) members of the board during the year in respect of travel and other business costs.

### Remuneration of the Chief Executive and Executive Directors

The remuneration of the Chief Executive, who is not a member of the board, was:

	<b>2009-10</b>	<b>2008-09</b>
	<b>£'000</b>	<b>£'000</b>
Salary (including Performance Related Pay)	157	153
Employers pension contributions	29	23
	<u>186</u>	<u>176</u>

The Chief Executive is an ordinary member of the London Pensions Fund Authority (LPFA) Pension Scheme.

### Remuneration of Executive Directors

#### Emoluments

	Date of appointment to Executive Committee	Salary and allowance payments for the year end 31 March 2010 £'000	Benefit-in kind payments (to nearest £100) for the year ended 31 March 2010 £	Total salary and benefit-in- kind for the year ended 31 March 2009 £'000
Alan Cowie	1 February 2007	125-130	-	125-130
Stephen Crowne	12 June 2006	155-160	-	150-155
Stephen Lucey	11 December 2006	105-110	-	105-110
Niel McLean	11 December 2006	115-120	-	110-115
Tony Richardson	11 December 2006	125-130	-	120-125
Jane Williams	16 April 2007	135-140	-	130-135

Bonuses are not agreed and paid until after the year end. The above figures, therefore, include the payment of the bonuses relating to 2008-09 performance but exclude amounts in relation to bonuses relating to 2009-10 performance.

#### Pension benefits

	Real increase in pension at pension age £'000	Real increase in lump sum at pension age £'000	Total accrued pension at pension age £'000	Total accrued pension lump sum at pension age £'000	CETV at 1 April 2009/ start of service £'000	CETV at 31 March 2010 £'000	Employer funded real increase in CETV £'000
Alan Cowie	0-2.5	2.5-5	20-25	75-80	446	510	35
Stephen Crowne	7.5-10	15-17.5	60-65	170-175	1,100	1,219	107
Stephen Lucey	2.5-5	2.5-5	40-45	115-120	790	849	50
Niel McLean	2.5-5	2.5-5	15-20	50-55	360	415	46
Tony Richardson	0-2.5	0-2.5	5-10	5-10	94	131	27
Jane Williams	2.5-5	10-12.5	55-60	185-190	1,303	1,407	95

Terry Piggott commenced employment with Becta on 1 October 2009 on a 12 month secondment from Rochdale Metropolitan Borough Council. In the six months to 31 March 2010 Becta paid Rochdale Metropolitan Borough Council £76,000 for his services.

Salary and allowances covers both pensionable and non-pensionable amounts and includes, but may not necessarily be confined to gross salaries; performance pay or bonuses payable; overtime; reserved rights to London Weighting or London allowances, recruitment and retention allowances, private office allowances or other allowances to the extent that they are subject to UK taxation and any ex-gratia expenses. It does not include amounts which are a reimbursement of expenses directly incurred in the performance of an individual's duties.

### **Cash Equivalent Transfer Values**

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

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

### **The real increase in the value of the CETV**

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

The value of CETVs at 1 April 2009 has been restated to correctly reflect the value of pensionable salaries at this date.

Graham Badman CBE  
Chairman

17<sup>th</sup> November 2010

Stephen Crowne  
Accounting Officer

17<sup>th</sup> November 2010

### **Income and expenditure**

The principal funding for Becta is grant-in-aid received from the DCSF and BIS. This is supplemented by additional funding being received from other UK Non-departmental Public Bodies in the education sector to support specific activities.

Income recognised for the year ended 31 March is £80.4m compared to £61.6m for last year. This excludes £35.4m of grant-in-aid that Becta was granted in its remit letter for 2009-10 but was only drawn down from the DCSF on 1 April 2010. The accounting policy for grant-in-aid is to recognise such income in the year that it is received and so this funding will be recognised in the financial statements for the year ended 31 March 2011. The rise in the amount of grant-in-aid that Becta was granted for 2009-10, compared to 2008-09, is primarily due to increased funding to deliver the national roll out of the Universal Home Access programme.

Costs directly allocated to educational projects have risen to £105.0m compared to £52.9m. Included in this is a £44.4m increase in capital grants expenditure due to the national roll out of the Home Access programme and award of nearly 83,000 grants in the year.

Corporate support costs, excluding depreciation, impairment charges and write off of costs on disposal of assets, have fallen slightly to £7.2m from £7.3m in 2008-09 despite the requirement to support the expended activity of the organisation. As such the percentage of these corporate support costs of total expenditure has fallen to 6.2% compared to 11.9% last year.

### **Unrestricted and restricted funds deficit**

The balance sheet at 31 March 2010 shows a restricted fund deficit of £29.0m. This relates to Home Access Programme where the capital grant costs are recognised on the formal issue of the grant and hence the expenditure is recognised in these financial statements. However the respective cash payment is only made when the recipient redeems the grant to purchase the IT equipment. As at 31 March there was a total of grants issued but not paid amounting to £29.0m and so Becta held back from drawing down the respective grant-in-aid to fund these grant payments until 1 April to minimise the working cash balance as at 31 March 2010.

In addition at 31 March 2010 there was also an unrestricted fund deficit of £16.0m (2009: £1.9m). This reflects the inclusion of London Pensions Fund Authority (LPFA) defined benefit pension scheme liabilities falling due in future years, with overall deficit in this pension fund increased from £4.8m to £13.1m, the provision for compensation payments of former employees who took early retirement through the Teachers' Pension Scheme (TPS) and that the full grant-in-aid allocation for 2009-10 was not drawn down by 31 March 2010 and is therefore not reflected in the Statement of Financial Activities for this year.

The final draw down of the grant-in-aid allocation for 2009-10, £35.4m, (which includes the £29.0m for Home Access capital grants) was received by Becta on 1 April 2010 to cover liabilities arising from the £34.9m excess of expenditure over income recognised in the Statement of Finance Activities before the actuarial losses.

On 24 May 2010 Graham Badman, the chair of Becta, received a letter from the Secretary of State for Education informing him that Becta's grant in aid funding would not continue past 31 March 2011. Consequentially the Board took the decision that it would cease the operations of Becta in an orderly manner over the year to 31 March 2011. As a result these financial statements have been prepared other than on a going concern basis with the appropriate adjustments. However the adjusted grant-in-aid for 2010-11, taking into account the amounts required to meet the Becta's liabilities falling due in that year, has been included in the department's estimates for the year, which have been approved by Parliament and so provide sufficient funding to meet all of Becta's known liabilities falling due in the year to 31 March 2011. In addition, since the year end, Becta has received a letter from the DfE explicitly stating that it will meet any outstanding liabilities (including the pension fund deficit and lease liabilities) in excess of remaining reserves at 31 March 2010.

### **Reserves policy**

The charity's reserves policy is based on a realistic assessment of its need for reserves and has been formally agreed with the trustees.

Reserve levels are reviewed annually. This review encompasses the nature of the income and expenditure streams, the need to match income with commitments, the nature of the reserves and the specific accounting rules with which Becta must comply.

Becta's working capital for its core activities, its free reserves (that is those funds not tied up in fixed assets, designated and restricted funds), is restricted to a maximum of 2% cash equivalent of its annual grant-in-aid entitlement. However because of the timing difference in the draw down of the final grant-in-aid claim the free reserves fund was in deficit by £3.9m at 31 March 2010 (2008-09: surplus £0.8m). The free reserves fund was replenished on 1 April 2010 by the unrestricted funds associated with £35.4m draw down of the final grant-in-aid claim for 2009-10 bringing it back to an appropriate level.

The charity has a number of other designated and restricted funds, which are represented by fixed and current assets. The purpose of these funds is detailed in note 13 in the financial statements.

### **Payment of creditors**

The Late Payment of Commercial Debts (Interest) Act requires government bodies to make payment to suppliers within 30 days of either the provision of goods or services or the date on which the invoice is received, unless otherwise agreed. New regulations were also introduced, effective from 7 August 2002, giving suppliers the right to claim compensation (fixed sums and interest) for late payments.

Becta supports the Better Payment Practice Code. Payment performance for 2009-10 shows 70% (2008-09 62%) of all invoices received were paid within 30 days of *invoice date*. But this calculation takes no account of invoices legitimately delayed by query and may also be distorted by the delay between the date of an invoice and the date an invoice is received. The performance for the second half of the financial year shows an improvement reflecting better ways of working. The payment performance for 2009-10 shows 98% of all invoices received were paid within 30 days of being recorded on the finance accounting system. The aggregate amount owed to trade creditors and grant recipients at the year end compared with the aggregate amount invoiced by suppliers and claimed by grant recipients during the year, expressed as a number of days was 35 days (2008-09 60 days).

These measures are reported each month and will be closely monitored to ensure suppliers to Becta are being dealt with in accordance with the code of practice. Becta has received no claims for interest under the Act during the year and no claims for compensation have been received but regardless of this we will ensure that going forward the payment performance is much improved.

### **Investment policy**

Becta has changed its policy on the level of cash that it holds and now works to avoid significant cash deposits being held outside of the Exchequer banking pyramid.

### **Grant making policy**

Grants payable are charged in the year when the offer is conveyed to the recipient except in those cases where the offer is conditional, such grants being recognised as expenditure when the conditions attaching are fulfilled. Grants offered subject to conditions which have not been met at the year end are noted as a commitment, but not accrued as expenditure.

### **Statement as to disclosure of information to auditors**

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

### **Auditors**

The Comptroller and Auditor General has been appointed auditor of the company under the Government Resources and Accounts Act 2000 (audit of non-profit making companies) Order 2009. There has been no remuneration paid to the auditors for non-audit work.

Graham Badman CBE  
Chairman

17<sup>th</sup> November 2010

Stephen Crowne  
Accounting Officer

17<sup>th</sup> November 2010

The trustees (who are also directors of the British Educational Communications and Technology Agency for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business. As explained in note 1 to the financial statements, the directors do not believe the going concern basis to be appropriate and these financial statements have not been prepared on that basis.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Secretary of State for Children, Schools and Families has appointed Stephen Crowne, Chief Executive, as Accounting Officer of the British Educational Communications and Technology Agency.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and safeguarding the Agency's assets, are set out in Managing Public Money issued by HM Treasury.

In so far as the trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### **Scope of responsibility**

As Accounting Officer and Chairman (as a representative of the Board of Trustees), we have responsibility for maintaining a sound system of internal control that supports the achievement of British Educational Communications and Technology Agency's policies, aims and objectives, whilst safeguarding the public funds and organisational assets for which the Accounting Officer is personally responsible in accordance with the responsibilities assigned to the role under *Managing Public Money*.

The organisation ensures effective policy alignment, and the effective management and escalation of risk, by closely working with DCSF through a number of routes: active involvement of the Departmental Assessor on the Board; regular liaison with our sponsor team; regular meetings with more senior officials including the Director General for Schools; and regular meetings with the Ministers of State for Schools.

### **The purpose of the system of internal control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of British Educational Communications and Technology Agency's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in British Educational Communications and Technology Agency for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

### **Capacity to handle risk**

As Accounting Officer and Chairman, we place a high value on the existence of an effective risk management framework. The Board has a fundamental role to play in the management of risk, through the risk management framework, which includes setting the risk appetite for different aspects of the organisation and influencing the culture of risk management. Each year the Board reviews the organisation's approach to risk management and approves changes and improvements to key elements of its policy, processes and procedures. This incorporates any advice we received from our internal auditors on current best practice when they review our risk management practice. The risk management process enables key strategic risks to be identified and these, in particular, are the focus of the Board and Executive scrutiny during the year.

The responsibility for implementing British Educational Communications and Technology Agency's risk management framework is delegated to the Chief Executive. However, the responsibility for identifying and managing risk rests with all staff and the Executive.

### **The risk and control framework**

A comprehensive risk management framework is in place which establishes a standard procedure throughout the organisation for identifying and documenting risk. The Audit Committee, which met three times during 2009-10, monitors the adequacy and effectiveness of this risk management framework. In carrying out this role, the Audit Committee seeks to ensure that risk management activity is integral to the overall performance and management of British Educational Communications and Technology Agency, and that the consideration of risk is embedded as a key management activity.

British Educational Communications and Technology Agency does not have an overall risk appetite. The majority of our delivery programmes have a low risk appetite but there is a need to have a higher risk appetite with some of our research and innovation work. The risk appetites are established taking into account the nature of British Educational Communications and Technology Agency's requirements and responsibilities and the risks attached, the external environment and the potential reputational damage that it could suffer should it fail to act appropriately. This ensures that effective internal control and good management practice is in place but without being excessively restrictive as the organisation works to deliver its agenda.

### **Review of effectiveness**

As Accounting Officer and Chairman, we jointly have responsibility for reviewing the effectiveness of the system of internal control. Our review of the effectiveness of the system of internal control is informed by the work of the internal auditors, the OGC through their Gateway review of procurement and programme/project management and the senior management within British Educational Communications and Technology Agency who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. We have been advised on the implications of the result of our review of the effectiveness of the system of internal control by the Board, the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

### **Risk management**

British Educational Communications and Technology Agency manages its risks on a two tier basis. High level risks are identified, managed and monitored by the Executive whilst lower level risks are managed by the programme/project boards and within Directorates by the Directors.

At the start of the year British Educational Communications and Technology Agency reviewed and restructured its reporting of its high level risks so to follow the approach of the HM Treasury's Orange Book. These risks are now categorised under three headings; External (arising from the external environment, not wholly within the organisations control but can be mitigated), Operational (relating to current delivery and building and maintaining capacity) and Change (risks associated with decisions to pursue endeavours beyond current capacity and capability). These risks are assessed by the Executive Committee on a scale of 1 to 10 according to their impact and probability based on a set scale to ensure the consistent evaluation of risks and their likelihood.

The Board receives a report on these high level risks at each of its meetings which tracks the Executive's current assessment of the risks based on the scale.

For the lower level risks, risk registers, with mitigating actions, assessments of impact and probability are maintained, managed and reviewed at programme/project board, Directorate and Operational Committee level with clear processes for escalation.

### **Information assurance**

Our information assurance activities are undertaken in line with the Cabinet Office's Security Policy Framework.

Within the organisation we have established Information Asset Owners (IAOs) who are responsible for identifying and managing information risks in their operational areas. They are responsible for reporting any information risk management issues during the year and formally providing assurance at the year end to the Senior Information Risk Owner (SIRO).

As at 31 March 2010 all of the IAOs had confirmed that they had taken reasonable steps to securely manage their information assets and have exercised appropriate information assurance controls.

In turn the SIRO makes an annual statement on information risk management to the Accounting Officer. The report for this year confirms that: British Educational Communications and Technology Agency has taken, and is taking, all reasonable and proportionate steps to manage data securely, in the interests of the data subjects and in the interests of the reputation of the British Educational Communications and Technology Agency; and that the SIRO annual assessment of information risk has been completed satisfactorily in line with Cabinet Office Guidance.

Becta had no significant information security incidents during the year.

### **Assurance mechanisms**

The effectiveness of the system of internal control is reviewed through a series of measures including taking account of advice and findings from both the internal auditors, RSM Tenon and external auditors, NAO, through their management letter. The Audit Committee reviews all internal and external audit reports and tracks the implementation of recommendations.

The work plan of the internal auditors is based on the assessment of risk and adjusted annually to reflect changes in key risks and is undertaken in accordance with Government Internal Audit Standards. The findings, of the internal auditors, provide evidence and assurance to the Executive and management of the effectiveness of internal controls. The identification of weaknesses by audit and by internal review allows management to improve systems and give improved levels of assurance.

On completion of their programme of reviews, which were agreed with the Audit Committee at the start of the year, RSM Tenon's opinion regarding the adequacy and effectiveness of British Educational Communications and Technology Agency's arrangements for governance and risk management were positive in all areas with an adequate control environment.

In their view there are no specific failures that need to be disclosed in the British Educational Communications and Technology Agency's Statement on Internal Control. However there were some key business processes, where only limited or adequate assurance was gained, that we have agreed that there is scope for improving control over. These are:-

Access controls – limited assurance with the need to tighten controls around the creation, maintenance and restrictions of user accounts for Open Accounts, British Educational Communications and Technology Agency's financial system.

Expenses – adequate assurance but with the recommendations of improving controls to reduce the risk of duplicated claims being processed and reviewing the current travel and subsistence policy and documentation of the related procedures.

We have adopted the recommendations made to us in response to the identified weaknesses and delivery of control improvements is being monitored closely with the implementation of previous recommendation being reviewed annually as part of the internal audit.

In addition to the two areas identified by the RSM Tenon, British Educational Communications and Technology Agency's own finance team and the external auditors identified some weaknesses in the process of the preparation of the month end accruals. As a result a new methodology, using reports of registered invoices and recorded commitments, was introduced part way through the financial year to enhance the accuracy of the calculation of accruals.

## Key issues

### Home Access

In last year's Statement on Internal Control we highlighted the challenges the delivery of the Universal Home Access programme brought to the organisation. During this year the programme moved from a pilot stage to full nationwide delivery bringing further challenges due to the significant increase to the number of potential recipients.

At the initial stages of the programme, in February 2009, the Programme Board considered a paper on the anti fraud strategy and policy for Home Access. The paper also considered the inherent risk of the information, ultimately derived from data from the Department for Work and Pensions (DWP), used to assess the validity of claimant (the Home Access scheme is based on receipt of benefits, as opposed to eligibility for benefits). The original conclusion was that DWP's official fraud data indicated that there could be an inherent risk as high as 2.5% (based on DWP's 2007-08 information) of claimants not being a valid recipient but after expert and internal assessment this inherent risk would more likely to be approximately 1%. It was accepted that the Home Access programme would accept this level of inherent risk with the understanding that Home Access team would relay any suspicions around benefit entitlement back to the DWP where possible.

More recent DWP official fraud data indicates that the inherent risk could have increased to 2.9%, however our view remains that this assessment is too high because the individuals already defrauding the system are less likely to risk bring further attention to themselves by making a claim relative to the receiving of a one-off low value monetary benefit.

In addition our original view of the risk of fraud has not been borne out by the actual level of fraud experienced by the programme; Becta's internal controls around the programme have ensured that we have been very successful in catching fraudulent activity with actual detected fraud levels at only 0.053% (cumulative to 13 September 2010).

Before the commencement of the nationwide rollout, a lessons learned from the pilot was conducted, further strengthening the controls in line with the anti fraud strategy and policy. Underpinning this was the development of a robust application process and checking facility, through a separate contract with SDA Ltd, DfE's National Pupil Database (NPD) provider, to check for the receipt of Free School Meals, which was the main eligibility criteria for the scheme. Access to the separate DfE Hub (Free School Meals Eligibility Checking Service), which would have provided all the necessary eligibility information, was denied until a late stage in the programme when its introduction at that stage was not considered to be cost-effective. Eligibility was therefore determined by checking against NPD and supported by the need for the applicant to produce the latest HMRC Child Benefit entitlement letters and if necessary Tax Claimants Advice Notifications (TCAN). Subsequent changes in circumstances did not affect initial eligibility for the programme. Eligibility for the programme was ascertained at the date of the grant award, subsequent changes in circumstances did not affect the applicants' eligibility for the programme. In readiness for rollout the anti-fraud team and audit functionality were strengthened, with the processes and capabilities being independently reviewed and commended by British Educational Communications and Technology Agency's internal auditors. The finance team was expanded and the programme went through several independent OGC Gateway Reviews, all of which praised the controls, governance and risk management in place.

For nationwide delivery, through a rigorous selection process, a third party contractor was appointed to manage the processing and awarding of the grants, subcontracting the card payment element to Barclaycard. Even though this part of the delivery was outsourced, in line with all the recommendations of the Sutherland report, British Educational Communications and Technology Agency has continued to hold a tight control over all aspects of the programme.

As nationwide delivery moves forward the programme continues its tight control of operational management and risk management (through its governance boards), anti-fraud, finance and secure data management. All major risks and decisions are duly escalated to the Department, Ministers, British Educational Communications and Technology Agency's Board and Audit Committee.

#### FITS Foundation

We decided that the Framework for ICT Technical Support (FITS) would be best delivered through an external organisation: the FITS Foundation, in order to become self financing and reduce its reliance on public funding and grants were subsequently awarded to for its set up and initial operations. In 2010 Becta was informed that DfE agreement was required when the company was originally set up, however grant funding has continued to be agreed by the DfE into 2010-11 in support of this programme and therefore from 2011-12 the company will be completely self financing.

#### Cash balances

The Financial Memorandum specifies a restriction on the level of cash deposits that Becta can hold at 2% of annual grant-in-aid. Becta is funded through grant-in-aid claimed from the DCSF and we have mechanisms in place to attempt to ensure that the level of the drawdown of grant-in-aid is limited to amounts required to fund working capital requirements and to minimise the level of cash balances held. However, towards the year end, with the Home Access programme going live, the level of working capital requirements became dependent on the rate of Home Access grant redemptions. This rate actually turned out to be slower than experienced during the Home Access Pilot, leaving Becta with a £10.4m cash balances at the year end, even though the action was taken to defer the drawdown of the final grant-in-aid payment until April 2010.

#### Post year end

##### Internal control environment

As noted in the Annual Report, the Becta board took the decision to close Becta down in an orderly manner by 31 March 2011 after the decision of the Department of Education to cease Becta's funding. As a result a full programme has been developed to manage this process. This programme is now in place and Becta is working to close the organisation but this is being undertaken within the existing internal control environment.

##### Procurement developments

Based on a self review of its performance and capability against nine perspectives regarding the commissioning of goods and services from an organisation wide perspective, plans were in place to strengthen the procurement team and revise procurement processes with the aim to increase the level of collaborative procurement, using frameworks, and secure the best value for money on all purchases. However, considering the announcement of the closure of Becta, the work of procurement will be focused on exit strategies for existing contracts whilst maintaining the existing control systems.

##### Integrated purchase order system developments

The internal audit of key financial systems of creditors and payment already gave a substantive assurance for this area, but the new integrated purchase order system, e-finance, which was rolled out across the organisation towards end of the year, will still provide further controls and efficiencies around the raising of purchase order requisitions and the recording of financial commitments and transactions.

## **Conclusion**

Overall, taking into account the above, and based on the statement of assurances received from each of the Executive Directors around the control environment in each of their Directorates, we are satisfied with British Educational Communications and Technology Agency's risk management, governance and internal control arrangements and that the weaknesses identified, which are being acted on, do not represent a material threat to British Educational Communications and Technology Agency's operational effectiveness.

Graham Badman CBE  
Chairman

17<sup>th</sup> November 2010

Stephen Crowne  
Accounting Officer

17<sup>th</sup> November 2010

I certify that I have audited the financial statements of the British Educational Communications and Technology Agency for the year ended 31 March 2010 under the Government Resources and Accounts Act 2000. These comprise the Statement of Financial Activities (incorporating the Income and Expenditure Account), the Balance Sheet, the Cash Flow Statement and the related notes. The financial statements have been prepared under the accounting policies set out therein. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### **Respective responsibilities of the trustees and auditors**

The trustees' (who are also the directors of the company for the purposes of company law) responsibilities for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for ensuring the regularity of financial transactions are set out in the Statement of Trustees' and Accounting Officer's Responsibilities. The trustees are also responsible for preparing the Remuneration Report in accordance with the Government Financial Reporting Manual.

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

I report to you my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 2006 and whether the part of the Remuneration Report to be audited has been properly prepared in accordance with the Government Financial Reporting Manual. I report to you whether, in my opinion, the information given in the Trustees' Annual Report is consistent with those financial statements. I also report whether in all material respects the incoming and outgoing resources have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if, in my opinion, the charity has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by law regarding trustees' remuneration and transactions with the charity is not disclosed.

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

I read other information contained in the Annual Report and Financial Statements, and consider whether it is consistent with the audited financial statements. The other information comprises only the Company Details, Introduction from the Chief Executive and the unaudited part of the Remuneration Report. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to other information.

### **Basis of audit opinion**

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charity's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error and that in all material respects the incoming and outgoing resources have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

### **Opinions**

In my opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the charity as at 31 March 2010, and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 2006 and 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 Trustees' Annual Report is consistent with the financial statements.

### **Emphasis of Matter – Financial Statements not Prepared on a Going Concern Basis**

Without qualifying my opinion, I draw attention to note 1 and note 27 to the financial statements. The Chair of the charity was formally notified on 24 May 2010 by the Secretary of State for Education that the charity's grant in aid funding would not continue past 31 March 2011 and the directors have decided to cease the operations of the charity over the year to 31 March 2011. As a consequence, the Directors do not consider the charity to be a going concern and the financial statements have not been prepared on a going concern basis. Details of the impact of this on the financial statements are provided in Note 1 and Note 27 to the financial statements.

### **Opinion on Regularity**

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

### **Report**

I have no observations to make on these financial statements.

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

Date: 30<sup>th</sup> November 2010

British Educational Communications And Technology Agency  
Annual Report and Financial Statements for the year ended 31 March 2010  
**Statement of Financial Activities (including Income and Expenditure Account)**

		2009-10		2008-09	
	Note	Unrestricted funds £'000	Restricted funds £'000	Total £'000	Total £'000
<b>Incoming resources from generated Funds</b>					
Voluntary income					
- DCSF Grant-in-aid		45,956	34,420	80,376	61,285
- DCSF and other grants		-	14	14	265
Investment income		1	-	1	60
<b>Incoming resources from charitable activities</b>		<b>27</b>	<b>-</b>	<b>27</b>	<b>-</b>
<b>Total incoming resources</b>	3	<b>45,984</b>	<b>34,434</b>	<b>80,418</b>	<b>61,610</b>
<b>Resources expended</b>					
<b>Charitable activities</b>	4	<b>51,150</b>	<b>63,575</b>	<b>114,725</b>	<b>60,407</b>
<b>Governance costs</b>	4	<b>194</b>	<b>-</b>	<b>194</b>	<b>241</b>
<b>Pension finance costs</b>	16	<b>385</b>	<b>-</b>	<b>385</b>	<b>138</b>
<b>Total resources expended</b>		<b>51,729</b>	<b>63,575</b>	<b>115,304</b>	<b>60,786</b>
Notional cost of capital		(980)	-	(980)	(31)
<b>Total resources expended including notional costs</b>		<b>50,749</b>	<b>63,575</b>	<b>114,324</b>	<b>60,755</b>
Reversal of notional cost of capital		980	-	980	31
Gross expenditure for the year		<b>51,729</b>	<b>63,575</b>	<b>115,304</b>	<b>60,786</b>
Net (outgoing) incoming resources/ net (deficit)/ surplus before other recognised gains/( losses)		(5,745)	(29,141)	(34,886)	824
Actuarial (losses)/gains on defined benefit pension scheme		(8,328)	-	(8,328)	(2,567)
<b>Net movement in funds</b>		<b>(14,073)</b>	<b>(29,141)</b>	<b>(43,214)</b>	<b>(1,743)</b>
<b>Fund balances as at 1 April</b>	13	<b>(1,889)</b>	<b>144</b>	<b>(1,745)</b>	<b>(2)</b>
<b>Fund balances as at 31 March</b>	13	<b>(15,962)</b>	<b>(28,997)</b>	<b>(44,959)</b>	<b>(1,745)</b>

The statement of financial activities includes all gains and losses in the year. All activities relate to operations that were continuing during 2009-10 but will be transferred or discontinued by 31 March 2011.

British Educational Communications And Technology Agency  
Annual Report and Financial Statements for the year ended 31 March 2010  
**Balance Sheet**

	Note	31 March 2010		31 March 2009	
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Tangible assets	7		837		1,485
<b>Current assets</b>					
Debtors	8	420		321	
Cash at bank and in hand	9	12,047		14,767	
			<u>12,467</u>		<u>15,088</u>
<b>Creditors:</b> amounts falling due within one year	10	<u>(45,019)</u>		<u>(13,508)</u>	
<b>Net current (liabilities) assets</b>			<u>(32,552)</u>		<u>1,580</u>
<b>Total assets less current liabilities</b>			<u>(31,715)</u>		<u>3,065</u>
<b>Provisions and liabilities</b>	12		(156)		-
<b>Net liabilities excluding pension scheme liability</b>			<u>(31,871)</u>		<u>3,065</u>
<b>Defined benefit pension scheme Liability</b>	16		(13,088)		(4,810)
<b>Net liabilities including pension scheme liability</b>			<u>(44,959)</u>		<u>(1,745)</u>
<b>Funds:</b>					
Restricted funds	13		(28,997)		144
Unrestricted funds:					
- Designated funds	13	156		644	
- General funds	13	<u>(16,118)</u>		<u>(2,533)</u>	
			(15,962)		(1,889)
			<u>(44,959)</u>		<u>(1,745)</u>

The financial statements on pages 33 to 57 were approved by the board on 17<sup>th</sup> November 2010 and signed on its behalf by:

Graham Badman CBE - Chairman .....

The financial statements were also approved by:

Stephen Crowne - Chief Executive .....

**Cash Flow Statement**

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	<b>Note</b>	<b>2009-10 £'000</b>	<b>2008-09 £'000</b>
<b>Net cash (outflow) inflow from operating activities</b>	18	(3,421)	8,495
<b>Returns on investment and servicing of finance</b>			
Interest received		1	60
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets		(903)	(1,180)
<b>(Decrease) increase in cash</b>	17	<u><b>(4,323)</b></u>	<u><b>7,375</b></u>

## **1 Accounting Policies**

### **Basis of accounting**

The financial statements have been prepared under the historic cost convention, applicable accounting standards and in accordance with the provisions of the Accounting and Reporting by Charities: Statement of Recommended Practice (SORP 2005) issued in March 2005 and the Companies Act 2006 and the Government Financial Reporting Manual (where it does not conflict with the preceding two).

### **Going concern**

As explained in note 27, on 24 May 2010 Graham Badman, the chair of Becta, received a letter from the Secretary of State for Education informing him that Becta's grant in aid funding would not continue past 31 March 2011. Consequentially the Board decided to that it would cease the operations of Becta in an orderly manner over the year to 31 March 2011. Therefore these financial statements have been prepared on a basis other than that of a going concern in accordance with FRS 18 (paragraph 21) and SI 2008/420 Schedule 1 (10) (2) which includes, where appropriate, writing down the organisation's assets to net realisable value. The financial statements do not include any provision for the future costs of terminating the operations of the organisation except to the extent that such costs were committed at the balance sheet date.

### **Fund accounting**

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

Designated funds comprise unrestricted funds that have been set aside by the trustees for particular purposes. The aim and use of each designated fund is set out in the notes to the financial statements.

Restricted funds are funds that are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charity for particular purposes. The cost of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

### **Tangible fixed assets**

Where assets are purchased from grants received, the full cost of the asset is included in fixed assets, with the grant received being accounted for immediately as a restricted fund. The restricted fund is reduced by transfers of amounts equivalent to any depreciation over the expected useful life of the related asset.

Tangible fixed assets are stated at cost. Expenditure on the acquisition of tangible fixed assets is capitalised where these costs exceed £2,500 or where an asset forms part of a larger group that in total is more than £2,500.

Depreciation is provided on all tangible fixed assets, other than assets under construction, at rates calculated to write off the cost of the assets evenly over their expected useful lives which are as follows:

Leasehold improvements	period of lease
Furniture	between 5- 10 years
Office equipment	3 years
IT equipment and software	3 years

## **1 Accounting Policies (continued)**

Depreciation is not charged on assets under construction until completion.

Tangible fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

### **Incoming resources**

Grant-in-Aid received from DCSF in respect of revenue expenditure is recognised in the income and expenditure account in the year it is received. Grant-in-Aid relating to specific capital expenditure is credited to the Government Capital Reserve and released to the income and expenditure account over the estimated useful economic life of the asset to which it relates, matching the depreciation charged on these assets.

Income from other grants and miscellaneous income, including capital grants, are included in incoming resources when these are receivable, except as follows:

- When donors specify that grants or other income given to the charity must be used in future accounting periods, the income is deferred until those periods.
- When donors impose conditions which have to be fulfilled before the charity becomes entitled to use such income, the income is deferred and not included in incoming resources until the pre-conditions for use have been met.

When donors specify that grants or other income including capital grants, are for particular restricted purposes, which do not amount to pre-conditions regarding entitlement, this income is included in incoming resources of restricted funds when receivable.

Where incoming resources have related expenditure (as with fundraising and contract income) the incoming resources and related expenditure are reported gross in the Statement of Financial Activities.

### **Liability and provision recognition**

Liabilities and provisions are recognised as soon as there is a legal or constructive obligation committing the charity to the expenditure as a result of a past event; it is probable that a transfer of economic benefit will be required to settle the obligation which can be reliably estimated. Liabilities which are contingent on future events are treated as contingent liabilities until a legal or constructive obligation occurs.

### **Resources expended**

Expenditure is included on an accruals basis.

### **Charitable activities**

Charitable activities include expenditure associated in the provision of educational projects. Due to the nature of the educational projects they are classed as one function.

## **1 Accounting Policies (continued)**

### **Grants payable**

Grants payable are charged to the Statement of Financial Activities as expenditure in the year the offer is conveyed to the recipient except in those cases where the offer is conditional. Where the offer is conditional such grants are charged as expenditure when the conditions attaching are fulfilled. Grants offered subject to conditions which have not been met at the year end are noted as a commitment, but not accrued as expenditure.

### **Support costs**

Support costs include central functions and are allocated according to the direct costs of the department plus attributable overheads.

### **Governance costs**

Governance costs include costs of the preparation and examination of statutory financial statements, the costs of trustee meetings and costs of any legal advice to trustees on governance or constitutional matters.

### **Funds accounting**

Funds held by the charity are either:

#### *Unrestricted funds*

These are funds that can be used in accordance with the charitable objects at the discretion of Becta. Included within unrestricted funds are surpluses relating to Revenue Grant-in-Aid from DCSF and BIS and designated funds comprise funds which have been set aside at the discretion of the Trustees for specific purposes.

#### *Restricted funds*

These are funds that can only be used for particular restricted purposes within the objects of the charity that have been specified by the donor.

### **Irrecoverable VAT**

All resources expended are classified under activity headings that aggregate all costs related to the category. Irrecoverable VAT is charged against the category of resources expended for which it was incurred.

### **Lease and hire purchase contracts**

Rentals paid under operating leases are charged to statement of financial activities and the income and expenditure account as incurred.

### **Pension schemes**

The company contributes to two defined benefit pension schemes, the Teachers' Pension Scheme and the London Pensions Fund Authority (LPFA) Scheme.

Under the definitions set out in Financial Reporting Standard FRS 17 (Retirement Benefits), the Teachers' Pension Scheme is a multi-employer pension scheme. The charitable company is unable to identify its share of the underlying assets and liabilities of the scheme and has therefore taken advantage of the exemption under FRS17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme i.e. premiums being charged to the Statement of Financial Activities as they become due for payment.

## **1 Accounting Policies (continued)**

For the LPFA defined benefit scheme the amount charged to the Statement of Financial Activities in respect of pension costs and other post retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The interest cost and expected return on assets are included within pension finance costs.

The LPFA actuarial gains and losses arising from new valuations and from updating valuations to the balance sheet date are recognised in the Statement of Financial Activities.

The LPFA defined benefit scheme is funded, with the assets held separately from the charity in separate trustee administered funds. Full actuarial valuations, by a professionally qualified actuary, are obtained at least every three years, and updated to reflect current conditions at each balance sheet date. The pension scheme assets are measured at fair value. The pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency. A pension scheme asset is recognised on the balance sheet only to the extent that the surplus may be recovered by reduced future contributions or to the extent that the trustees have agreed a refund from the scheme at the balance sheet date. A pension scheme liability is recognised to the extent that the charity has a legal or constructive obligation to settle the liability.

### **Financial instruments**

Financial Reporting Standards (FRS) 25, 26 and 29, relating to financial instruments, have been applied in these financial statements.

### **Foreign currencies**

The charity has limited foreign currency exposure in the form of Euro transactions and balances but does not hedge against it because the risk is considered minimal.

### **Notional cost of capital**

A charge, reflecting the cost of capital utilised by Becta, is included on the Statement of Financial Activities. The charge is calculated at the real rate set by HM Treasury currently 3.5% on the average amount of carrying assets less liabilities, except for Office of the Paymaster General bank balances where the charge is nil. The cost of capital is shown as income to calculate the 'Total resources expended including notional costs' and then reversed in order to state the 'Gross expenditure for the year'.

## 2 Members

The company is limited by guarantee not having a share capital. The liability of each member is limited to a sum not exceeding one pound. The company is prohibited under the terms of its Memorandum and Articles of Association from distributing any reserves.

## 3 Incoming resources

	2009-10	2008-09
	£'000	£'000
<b>Unrestricted income</b>		
Grant-in-aid : revenue	36,693	54,785
Grant-in-aid : capital	9,263	
Other grants	-	31
Other income	27	-
Investment income	1	60
	<u>45,984</u>	<u>54,876</u>
<b>Restricted income</b>		
Grant-in-aid : revenue	16,783	6,500
Grant-in-aid : capital	17,637	-
Other grants	14	234
	<u>34,434</u>	<u>6,734</u>
	<u>80,418</u>	<u>61,610</u>
Investment income is represent by:	2009-10	2008-09
	£'000	£'000
Bank deposit interest receivable	<u>1</u>	<u>60</u>

Other grants includes £nil (2008-09: £23,000) received from European Union funding.

## 4 Resources expended

<b>Resources expended on charitable activities</b>	2009-10	2008-09
	£'000	£'000
<b>Costs directly allocated to educational projects</b>		
Staff costs (see note 5)	16,433	13,940
Projects and programme costs	29,806	25,085
Revenue grants (see note 6)	8,224	7,743
Capital grants (see note 6)	50,517	6,162
	<u>104,980</u>	<u>52,930</u>
<b>Support costs allocated to activities</b>		
Staff costs (see note 5)	3,811	4,126
Corporate overheads	3,342	3,125
Depreciation, impairment & loss on the disposal of fixed assets	2,592	226
	<u>9,745</u>	<u>7,477</u>
<b>Educational projects</b>	<u>114,725</u>	<u>60,407</u>

Becta accounts for its resources expended by the one charitable objective, education projects.

**4 Resources expended (continued)**

<b>Governance costs</b>	<b>2009-10</b>	<b>2008-09</b>
	<b>£'000</b>	<b>£'000</b>
<b>Board Costs</b>		
Chairman's remuneration	35	38
Chairman of the Audit Committee's remuneration	5	5
Travel & subsistence	19	12
Consultants	-	64
Agency staff	-	1
Post & courier	-	4
Room hire	25	22
Others	3	3
	<u>87</u>	<u>149</u>
<b>Audit</b>		
Auditors' remuneration for		
- Audit	68	55
Internal auditors' remuneration	39	37
	<u>107</u>	<u>92</u>
<b>Governance costs</b>	<u>194</u>	<u>241</u>
<b>The net movement in funds is after charging:</b>	<b>2009-10</b>	<b>2008-09</b>
	<b>£'000</b>	<b>£'000</b>
Operating leases:		
Motor vehicle	2	2
Other (land and buildings)	561	619
Depreciation and impairment charge	2,477	226
Loss on disposal of fixed assets	114	-
Provision for dilapidations	156	-
Exceptional costs	-	389
	<u>-</u>	<u>389</u>

Exceptional costs relate to severance payments to former employees who were made redundant in 2008-09, and pension payments made to the administering funds associated with those redundancies.

**Segmental Reporting**

<b>Costs directly allocated to educational projects</b>	<b>Staff costs</b>	<b>Projects and programme costs</b>	<b>Revenue grants</b>	<b>Capital grants</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Strategy & Communications	4,128	9,554	1,851	-	15,533
Children, Schools & families	1,865	2,563	2,505	1,110	8,043
Further Education & 14 to 19	1,798	2,723	1,114	-	5,635
Cross-system underpinning					
Technology	2,162	2,642	1,774	-	6,578
Regional delivery & engagement	1,302	736	78	-	2,116
Universal Home Access	5,178	11,588	902	49,407	67,075
	<u>16,433</u>	<u>29,806</u>	<u>8,224</u>	<u>50,517</u>	<u>104,980</u>

**5 Staff and remuneration costs**

<b>Staff costs</b>	<b>2009-10</b>	<b>2008-09</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	8,822	7,220
Social security costs	788	624
Agency, temporary and contract staff	9,425	8,963
Secondments	653	303
LPFA Current service pension costs and other pension costs	551	780
TPS pension contributions	208	176
	<u>20,447</u>	<u>18,066</u>
Less agency, temporary & contract staff capitalised	(203)	-
	<u>20,244</u>	<u>18,066</u>

**Average number of employees**

**2009-10**  
**Number**

**2008-09**  
**Number**

The average number of persons employed by the company (excluding members of the board) was:

Professional staff	153	126
Administrative and technical support staff	62	53
Agency, temporary and contracted staff	112	100
	<u>327</u>	<u>279</u>

The following numbers of higher paid employees, including the Chief Executive, received emoluments (excluding pension contributions)

	<b>2009-10</b>	<b>2008-09</b>
within the ranges following:	<b>Number</b>	<b>Number</b>
£60,000 - £69,999	5	2
£70,000 - £79,999	10	10
£80,000 - £89,999	1	1
£90,000 - £99,999	1	-
£100,000 - £109,999	1	1
£110,000 - £119,999	1	1
£120,000 - £129,999	2	2
£130,000 - £139,999	2	1
£150,000 - £159,999	1	1

22 of the higher paid employees have retirement benefits accruing under defined benefit schemes.

**6 Grants made**

<b>Revenue grants</b>	<b>2009-10</b>	<b>2008-09</b>
	<b>£'000</b>	<b>£'000</b>
<b>Institutes</b>		
JISC Content Procurement Co. Limited	290	83
London Grid for Learning	10	128
NIACE	40	170
The e-Learning Foundation	375	566
Futurelab Education	1,804	1,035
Janet UK	1,272	1,355
Learning and Skills Improvement Service	200	100
Oldham MBC	300	367
Specialist Schools and Academies	394	626
Suffolk County Council	300	567
Towards Maturity Community Interest	250	267
The FITS Foundation	148	-
E Skills UK Ltd	100	-
Learning and Skills Council	143	-
Abilitynet	142	32
Ace Centre Advisory Trust	114	22
Ace Centre North	153	32
Other private bodies	32	163
Other education providers and local authorities	1,454	1,766
Other non-for-profit/public bodies	703	464
	<u>8,224</u>	<u>7,743</u>
<b>Capital grants</b>		
	<b>2009-10</b>	<b>2008-09</b>
	<b>£'000</b>	<b>£'000</b>
<b>Institutions</b>		
E Skills UK Ltd	387	500
The E Learning Foundation	723	1,350
Oldham MBC	34	1,141
Suffolk County Council	-	430
	<u>1,144</u>	<u>3,421</u>
Grants awarded to Home Access applicants	49,373	2,741
	<u>50,517</u>	<u>6,162</u>

Grants are disclosed individually where the amount payable was over £100,000 in either year.

**7 Tangible assets**

	Leasehold improvements £'000	General IT equip't & software £'000	General furniture & office equip't £'000	Projects IT equip't & software £'000	Projects furniture & office equip't £'000	Assets under construction £'000	Total £'000
<b>Cost</b>							
31 March 2009	268	2,344	308	24	10	536	3,490
Additions	12	797	28	-	-	1,106	1,943
Disposals	(268)	-	(97)	-	-	-	(365)
Transfers	-	529	-	-	-	(529)	-
31 March 2010	12	3,670	239	24	10	1,113	5,068
<b>Depreciation</b>							
31 March 2009	172	1,680	123	23	7	-	2,005
Depreciation for the year	13	280	34	1	1	-	329
Disposals	(182)	-	(69)	-	-	-	(251)
Impairment for the year	-	1,052	141	-	1	954	2,148
31 March 2010	3	3,012	229	24	9	954	4,231
<b>Net book value</b>							
31 March 2010	9	658	10	-	1	159	837
31 March 2009	96	664	185	1	3	536	1,485

Assets under construction, at 31 March 2010, represent amounts relating to the accommodation project and office refurbishment which was completed in July 2010. Assets under construction at 31 March 2009 includes amounts relating to the development of the Commitment to Pay (C2P) and Customer Relationship Management (CRM) systems which were implemented during the year and the costs transferred to the category of general IT equipment and software.

An impairment charge has been made against all fixed assets to reflect that the assets useful economic life has been reduced reflecting the decision that Becta will be closed on 31 March 2011. The management team have reviewed the closing balance and have been advised that this figure in the 2009-10 accounts should reflect the amount of depreciation that should be charged to the 2010-11 accounts. Becta have also taken advice as to the likely value of second-hand furniture, software licences and IT equipment and believe that the proceeds of any sale would be negligible after a further years use and we have therefore used the depreciation value as the appropriate asset value. Since the announcement of the closure and the agreed transfer of the liability of the property leases held on by Becta to the Department for Education in 2010-11 it has been agreed that all the assets currently in situ in Becta 1 are to be transferred with the building to the Department for Education in 2010-11 to be available for use for other government agencies.

**8 Debtors**

	2010 £'000	2009 £'000
Trade debtors	34	84
Prepayments	382	232
Other debtors	4	5
	<u>420</u>	<u>321</u>
Balances due analysed by body:	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Central government bodies (including pensions and other central government funds)	-	34
Local authorities	66	-
Bodies external to government	354	287
	<u>420</u>	<u>321</u>

**9 Cash at bank and in hand**

	2010 £'000	2009 £'000
Held with Office the Paymaster General	10,923	-
Held in commercial banks	1,124	14,767
	<u>12,047</u>	<u>14,767</u>
Overdraft with commercial banks	(1,603)	-
	<u>10,444</u>	<u>14,767</u>

The overdraft shown above arises as a result of unrepresented cheques and BACS payments at the balance sheet date.

**10 Creditors:** amounts falling due within one year

	2010 £'000	2009 £'000
Bank overdraft	1,603	-
Trade creditors	6,373	7,016
Other taxation and social security	298	233
Other creditors	153	132
Accruals	36,334	5,849
Pension compensation payments	258	264
Deferred income (see note 11)	-	14
	<u>45,019</u>	<u>13,508</u>

Becta currently has an ongoing liability in respect of former employees, who are members of the Teachers' Pension Scheme (TPS), who took early retirement.

**10 Creditors:** amounts falling due within one year (continued)

Balances outstanding analysed by body:	2010 £'000	2009 £'000
Central government bodies (including pensions and other central government funds)	1,074	758
Local authorities	526	361
Bodies external to government	43,419	12,389
	<u>45,019</u>	<u>13,508</u>

**11 Deferred income**

	2010 £'000	2009 £'000
Balance at 1 April 2009	14	71
Amount released to incoming resources	(14)	(57)
Amount deferred in the year	-	-
	<u>-</u>	<u>14</u>

Deferred income comprises income in advance for projects where the charity may not have entitlement to these resources until the goods or services are provided.

**12 Provisions**

	2010 £'000	2009 £'000
Balance at 1 April 2009	-	-
Amount provided in the year	156	-
Amount released in the year	-	-
	<u>156</u>	<u>-</u>

The provision relates to dilapidation charges; the estimated costs that Becta will incur on surrendering one of its leased premises in the coming year.

**13 Statement of funds**

	Movement in funds					Balance 31 March 2010 £'000
	Balance 31 March 2009 £'000	Incoming resources £'000	Expended resources £'000	Net gains and losses £'000	Transfers between funds £'000	
<b>Unrestricted funds</b>						
Designated funds						
Company projects-revenue	640	-	(485)	-	-	155
Company project-capital	4	-	(3)	-	-	1
Total designated funds	644	-	(488)	-	-	156
General funds						
Publications fund	116	27	-	-	-	143
Projects fund	168	-	-	-	-	168
DCSF working capital funds	100	-	-	-	-	100
Becta working capital funds	412	44,014	(47,717)	-	(986)	(4,277)
Free reserves sub total	796	44,041	(47,717)	-	(986)	(3,866)
Capital reserve fund	1,481	1,943	(2,588)	-	-	836
Deficit on defined benefit pension	(4,810)	-	(936)	(8,328)	986	(13,088)
Total general funds	(2,533)	45,984	(51,241)	(8,328)	-	(16,118)
Total unrestricted funds	(1,889)	45,984	(51,729)	(8,328)	-	(15,962)
<b>Restricted funds</b>						
Becta managing agency fund	144	-	(141)	-	-	3
NCSL Host schools	-	14	(14)	-	-	-
Universal Home Access	-	31,200	(60,200)	-	-	(29,000)
Enterprise Data Architect	-	92	(92)	-	-	-
E-Learning	-	350	(350)	-	-	-
Computer Clubs 4 Girls	-	487	(487)	-	-	-
Learning & Tech World forum	-	100	(100)	-	-	-
Vocabulary Managed Service	-	50	(50)	-	-	-
Special Education Needs	-	1,000	(1,000)	-	-	-
Futures Programme	-	1,141	(1,141)	-	-	-
Total restricted funds	144	34,434	(63,575)	-	-	(28,997)
<b>Total funds</b>	<b>(1,745)</b>	<b>80,418</b>	<b>(115,304)</b>	<b>(8,328)</b>	<b>-</b>	<b>(44,959)</b>

*Unrestricted funds*

The unrestricted funds of the charity include the following designated funds which have been set aside out of unrestricted funds by the trustees for specific future purposes:

Company projects capital fund is represented by the projects department furniture and equipment.

The company projects revenue fund has been set aside to meet the revenue costs of the refurbishment project that will be completed in 2010-11.

**13 Statement of funds (continued)**

Capital reserve fund is represented by the general fixed assets of Becta.

Deficit on defined benefit pension relates to the year end actuarial valuation of Becta's share of the deficit in the LPFA scheme.

*Restricted funds*

The Becta managing agency fund represents funding received from the Learning and Skills Council for specific activities.

The Universal Home Access fund represents additional capital funding that Becta received from DCSF through a supplemental grant specifically for the delivery of the Universal Home Access programme. This had a deficit balance of £29.0m at 31 March 2010 as a result of a timing difference. The capital grant costs of the Home Access programme are recognised on the formal issue of the grant and hence the expenditure is recognised in these financial statements. However the respective cash payment is only made when the recipient redeems the grant to purchase the IT equipment. As at 31 March there was a total of grants issued but not redeemed amounting to £29.0m and so Becta held back from drawing down the respective grant-in-aid to fund these grant payments until 1 April to minimise the working cash balance as at 31 March 2010.

All other restricted funds represents additional funding that Becta received either from DCSF through supplemental grants or grants from other bodies that are for specific education projects.

**14 Analysis of net assets between funds**

	Unrestricted funds £'000	Restricted funds £'000	Total funds £'000
Tangible fixed assets	837	-	837
Current assets	12,323	144	12,467
Current liabilities	(15,878)	(29,141)	(45,019)
Provisions and liabilities	(156)	-	(156)
Pension liabilities	(13,088)	-	(13,088)
Total net liabilities	<u>(15,962)</u>	<u>(28,997)</u>	<u>(44,959)</u>

**15 Financial commitments**

	2010 £'000	2009 £'000
Annual obligations under operating leases comprise:		
<i>Land and Buildings</i>		
Expiring after five years	<u>528</u>	<u>541</u>
<i>Other</i>		
Expiring within one year	-	2
Expiring within two to five years	<u>2</u>	<u>-</u>

The company occupies three office premises under varying leases. A twenty-five year lease expiring 26 August 2018 which is subject to rent reviews every fifth year, a twenty-one year lease expiring 31 August 2020 subject to rent reviews every third year and a twenty-one year lease expiring 3 November 2024 subject to rent reviews every third year.

**15 Financial commitments (continued)**

We gave notice after the year end, by taking advantage of break clauses, to the landlords for the operating leases that expire on 31 August 2020 and 3 November 2024.

The DfE have confirmed that they will fulfil lease commitments for the operating lease that expires on 26 August 2018 and have confirmed that the lease will be transferred to them prior to 31 March 2011; hence Becta does not have an onerous lease.

**16 Pensions**

The two principal pension schemes for the charitable company's staff are the London Pensions Fund Authority and the Teachers' Pension Scheme (TPS). Contributions paid to the schemes during the year were based on the following rates:

	Employers	Employees
Teachers' Pensions Scheme	14.1%	6.4%
London Pensions Fund Authority	<u>18.2%</u>	<u>5.5-7.5%</u>
<b>Total pension cost for the year</b>	<b>2009-10</b>	<b>2008-09</b>
	<b>£'000</b>	<b>£'000</b>
Teachers' Pension Scheme : contributions paid	213	176
London Pensions Fund Authority : current service costs	551	560
London Pensions Fund Authority : other costs	-	220
	<u>764</u>	<u>956</u>

**Teachers' Pension Scheme**

The Teachers' Pension Scheme is an unfunded defined benefit scheme. Contributions on a pay as you go basis are credited to the Exchequer under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the scheme for the purpose of determining contribution rates.

The pensions cost is assessed every five years in accordance with the advice of the government actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Last actuarial valuation	31 March 2004
Actuarial method	prospective benefits
Investment returns per annum	6.5% per annum
Salary scale increases per annum	5.0% per annum
Market value of assets at date of last valuation	£162,650 million
Proportion of members' accrued benefits covered	
by the actuarial value of the assets	98.88%
Anticipated employer contribution rates	14.1%

Following the implementation of Teachers' Pensions (Employers' Supplementary Contributions) Regulations 2000 the government actuary carried out a further review on the level of employers' contributions. For the year ended 31 March 2010 the employer contribution was 14.1%. Becta makes compensation payments to TPS in respect of former employees who took early retirement without any loss of retirement benefits. In 2009-10 the amount charged to the income and expenditure account was £31,734 (2008-09: £30,267). This compensatory payment is funded from Grant-in-Aid received from DCSF, and it is anticipated that funding will continue to be received in respect of

### 16 Pensions (continued)

the ongoing cost to Becta for 2010-11. The value has been disclosed as a creditor amounts falling due within one year (note 10) in the balance sheet to reflect this liability. A final valuation on the liability will be undertaken in 2010-11 and will be paid to The Teachers' Pension Scheme no later than 31 March 2011.

### FRS17

Under the definitions set out in Financial Reporting Standard 17 (Retirement Benefits), the TPS is a multi-employer pension scheme. The charitable company is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the charitable company has taken advantage of the exemption under FRS17 and has accounted for its contributions as if it were a defined contribution scheme. The charitable company has set out above the information available on the deficit in the scheme and the implications for the charitable company in terms of anticipated contribution rates.

### The London Pensions Fund Authority

The London Pensions Fund Authority is a funded scheme with assets held in separate trustee administered funds. The latest formal valuation of this scheme for funding purposes was as at 31 March 2007.

The main financial assumptions used in the actuarial valuation of the London Pensions Fund Authority scheme were as follows:

	2009-10 % p.a.	2008-09 % p.a.	2007-08 % p.a.
Inflation/Pension Increase Rate	3.9%	3.1%	3.6%
Salary increase Rate	5.4%	4.6%	5.1%
Expected Return on Assets	6.8%	6.4%	7.0%
Discount Rate	<u>5.5%</u>	<u>6.9%</u>	<u>6.9%</u>

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. 1 April 2009 for the year to 31 March 2010). The return on gilts and other bonds are 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.

The assets of the whole of scheme and the expected rates of return were:

	Long term expected return 2010	Long term expected return 2009	Long term expected return 2008
Equities	7.5%	7.0%	7.5%
Target return portfolio	4.5%	5.5%	6.3%
Alternative assets	6.5%	6.0%	6.7%
Cash	3.0%	4.0%	4.8%
Corporate bonds	<u>5.5%</u>	<u>-</u>	<u>-</u>

**16 Pensions (continued)**

The current life expectancies (in years) underlying the value of the accrued liabilities for the scheme are:

<b>Life Expectancy at age 65:</b>	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>
Member currently age 65	85	88	85	88
Member currently age 45	86	89	86	89

	<b>Fund value at 31 March 2010</b>	<b>Fund value at 31 March 2009</b>	<b>Fund value at 31 March 2008</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Equities	12,959	7,259	9,066
Target return portfolio	1,851	1,273	2,930
Alternative assets	2,592	3,184	2,728
Cash	926	1,019	455
Corporate bonds	185	-	-
<b>Total</b>	<b>18,513</b>	<b>12,735</b>	<b>15,179</b>
<b>Net pension liability of company</b>	<b>31 March 2010</b>	<b>31 March 2009</b>	<b>31 March 2008</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fair Value of Employer Assets	18,513	12,735	15,179
Present Value of Funded liabilities	(31,133)	(17,102)	(17,059)
Net under funding in Funded Plans	(12,620)	(4,367)	(1,880)
Present Value of Unfunded Liabilities	(468)	(443)	(473)
<b>Net Liability</b>	<b>(13,088)</b>	<b>(4,810)</b>	<b>(2,353)</b>

Becta has fully implemented the pension disclosures under FRS17 and full provision has been made by the company for the company's share of the deficit in the LPFA scheme.

**16 Pensions (continued)**

**Revenue account costs**

Analysis of amount charged to statement of financial activities

	2009-10 £'000	2008-09 £'000
Amount charged to staff costs:		
Current Service Costs	551	560
Past Service Cost/(Gain)	-	168
Losses/(Gains) on Curtailements and settlements	-	52
	<u>551</u>	<u>780</u>
Amount credited to other finance income:		
Interest Cost	1,257	1,231
Expected return on Employer Assets	(872)	(1,093)
Pension finance (income)/costs	<u>385</u>	<u>138</u>
Net amount charged to statement of financial activities	<u>936</u>	<u>918</u>
Actual return / (reduction) on scheme assets	<u>3,967</u>	<u>(3,268)</u>

**Analysis of amount recognised in statement of financial activities (SOFA)**

	2009-10 £'000	2008-09 £'000
Actuarial gains/(losses) on Fair Value of Employer Assets	3,094	(4,421)
Actuarial (losses)/gains on Defined Benefit Obligation	(11,422)	1,854
Actuarial (loss)/gain recognised in the SOFA	<u>(8,328)</u>	<u>(2,567)</u>

**Movement in deficit during the year**

	2009-10 £'000	2008-09 £'000
Deficit at beginning of the year	(4,810)	(2,353)
Current service cost	(551)	(560)
Employer contributions	955	999
Contribution in respect of unfunded benefits	31	29
Net return on assets and liabilities	(385)	(358)
Actuarial losses	(8,328)	(2,567)
Deficit at year end	<u>(13,088)</u>	<u>(4,810)</u>

**16 Pensions (continued)**

<b>Reconciliation of fair value of employer assets</b>	<b>2010 £'000</b>	<b>2009 £'000</b>
Opening fair value of employer assets	12,735	15,179
Expected return on assets	872	1,093
Contributions by members	390	336
Contributions by the employer	955	999
Contributions in respect of unfunded benefits	31	29
Actuarial gains/(losses)	3,094	(4,421)
Unfunded benefits paid	(31)	(29)
Benefits paid (net of transfers in)	467	(451)
	<u>18,513</u>	<u>12,735</u>

<b>Reconciliation of defined benefit obligation</b>	<b>2010 £'000</b>	<b>2009 £'000</b>
Opening defined benefit obligation	17,545	17,532
Current service cost	551	560
Interest cost	1,257	1,231
Contributions by members	390	336
Actuarial loss/(gain)	11,422	(1,854)
Past service cost	-	168
Losses on curtailments	-	52
Estimated unfunded benefits paid	(31)	(29)
Estimated benefits paid (net of transfers in)	467	(451)
	<u>31,601</u>	<u>17,545</u>

<b>Amounts for the current and previous accounting periods</b>	<b>2009-10 £'000</b>	<b>2008-09 £'000</b>	<b>2007-08 £'000</b>	<b>2006-07 £'000</b>	<b>2005-06 £'000</b>
Fair value of employer assets	18,513	12,735	15,179	13,237	11,641
Present value of defined benefit obligation	(31,601)	(17,545)	(17,532)	(17,170)	(16,693)
Surplus/(deficit)	(13,088)	(4,810)	(2,353)	(3,933)	(5,052)
Experience gains/(losses) on assets	3,094	(4,421)	215	115	1,483
Experience gains/(losses) on liabilities	63	8	(1,382)	(20)	(8)

<b>Amounts recognised in statement of financial activities (SOFA)</b>	<b>2009-10 £'000</b>	<b>2008-09 £'000</b>
Actuarial gains/(losses) brought forward	(1,903)	664
Increase/(decrease) in irrecoverable surplus from membership		-
Actuarial (losses)/gains recognised in SOFA	(8,328)	(2,567)
	<u>(10,231)</u>	<u>(1,903)</u>

**16 Pensions (continued)**

**Sensitivity Analysis**

Adjustment to discount rate	<b>+0.1%</b> £'000	<b>0.0%</b> £'000	<b>-0.1%</b> £'000
Present value of defined benefit obligation	30,887	31,601	32,332
Projected service cost	1,224	1,267	1,331

Adjustment to mortality age rating assumption	<b>+1 year</b> £'000	<b>nil</b> £'000	<b>-1 year</b> £'000
Present value of defined benefit obligation	30,349	31,601	32,863
Projected service cost	1,202	1,267	1,332

**Projected amount to be charged to the statement of financial activities for the year to 31 March 2011**

£'000

Projected current service cost 1,267

**Projected amount credited to other finance income**

Interest on Obligation 1,796  
Expected Return on Plan Assets (1,322)

Net return 474

Projected net amount charged to statement of financial activities 1,741

Employer contributions 1,089

**17 Analysis of balances and movements of cash and cash equivalents during the year**

<b>Analysis of net funds</b>	<b>At 01 April 2009 £'000</b>	<b>Cashflow £'000</b>	<b>At 31 March 2010 £'000</b>
Cash at bank and in hand	14,767	(2,720)	12,047
Overdraft	-	(1,603)	(1,603)
<b>Total</b>	<u>14,767</u>	<u>(4,323)</u>	<u>10,444</u>

**18 Reconciliation of changes in resources to net cash inflow from operating activities**

	2009-10 £'000	2008-09 £'000
Changes in resources (per SOFA)	(43,214)	(1,743)
Interest received	(1)	(60)
Depreciation and impairment charge	2,477	226
Loss on the disposal of fixed assets	114	-
(Increase)/decrease in debtors	(99)	297
Increase in creditors	28,882	7,375
Decrease in deferred income	(14)	(57)
Increase in provision	156	-
Increase in defined benefit pension scheme deficit	8,278	2,457
<b>Net cash (outflow) inflow from operating activities</b>	<u>(3,421)</u>	<u>8,495</u>

**19 Reconciliation of net cash flow to movement in net cash**

	2010 £'000	2009 £'000
(Decrease) / Increase in cash in the year	(4,323)	7,375
Net cash at 1 April 2009	14,767	7,392
Net cash at 31 March 2010	<u>10,444</u>	<u>14,767</u>

**20 Contingent assets and liabilities**

There were no contingent assets or liabilities at 31 March 2010 (2009: £nil).

**21 Capital and grant commitments**

Capital and grant commitments contracted and authorised as at 31 March 2010 totalled £1,502,344 (2009: £nil) and £1,500,000 (2009: £nil) respectively.

**22 Gifts**

There were no gifts received or made during the year ended 31 March 2010.

**23 Taxation**

There is no taxation payable as the charity's activities are covered by exemptions under Section 505 ICTA 1988.

## **24 Related Party Transactions**

Becta is an NDPB deriving most of its income from DCSF (now DfE, which is the controlling party of Becta) and BIS which are both regarded as related parties for this disclosure.

Chairman's remuneration and expenses of £35,979 (2008-09: £9,793) (including irrecoverable VAT) in respect of Graham Badman CBE was paid to Nektus Ltd, a company in which he has a significant interest.

During the year it was decided that the Framework for ICT Technical Support (FITS) would best be delivered through an external organisation: the FITS Foundation. The FITS Foundation is an independent non-for-profit company of which Stephen Lucey and Paul Shoemith (an executive director and director of Becta) are non-controlling members of the Board. A grant of £148,000 was issued to the FITS Foundation during the year (2009: £nil).

Based on the declarations of interest received from members of the Board and Becta staff there are no related party transactions other than those described above.

## **25 Financial Instruments**

These financial statements have been prepared in accordance with Financial Reporting Standards (FRS) 25, 26 and 29. As the majority of cash requirements of Becta are met through Grant-in-Aid provided by DCSF and BIS, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with Becta's expected purchase and usage requirements and so it is, therefore, exposed to low credit, liquidity or market risk.

In the ordinary course of its activities, Becta has entered into a limited number of contracts which could extend to 31 March 2011 (at the company's option) and in accordance with the relevant contract terms, costs may rise in line with increases in the Retail Price Index. In every such instance, Becta has the right not to extend its obligation under the agreement without incurring penalty.

As Becta's policy is to convert foreign currency into sterling on receipt, Becta's exposure to foreign currency risk is not significant.

## **26 Losses and special payments**

This year saw Becta begin to deliver the national roll out of the Home Access programme, the government drive that helps low-income families who currently lack access to a computer and/or internet to get online at home.

In assessing whether applicants are eligible to receive a grant through the Home Access programme, Becta uses information ultimately derived from data from the Department for Work and Pensions (DWP). The DWP official fraud data indicates that there is an inherent risk that up to 2.9% of claimants are not valid recipients. This would equate to 2,610 grants of the 89,990 grants issued in the year with the value of £1.38m. However Becta's own assessment, after seeking expert advice, is that this assessment is too high because the individuals already defrauding the system are less likely to risk bringing further attention to themselves by making a claim relative to the receiving of a one-off low value monetary benefit and a inherent risk of 1% is more realistic. This would equate to 900 grants with the value of £476,000. Becta's internal controls around the programme have ensured that we have been very successful in catching fraudulent

activity. As of 13 September 2010, the actual detected level of fraudulent activity detected was 0.053%. This equates to 50 grants issued in the year to 31 March 2010 and an approximate value of £26,000. The Home Access scheme is based on receipt of benefits, as opposed to eligibility for benefits.

There was a single special payment made during the year of £33,000 (2007-08: two cases totalling £23,000).

## **27 Post balance sheet events**

On 24 May 2010 Graham Badman, the chair of Becta, received a letter from the Secretary of State for Education informing him that Becta's grant in aid funding would not continue past 31 March 2011. Consequentially the Board decided that it would cease the operations of Becta in an orderly manner over the year to 31 March 2011.

Therefore these financial statements have been prepared on a basis other than that of a going concern which includes, where appropriate, writing down the organisation's assets to net realisable value. Becta has received a letter from the DfE giving assurance that it confirms its acceptance of any continuing liability in respect of the property leased by Becta and acceptance of any liabilities that remain at the point of Becta's closure, including its pension liability. As a result, there are no significant contractual commitments that have become onerous at the balance sheet date and require a provision made for them in these financial statements. In addition, the financial statements do not include any provision for the future costs of terminating the operations of the organisation except to the extent that such costs were committed at the balance sheet date.

The redundancy payment costs relating to the closure of Becta will be realised in the 2010-11 financial year. An estimated £4.1m has been included in the 2010-11 revised budget for these costs and will be covered by 2010-11 grant-in-aid. This figure was based on the costs of making all the staff redundant, however at the time of writing there is work underway to transfer functions to other Government funded bodies and a number of staff have applied to leave prior to the closure date of 31 March 2011. The figure is therefore included in this note to ensure the reader of the accounts is aware of the approximate cost in 2010-11 which will be accounted for at its actual cost when all transfers and redundancies have been agreed.

Based on an indicative valuation from the LPFA the cessation liability for the LPFA pension scheme will be approximately £17.5m at 31 March 2011. In addition it is estimated that there are combined LPFA and TPS £1.0m ex-employee capitalisation actuarial liability and £3.2m early retirement capitalisation actuarial liability. However if staff leave earlier this figure will change and at the time of the closure of the scheme a full and final valuation will be undertaken to clearly establish the final cost. The ex-employee and early retirement capitalisation actuarial liabilities will also be revalued at the date of final agreement with the LPFA for the ex-employees and at the date at which each employee retires. These sums will be calculated and are payable individually at the date of retirement.

It was announced in the Budget on 22 June 2010 that the Government intends to adopt the Consumer Price Index (CPI) for the indexation of public service pensions from April 2011. Becta are not sure how this will affect the valuation of the cessation liability or the capitalisation actuarial liabilities; the figures quoted in these statement reflect the current estimate based on R.P.I. only.

## **28 Authorised for issue**

The financial statements were authorised by the Accounting Officer, Stephen Crowne, for issue on 30<sup>th</sup> November 2010.



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