



National College for
School Leadership

www.ncsl.org.uk

Annual Report and Accounts 2004/05

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Introduction

The National College for School Leadership (NCSL) was officially launched by the prime minister in November 2000. It is a company limited by guarantee and a non-departmental public body.

Our vision is to develop the school leaders who will provide excellent leadership in every school. The government's expectations of NCSL are to:

- be the driving force of world-class leadership and management practice
- act as an intelligent commissioner and funding agent of activity to spread this practice system-wide across our schools

Purpose and values

Underpinning everything we do is our belief that all children have the potential to become successful learners; that schools can create and sustain the confidence and energy to prepare children for the future, and that leadership has a central role to play in the transformation of education.

Our purpose, therefore, is to develop individuals and teams to lead and manage their schools to be the best they can. In support of this purpose, we will

- respect the qualities of all we work for and with
- nurture innovation and creativity
- work with integrity in all that we do
- be optimistic about our capacity to make a difference

Aims and objectives

The College's draft Corporate Plan for 2004–08 set out our aims for the next four years. Our key goal continues to be:

Every child in a well-led school, every leader a learner

To implement this goal, we have organised our work around five key objectives. These are as follows.

- Develop and deliver a range of leadership programmes that enable leaders to build the confidence, skills and understanding to transform the quality of learning for all pupils.
- Find, analyse, describe and celebrate great practice in school leadership in order to build a useable knowledge base for school leaders to share.
- Promote collaborative learning and communication so that all school leaders feel they are a part of a network of vibrant professional learning communities and have opportunities to contribute to developments in education policy.
- Provide a challenging, supportive and dynamic place to work, which demonstrates the qualities of a learning organisation.
- Demonstrate the impact of NCSL on school leadership and progress towards achieving our goal.

A detailed analysis of how successful the College has been in achieving these objectives is contained in the main body of this Annual Report.

Strategy

Throughout 2004-05, we have:

- put personalised learning at the heart of our agenda to make sure that leadership impacts on the learning of every child
- contributed to the government's agenda of new relationships with schools
- supported schools and local education authorities (LEAs) in delivering the workforce change agenda by enabling heads to focus on teaching not administration
- revised our programmes to make them more flexible and adaptable and, through the online Learning Gateway, offer personalised learning to leaders at all levels in schools
- designed and implemented a community leadership plan to offer support to the leaders of extended schools and integrated learning centres
- implemented the majority of the recommendations for action contained in the recent end-to-end review of NCSL programmes and activities



Leadership by headteachers transforms not just schools, not just the particular children, but whole communities.



Rt Hon Charles Clarke MP

National New Heads Conference,
20 November 2003



Every child matters. Each and every one of them has potential to fulfil.



David Miliband MP

15 April 2003

Statement from the Chair and the Chief Executive

The College was founded five years ago to be a driving force for world-class leadership in schools.

During that period, our predecessors Richard Greenhalgh and Heather Du Quesnay established a vibrant, creative and widely respected organisation, which has made significant improvements in the quality and range of development opportunities available to school leaders.

In a recent survey, 88 per cent of school leaders said that the College was making a difference to their own professional development, and 81 per cent thought that the College was helping to raise standards in education. Standards in schools are higher than ever, school leadership is better than ever and the standing in which headteachers are held by the general public – in terms of setting an example of leadership – is higher than for any other profession.

So much has already been achieved in the College's short life and we wish to pay tribute to our predecessors and to the commitment shown by the people who work here.

Towards the end of 2003, the College, in partnership with DfES, undertook a wide-ranging end-to-end review of school leadership policy and delivery. Throughout the year, the College implemented many of the recommendations arising from the review and as a consequence we now have a strong foundation on which to build.

Nevertheless, in spite of many strengths, and with a new Chair and Chief Executive now in place, we believe that the time is right to develop a new vision for the College. We would like to take this opportunity to share our vision of what we think the College needs to become and how it needs to function.

Firstly, as the **Distinct College** in supporting leadership development in schools by helping existing school leaders to experience the very best developmental opportunities and helping to 'grow' the next generation of high-quality school leaders.

Secondly, as '**Our College**', we believe that school leaders need to feel that it is their College, responding to their needs, developing programmes that reflect the real challenges they face and carrying out down-to-earth but leading-edge research that has a practical application in how they do their jobs.

Thirdly, as the **Responsive College**, we will move strongly towards a commissioned approach for our programmes, with clarity of outcomes, clear quality assurance procedures, greater flexibility in delivery and more personalised and modular opportunities. By controlling less, we believe that the College can make even more of a difference.

Fourthly, as a **National College**, providing a small number of centrally funded high-quality leadership programmes that are at the cutting edge nationally and internationally – not just integrating current national policy, but informing future policy and practice.

Fifthly, as the **Self-evaluating College**, with a much greater focus on our impact on pupil attainment.

We are already implementing proposals to restructure the leadership of the College and to re-focus its core business. A new corporate plan for the College, to be produced in November 2005, will reflect this challenging agenda.



Vanni Treves, Chair



Steve Munby, Chief Executive

Objective A: Leadership programmes

Develop and deliver a range of leadership programmes that enable leaders to build the confidence, skills and understanding to transform the quality of learning for all pupils.

Key points in 2004-05 Individual level

- Over 5,000 leaders have started the Leading from the Middle programme (7,130 since it commenced).
- Almost 5,000 National Professional Qualification for Headship (NPQH) participants registered (21,000 in total).
- There are 3,848 NPQH graduates.
- 2,185 headteachers (80 per cent of those eligible) registered since the inception of the Headteacher Induction Programme.
- Over 200 Consultant Leaders trained.
- 843 experienced headteachers recruited to the Leadership Programme for Serving Headteachers.

Effective school leadership is at the heart of improved performance by schools and the College's Leadership Development Framework, first developed in February 2002, offers a flexible and accessible series of pathways for the growth of leadership talent in every school.

Our Leadership Development Framework has five stages.

Emergent – when a teacher begins to take on leadership responsibilities

Established – for those who are experienced leaders but do not intend to pursue headship

Entry to headship – including a teacher's preparation for, and induction into, a headship post in school

Advanced – for experienced headteachers looking to widen their expertise, refresh themselves and update their skills

Consultant – when an able and experienced leader is ready to support and promote learning by other leaders, eg by mentoring and/or coaching

Programmes are regularly revised and updated to ensure their content and processes reflect recent developments, and over the past year our programmes have been reviewed to ensure that school leaders develop the knowledge, skills and behaviours needed to lead and manage today's schools. Our aim is to provide personalised choice to school leaders so that leaders can access the right development opportunities in the right way to meet their own needs, learning style and the demands of their school context. We have started this process with revisions to the Headteacher Induction Programme and our new Learning Pathways initiative drawn from the National Professional Qualification for Headship (NPQH) Access route.

The flexibility and accessibility of our programmes, all of which have an e-learning component, online discussion communities and tutorial support, face-to-face interaction and, in many cases, a school improvement project, provide leaders with a model of how personalised learning can support their own growth and development in leadership effectiveness.

This model for growing leadership capacity has enabled us to focus our activities on development at the individual, the school and system levels.

Individual level

Since its inception, the College has developed a wide range of programmes for the individual school leader. During 2004-05, we started the process of restructuring our portfolio of programmes so that they offer a more personalised, flexible approach for each participant. The first programme to benefit from this approach has been the Access stage of the NPQH.

Throughout the year, we have expanded our Leading from the Middle programme to accommodate leaders in different contexts (eg challenging circumstances, small primary schools) and leaders with different roles (eg special educational needs co-ordinators, pastoral leaders). We have also addressed the current under-representation of women in senior management positions through the development and piloting of our Women into Leadership and Management programme, and the under-representation and development needs of black and minority ethnic teachers through our Equal Access to Promotion? programme and the African-Caribbean Achievement Pilot.

For those deputies and assistant heads who are not currently seeking headship but wish to enhance their leadership skills, we continue to provide an effective training experience through our Established Leaders pilot programme. Flexible training and development opportunities for new headteachers are available through our Headteacher Induction Programme (HIP), and for those leaders looking to widen their experience and update their skills we have our Leadership Programme for Serving Headteachers (LPSH) and the Partners in Leadership and International School Leader Placements programmes.

School level

Research has shown that networked, collaborative schools have a greater impact on improving pupil achievement. At the school level, our emphasis throughout 2004-05 has been to support the creation of strong, effective leadership teams and professional learning communities that embrace staff at all levels within the school, including teaching assistants, bursars and technicians – as well as teachers.

During 2004-05, we promoted school team development through our Working Together for Success and Developing Capacity for Sustained Improvement programmes. We have also increased the capacity of leadership teams through our Primary Strategy Leadership Programme in order to meet the government's targets for Key Stage 2.

Our Strategic Leadership of ICT (SLICT) programme is designed to ensure that a critical mass of headteachers and leadership teams understand the importance of their role in the strategic leadership of ICT in schools.

The College has been working with Becta, the Specialist Schools Trust and LEAs, and has engaged with almost 3,500 schools to date.

During 2003-04, the College was asked to train 1,000 school bursars over a three-year period. We are delighted to report that this target has been achieved a year ahead of schedule.

System level

A modern education system needs to contain within itself the energy for innovation, learning, mutual challenge and renewal. Its leaders must be committed not only to the growth and improvement of their own institutions, but to building the capacity of the entire system, in order to ensure that every child's needs are met in the best possible way.

Over the year we have taken our work on system leadership forward in a number of ways. Firstly, the College has worked with the DfES Innovation Unit to develop and run an Executive Leadership pilot programme aimed at developing system leadership. The pilot aims to develop a cadre of the best school leaders who will influence both educational policy and development of the College. Secondly, as part of the government's New Relationship with Schools, we have designed and piloted the accreditation process for the role of school improvement partners (SIPs) in six LEAs. The school improvement partner will provide support and challenge to secondary schools in their drive to raise standards and improve the education of all pupils. During 2005-06, we will be working in partnership with Capita Strategic Education Service to accredit SIPs for deployment by LEAs.



It is becoming less and less helpful to equate leadership solely with individuals, or as being solely institutionally bound. Today public services and many other organisations are characterised by their interconnectedness, need for collaboration and resources of networked knowledge. For sustainable transformation and improvement, leadership must become a collective quality of the system.



**DEMOS, NCSL and DfES
Innovation Unit, 2005**

Open Secrets: Innovation and future leadership in the public service

Key points in 2004-05 School level

- Government target for bursars achieved: 1,169 graduates in the Certificate of School Business Management and 70 graduates in the Diploma of School Business Management.
- 1,723 Primary Strategy consultant leaders trained.
- 3,375 schools have taken part in SLICT activity to date.

Key points in 2004-05 System level

- By 2004, the London GCSE average was above the national average.
- The London Key to Success schools have made a greater gain between 2003 and 2004 and over the four years from 2001 to 2004, compared with the changes of other schools.
- Over 18,000 schools are now involved in the national remodelling programme for schools.
- 120 leadership teams are involved in team development programmes.

An initial group of over 150 SIPs was accredited by July 2005 to be available for work with secondary schools from September 2005. We aim to have accredited over 500 more by March 2006.

Launched in July 2003, the National Remodelling Team (NRT) was established to progress the government's school workforce remodelling agenda.

It challenges and supports schools in implementing the National Workload Agreement, encourages new ways of remodelling the school workforce and supports schools in leading and managing change effectively. Over 18,000 schools have now engaged with the process, double the target of 8,500. Next year, NRT will operate under the guidance of the Training and Development Agency for Schools.

Throughout the year, the College has given priority to leadership development in extended and full service schools. Building on the Every Child Matters agenda, our focus has been on linking community leaders with community organisations and schools, the development of team leadership for multi-agency settings and the support of local authorities and local area networks who are piloting approaches to community leadership.

The National Community Leadership Network now includes 10 networks, with evidence that the network events and support from NCSL lead to local action. For example, the Winsford network held a series of community consultation events involving over 400 members of the local community engaged in conversation with young people, schools and other agencies on how they can work together to enhance opportunities for young people in the area.

The LEArning project continues to work with LEAs who are committed to using networking approaches to support the integration of services between schools, social care and health.

As part of our Community Leadership Strategy, the College has lead partner status in the development of the National Professional Qualification for Integrated Centre Leadership (NPQICL) for leaders within multi-agency, early years settings. Developed in partnership with Pen Green Leadership Development Centre, DfES and other agencies, the programme, which is designed to draw on the best practice in the National Professional Qualification for Headship (NPQH), addresses the complex issues involved in running multi-functional, early childhood services. Following a highly successful pilot, this initiative will be rolled out during 2005-06 with over 400 leaders.

Over the past year, our London Leadership Strategy has supported the work of the London Challenge to transform standards in secondary education in the capital. By the end of March 2005, 82 per cent of London secondary schools were engaged in the strategy. The College has contributed to some significant improvements in London schools by tailoring its activities to meet the specific needs of leaders in London and providing support and development for the leaders of the most challenging schools. Consultant Leaders, comprising mainly London heads, have been supporting London Key to Success schools. Results from these schools show that the number of pupils achieving A – C grades at GCSE has risen on average by six percentage points since 2003, considerably higher than the national average.

Objective B: Knowledge base

Find, analyse, describe and celebrate great practice in school leadership in order to build a useable knowledge base for school leaders to share.

Key points in 2004-05 Knowledge base

- 17 Leading Practice seminars delivered involving over 1,000 participants.
- Almost 400 headteachers sent on international placements.
- 39 research associates recruited.
- *FutureSight* toolkit published.
- *Learning Centred Leadership* toolkit published.

NCSL is increasingly recognised around the world as a leader of research into school leadership and development. One of our key aims is to be a respected source of advice to school leaders, government and policy-makers and to provide a single national focus for the debate on school leadership issues. To do so, we must have a highly effective research programme, recognised for its quality nationally and internationally, and a robust way of evaluating the impact of our activities as a basis for continuous improvement.

We believe that it is crucial to involve school leaders in researching good practice. Our Research Associates Programme provides opportunities for school leaders to undertake research on behalf of NCSL and to make a significant contribution directly to our work. It also gives them an experience that provides both personal and professional development. During the year we recruited 39 research associates who have produced papers on a variety of issues, from creating opportunities in a challenging school to an examination of leadership in networked schools.

Our Leading Practice seminar series tackles current issues in leadership development and seeks to identify the most effective practices in school improvement and leadership development. These seminars and development activities bring together forward-thinking leaders, challenging them to articulate what they do and how they do it.

By building links with colleagues and leadership centres worldwide, we aim to learn from the best. We regularly invite scholars from universities outside the UK to advise on aspects of our work. Our International Leadership Centre Network provides us with access to the latest thinking and practice in leadership development and, in conjunction with the British Council, we organised international placements for almost 400 headteachers.

We have worked with school leaders at all stages of their professional development and from a range of school contexts to understand the ways in which leaders influence learning and teaching. Commissioned and College-based work has identified a number of practices and strategies to help all schools build on their current efforts to enhance learning and improve performance. These materials now form the basis of our *Learning Centred Leadership* toolkit, designed to support the development of personalised learning. A website has been set up to communicate this work to the profession, and we will continue to build on this work over the next 12 months.

Over the past 18 months, the College has been working in partnership with the General Teaching Council, Training and Development Agency for Schools, DfES, the Organisation for Economic Co-operation and Development (OECD) and DEMOS to examine and develop solutions to the challenges and opportunities facing school leaders in the light of new and emerging concepts of schooling and education.

In September 2004, we published our *FutureSight* toolkit, designed to enable leaders, policy-makers, students and their communities to think about the future in new and empowering ways. The toolkit also contained six OECD scenarios describing the future of schooling in 2020.

Distributed leadership describes the situation in which leaders at all levels of the school community are confident about taking responsibility, empowered to initiate change and fully engaged with the school's mission. It is also an essential condition to enable the growth of future leaders.

Through research, workshops and case studies, we are stimulating new thinking about the nature of distributed leadership and the role of middle leaders, looking at how middle leaders can be most effective in contributing to leadership in primary, secondary and special schools, and how distributed leadership can enhance students' learning. In November, the College launched its commissioned work, *Distributed Leadership*, to help schools identify how they currently share leadership and the steps they can take to build leadership capacity within their schools.

Our Leadership Network is open to headteachers from all phases. Currently, it involves 300 schools. It aims to promote evidence-based and practitioner-supported approaches to school leadership, to build a regional and national practitioner community, to contribute to policy development and to provide feedback on the College's work.

The College and members of the Leadership Network have presented a number of workshops on the use of data and assessment for learning as a tool for reducing in-school variation.

There were 25 schools involved in the Within-School Variation project and this number will rise to 50 in 2005-06. Members of the Leadership Network presented evidence of their success in reducing variation within their schools at the DfES secondary conferences in 2004-05. We also hosted the network's annual conference, structured around personalisation, which was addressed by the then Schools Minister, David Miliband.

In October we produced *Creativity for Learning in the Primary School*: a practical guide for school leaders, which builds on the key message in Excellence and Enjoyment: a strategy for primary schools (DfES, 2003). The guide offers school leaders practical steps to develop creativity for learning in their schools.

One of the challenges NCSL has identified for the profession is leadership succession, particularly given the demographics that 45 per cent of headteachers and deputies are over the age of 50. There is an urgent need to grow tomorrow's school leaders to avoid a recruitment crisis and to manage the talents of prospective leaders. At NCSL we have been tackling this over the last two years through our work on distributed leadership and the production of a report in 2005 on *Meeting the Challenge: Growing tomorrow's school leaders: a practical guide for school leaders*.

The guide focuses on middle leadership, explores the implications of this for headteachers and offers a six-step approach for schools to take. It was produced as a result of close co-operation with school leaders and presents practical ways in which schools leaders can attend to the systematic development of future leaders as part of their everyday work. It is an example of how NCSL is building on original research and focusing on the ways in which new knowledge can be applied in schools.

Within the proposals from DfES for a New Relationships with Schools, there is a strong emphasis on self-evaluation which is reinforced by Ofsted and changes to the school inspection system. In order to support headteachers and leadership teams, during 2005 we published, in collaboration with the Secondary Heads Association (SHA), *Self-evaluation: a guide for school leaders*. This guide aims to help school leaders review their school's existing self-evaluation practice and consider how their approaches to self-evaluation can be developed.

We have also published *School Leadership 2004*, which summarises developments in school leadership, drawing on national perspectives on school leadership in England. It builds on the evidence presented in the first report about College programmes and activities during 2003-04, against the impact criteria we have developed; comments on the progress NCSL has made in the last year; provides an overview of leadership and the development of leaders; and evaluates the impact NCSL is having on leaders, schools and the system.

Objective C: Collaboration

Promote collaborative learning and communication so that all school leaders feel they are a part of a network of vibrant professional learning communities and have opportunities to contribute to developments in educational policy.



Transformation requires schools to be willing to give away their innovations for free, in the hope of some return but with no guarantee. A paramount value is freedom – to create, to appropriate, and to redistribute knowledge. We need to engineer an educational epidemic which would truly qualify as a transformation.



David Hargreaves
2003, *Education Epidemic*



The next phase of education reform will need new methods for delivering excellence and equity in a system, which responds to the diverse needs of individual learners and gives schools autonomy to create local solutions. Teachers and schools will need to work together – and networks are a powerful organisational form.



DfES, 2003
Excellence and Enjoyment: a strategy for primary schools

We believe that a key element in raising standards and improving professional practice is the spreading of ideas through what David Hargreaves called ‘an education epidemic’. Increased collaboration across the education system – working together, offering peer challenge and sharing learning between schools – is vital if we are to succeed in improving school leadership and raising standards.

Our aim is to link school leaders together in ways that advance practice. We want to allow school leaders to share experience, knowledge and thinking, to develop strategies for solving problems and to collaborate around innovation that will enhance achievement for pupils. Through our online communities and work with school-to-school networks (networked learning communities and Primary Strategy learning networks), we bring together people with a common purpose of improving education.

Online networking and support

Our online communities offer school leaders access to an extensive network of colleagues. They also let them share best practice and debate policy issues.

Throughout the year, the number of unique visitors to the NCSL web portal has risen steadily. The number of unique users tells us the number of individuals who engage with the NCSL portal at least once during a month. During 2004-05, the number of unique visitors averaged 55,000 per month. This huge increase is partly attributable to the increasing number of members of the Learning Gateway.

The Learning Gateway represents a unique and innovative use of learning technologies and e-learning best practice, modelling the kind of personalised learning experience that schools are striving to offer pupils. It supports the leadership development of school leaders and provides a showcase of e-learning best practice which encourages them to think about applying technology within their own teaching. School leaders can:

- access extensive online learning resources
- personalise, track and manage learning
- meet online communities of school leaders, policy-makers and researchers and offer and receive support, knowledge and best practice
- access information, tools, resources, research and links for managing and leading a successful school
- apply for NCSL programmes

By September 2003, the Learning Gateway had hosted three NCSL programmes. During 2004-05, additional programmes were brought into the Learning Gateway and by the end of 2005, all College programmes will be accessed through it. As a consequence, registrations through Learning Gateway have grown rapidly in the past 12 months. There are currently over 21,000 users registered, an increase of 137 per cent over the previous year, including over 9,800 secondary and 8,300 primary participants from 17 different ethnic groups.

Key points in 2004-05 Online networking and support

- 91 per cent of Leading from the Middle participants are comfortable or very comfortable using the Learning Gateway to access online learning.
- 68 per cent of respondents felt confident that online learning is equal to or better than more traditional methods of delivery.
- Learning Gateway registrations have increased by 137 per cent since 2003-04.
- Learning Gateway won the 2004 E-government National Award in the strategic planning and achievement category.
- talk2learn was a finalist in the Government Computing BT awards for innovation.
- talk2learn membership now stands at 60,000.
- During 2004-05, the number of unique visitors using the NCSL web portal averaged 55,000 per month.

Talk2learn is a key component of the Learning Gateway. It offers school leaders a potentially revolutionary resource, providing access to a confidential network of colleagues, experts and policy-makers. In December 2004, we launched totally revised talk2learn software. This has improved system administration, integrated talk2learn with the registration process, improved scalability and provided a more powerful set of online collaborative tools.

Our talk2learn hotseats enable school leaders to debate, discuss and share ideas with experts and policy-makers. During 2004-05, David Miliband, Charles Clark and David Bell all made contributions to our forum, DfES in Dialogue.

During 2004-05, the College was commissioned by DfES to develop and launch an online package of support and training in response to the requirements of recommendations 16 and 17 of the Bichard Inquiry Report, which relate to ensuring that the importance of safeguarding children is taken into account in the recruitment and selection of staff to schools.

The purpose of the online training is to help raise awareness amongst headteachers and school governors of the need to put in place a robust recruitment and selection process that ensures that child safety is taken into account.

Access to the training package will be rolled out incrementally so that all headteachers and one governor in the maintained sector can access the package by January 2006.

Networked Learning Group

During this third year of the programme, the Networked Learning Group (the Group), its critical friends and research partners and, most important of all, Networked Learning Communities themselves, have been gathering data and evidence about the opportunities, challenges and implications for schools and school leaders about leadership in a network-based school system.

The Group's core challenges have been to garner the learning from the programme, to 'mainstream the lessons learned' (as set out in the remit letter) and to work in partnership with the DfES Innovation Unit to look at the implications of a network-based system on the role of local authorities. Activities have therefore been focused primarily around three related areas:

- Primary Strategy learning networks (PSLNs)
- The LEarning project
- Networked learning communities

Primary Strategy Learning Networks

Excellence and Enjoyment: a strategy for primary schools, published in May 2003, recognised the contribution of networks to building capacity in schools and introduced an entitlement for all primary schools to be part of a learning network. Included in Excellence and Enjoyment is a commitment to making the opportunity to be part of an effective school-to-school network available to all primary schools by 2008.

The specific aims of PSLNs are to:

- raise standards in literacy and mathematics
- increase the capacity of schools to deliver a rich, broad curriculum

PSLNs provide a key opportunity for groups of primary schools to work together to develop and improve, and in particular, to learn from other teachers and schools how to offer better teaching and learning and raise pupils' attainment. By March 2005, 1,441 statements of intent had been received online from about 8,000 schools in 131 local authority areas. It is anticipated that 1,500 groups of schools or PSLNs will be formed during 2005-06. The Networked Learning Group's role has been to work in partnership with the Primary Strategy team to ensure that learning transfers to the strategy, and actively to promote and support effective implementation of this significant initiative.

The LEarning project

Working regionally with local authorities to look at the school leadership implications of the Every Child Matters (ECM) agenda has become an even more urgent and strategically significant priority for NCSL.

The LEarning project was set up early in 2004 with support and funding from the DfES Innovation Unit. It is a component of a wider collaboration between the Networked Learning Group and the Innovation Unit (entitled the Networking and Collaboration Project), which was initiated to work on three key strategic areas of support for a network-based system:

- policy development
- knowledge management
- capacity-building

The initiative has already engaged 19 local authorities (LAs), identified by the DfES as then representing some of the most advanced authorities, all of whom accepted an invitation to participate in a learning network. The intention is not only to help LAs develop their capacity to support networks of schools and other agencies, but also to increase and share knowledge about effective ways of building such collaborative capacity – in other words, to build networks internal to LAs and learning networks between LAs. Currently, the work is being shared more widely across the system.



Teachers feel more confident learning from fellow practitioners. The tools used in implementing assessment for learning and the enquiry-driven networked processes of adult learning have led teachers to develop new skills in managing and developing learning in their classrooms.



Teacher, *School Leadership 2005*

Key points in 2004-05

Networked Learning Group

- There are now 135 networked learning communities, comprising 1,533 schools distributed across 90 local authorities in England.
- Our networked learning communities programme is the largest established network-based school improvement programme in the world.
- 19 local authorities are involved with the LEarning project.
- NCSL is now supporting the initiation and implementation of 1,500 Primary Strategy learning networks (PSLNs). By March 2005, 1,441 statements of intent to join a PSLN had been received from around 8,000 schools in 131 local authorities.
- Standards of achievement in primary schools in networked learning communities improved at a rate above the national norm during 2003-04.

Networked Learning Communities

NCSL's Networked Learning Communities (NLC) programme comprises more than 130 networks of schools, committed to raising standards and improving opportunities for pupils through collaborative practice. Schools are working in partnership to enhance the quality of pupil learning, professional development, and school-to-school learning through enquiry-oriented learning approaches. The networks also work in partnership with LEAs, higher education institutions (HEIs) and the wider community.

There are a number of ways in which our networked learning communities are making an impact in the classroom.

- Network activity is seen as encouraging schools to take a fresh look at their understanding of, and approaches to, lesson and learning design. Many networks are committed to collaborative planning at an individual or subject level and are focused on practical, classroom-based activity.
- Networked learning communities are seen as enabling practitioners to gain first-hand, practical experience of a broader range of learning environments, the different issues involved in personalised learning and the strategies available to deal with them.

- Practitioners in networks feel able to use NLC membership to enhance their understanding and use of externally generated programmes and strategies.
- Engagement with enquiry activity is significant in changing teachers' views of their pupils and their capabilities.

In terms of outcomes, the 2004 Key Stage results showed gains for NLC schools in advance of non-NLC schools. In addition, there were some very significant gains made in networks populated by schools with high proportions of pupils in receipt of free school meals.

Objective D: A dynamic workplace

Provide a challenging, supportive and dynamic place to work which demonstrates the qualities of a learning organisation.

Following three years of expansion, it was appropriate that 2004-05 should be characterised by a root and branch assessment and review of NCSL systems and processes to ensure that they are capable of delivering the government's challenging agenda. This section identifies the outcomes from two major reviews and progress by the College in implementing both these outcomes and the objectives contained in our draft 2004–08 Corporate Plan.

In November 2003, DfES commissioned a financial management survey of the College, from which a number of actions arose. These included:

- clarification of the relationship between the College and DfES, including the role of governing council
- improved co-ordination and communication in relation to the commissioning and funding of College activities
- development of an Activity Based Costing model
- greater challenge to improve performance and reduce costs
- ensuring that corporate support capacity is appropriate to the College's needs
- enhanced financial management and procurement procedures and guidelines
- improved monitoring and reporting arrangements

In January 2004, a comprehensive review of the delivery chain linking DfES leadership policy, NCSL and schools, was carried out by a team comprising independent consultants, College staff and DfES officials. The Report of the Review Steering Group, which built on the recommendations contained in the Financial Management Survey and which was presented to DfES in April 2004, contained further recommendations for action by the College.

During 2004-05, we made significant progress in implementing these recommendations. We have reviewed the structure, membership and operation of governing council and developed a new framework for encouraging challenge. We have also established internal bodies to scrutinise and challenge our recruitment and procurement activities.

In order to provide a clearer assessment of the impact of College activities, we have been working with DfES to develop a number of high-level key performance indicators. Taken together, these indicators form a 'Balanced Scorecard' that will enable us to benchmark our performance in a number of critical areas, act as a high-level external reporting mechanism, and provide the means for agreeing team and personal targets. As part of this process, we will continue to work with DfES, Ofsted and other key stakeholders to determine the links between leadership and educational attainment in schools.



The College has been instrumental in developing school leadership in this country, and this review and its recommendations will set the pace for the next phase of its growth. There is a crucial need for this work, in order to generate the quality of leadership in schools that will develop the potential of pupils today and in the future. The vision of the DfES is that the College will be a powerhouse of innovation and development for school leaders, that draws on the best in the education both nationally and internationally, to develop a high-performing, self-improving system.



Professor David Hopkins,
Chief Adviser on School Standards,
2004

The review also recommended that we clarify the role of our affiliated centres in the context of a move towards full commissioning of the design and delivery of our core programmes. Following extensive consultation, a decision was reached that the nine affiliated centres would only be funded by the College until August 2005. This was approved by a joint NCSL and DfES meeting in February 2005 and the College has been working closely with them to develop closure plans and agree any additional support that we might provide.

The College has begun the process of commissioning leadership development programmes. This has involved specifying the desired outcomes, design principles and quality assurance measures from providers, but not prescribing the content in detail. This will enable us to harness the latest thinking and methodologies and increase responsiveness to local needs.

Throughout 2004, we have been working closely with DfES to develop a more coherent relationship, which is now enshrined in the latest joint Management Statement. We have also ensured that diversity is now at the heart of all of our processes. All NCSL staff have attended diversity workshops and we monitor the application of diversity principles in all areas of College activity.

We continue to develop the effectiveness of our staff as a key element of our Investors in People status: our performance management system and staff development strategy are now embedded in the College and we have improved internal communications through a refurbished intranet and by more effective use of video-conferencing.

In line with the commitment in our draft Corporate Plan, we have begun the process of implementing our Continuous Quality Improvement (CQI) policy both internally and with our delivery partners. The information derived will provide evidence for measuring the impact of our activities and will inform production of the Balanced Scorecard. Further work may be needed in 2005-06 to more closely align the policy with the new commissioning model.

Arising from the actions contained in the Financial Management Survey, we have developed an Activity-Based Costing model to enable us to cost our programmes and activities more accurately and to better understand whether we are achieving value for money. We continue to ensure that value for money is achieved in our procurement activities through application of the government's Gateway process.

Our finance team has developed measures for benchmarking our efficiency against other organisations and we have reviewed our costing methodologies so that we can compare ourselves more accurately with other training providers to ensure that our customers and contractors get a fair deal. As part of the Gershon Efficiency Review, we have identified savings that can be handed back to the Department. The College secured an unqualified external audit opinion on our statutory accounts.

The NCSL Risk Management Strategy was formally accepted by the Audit Committee of the College in mid-2004 and then subsequently signed by the Chief Executive. The strategy outlines how the leadership of the College intends to manage risk. It describes the four important elements – how the College will identify, assess, address and review, and report on its risks. In addition, it also clarifies the various roles and responsibilities important in the management of our business risks.

The College is also continuing to look carefully at how we might improve our corporate understanding of the importance of risk management through employee induction and corporate communication and in addition is building upon earlier work to improve upon our corporate performance monitoring systems with regard to the way in which we identify, assess, address and review operational risks associated with the delivery of our programme activity.

The College has in place a charging policy governing the contribution levels of participants on our programme activities and therefore the direct subsidy of this activity provided by the College. Given the public sector funding pressures, the College clearly needs to ensure that its subsidy policy is affordable and supports the corporate strategy of NCSL. This picture is further complicated by the College's strategy to move toward commissioning our leadership development programmes. Contracts for the first tranche will be awarded by June 2006 for delivery by September 2006.

Given this backdrop, NCSL will be reviewing its current subsidy policy over the coming months, the intention being to have determined its future policy in this regard by the beginning of the summer term 2006.

The College's marketing strategy has focused on maintaining and enhancing corporate reputation and maximising the take-up of activities and involvement with the College by customers and stakeholders. The NCSL brand is now widely recognised as being of very high quality and well-respected. The annual opinion survey shows how our reputation has grown and how the College is regarded extremely positively by school leaders. The College's reach has also increased significantly as a result of marketing activity, with the numbers of school leaders who have engaged with the College reaching new levels. Our first national conference for all school leaders, *Seizing Success*, was also successfully launched and amongst the many highly rated marketing activities, our corporate magazine, *Ldr*, again featured in national awards.

Objective E: Evaluate impact

Demonstrate the impact of NCSL on school leadership and progress towards achieving our goal.

Providing evidence of the impact and effectiveness of the College has been a continuing focus of our activities during 2004-05, as we continue to refine and improve both our practices and the processes we use. We want to have a significant impact on the quality of education – and we want to be able to measure it.

This section summarises the progress we have made and describes the strategies that have been adopted for examining our impact on leaders, schools and the school system. A detailed analysis of our impact, which is contained in *School Leadership 2005*, is organised around six levels of impact:

- reach
- engagement
- learning outcomes
- application
- improvements in schools
- changes to the school system

Reach

NCSL's reach is continuing to grow. During 2004-05, well over 35,000 leaders participated in College programmes and activities and when publications and web contacts are included in the analysis, the reach is even greater. A brief analysis reveals a wide geographical distribution of involvement across the country, more female than male participants and greater representation from primary school leaders.

Use of the web portal has increased by almost 500 per cent over the past 12 months.

This is partly attributable to the number of Learning Gateway registrations, which has risen by 137 per cent over the previous year. Currently, there are over 20,000 individuals registered on the Learning Gateway, including over 9,800 secondary and 8,300 primary participants from 17 different ethnic groups. The registrations are drawn from 155 LEAs.

Engagement

Participant reactions to engagement in College activities throughout the year have been overwhelmingly positive. Evaluation evidence indicates that experiences are consistently rated by participants as having satisfied or exceeded their expectations. There is also evidence of increasing engagement with the College from business and other sectors of the education system through for example, the Bursar Programme, Partners in Leadership programme, the College's community programme, the new National Professional Qualification for Integrated Centre Leadership and the LEARNING project.

The Learning Gateway has proved to be an important means of increasing engagement with the College and its programmes. Research has shown that 91 per cent of respondents are comfortable or very comfortable about using it to access online learning, 83 per cent find it easy to use and 80 per cent were very or quite satisfied with it as a delivery method for online learning.

Building relationships has been a central feature of our engagement with the wider community.

We believe that securing a system characterised by high equity and excellence cannot be achieved without schools extending their reach, influence and resources to the wider local and professional community. The delivery of bespoke programmes has contributed to building capacity and developing relationships with LEAs, an important aspect of our remit. We have also developed bespoke versions of the Consultant Leader Development Programme for LEA advisory staff, for consultant headteachers working with the Youth Sports Trust and heads working with LEAs.

Learning outcomes

Evidence from internal and external evaluations indicates that those who participate in College programmes and activities derive considerable benefit from the experience. There is evidence of changes in leadership behaviours, increased knowledge, understanding and awareness of the latest thinking about leadership, improved skills, and greater confidence and clarity with regard to their vision and values. Participants also suggest that they return to school with increased enthusiasm and a recognition of the importance of learning.

Other benefits cited by participants include the opportunity for critical and constructive reflection on their own practice.

Application

There is extensive evidence that participants are using the ideas, skills and processes learned during College activities with their senior leadership teams and other colleagues.

A number of heads are now employing some of the techniques to which they have been introduced, to challenge staff, sharpen thinking and to help prioritise school issues.

Participants on the Consultant Leader Development Programme describe how they have used the knowledge, skills and expertise gained in a wide range of contexts, including their own schools, working with other headteachers, and in LEA projects. More than 50 per cent are using their consultancy status in their local LEA and a number in the south of England are supporting the London Challenge initiative.

Participants in Leading Practice seminars anticipate actively applying what they have learned, with 94 per cent believing it would have an impact on their personal and professional practice and 69 per cent stating that it would have an impact on either the culture of their school or the learning of their students.

Other areas where there is evidence of application include the work of our Leadership Network members, who have been working on strategies to reduce in-school variation. There is evidence of increased application of ICT and web-based materials, and participants in the New Visions Programme for Early Headship have reported developing school learning policies, shared leadership and changing leadership structures in their schools.

We recognise, however, that there is still more that the College can do to ensure that our programmes and activities contribute effectively and efficiently to school improvement. This is a key focus for the College throughout 2005-06.

Key points in 2004-05 Learning Outcomes

- 90 per cent of participants on our Established Leaders pilot programme felt it had increased their leadership skills and knowledge and boosted their confidence and competence as school leaders.
- 68 per cent of Leading from the Middle participants have greater confidence as a team leader.
- 94 per cent of International School Leader Placement programme participants report increased leadership skills and knowledge.

Improvements in schools

There is a growing body of evidence linking school improvements with involvement in College programmes and activities. Evidence of the impact of the College is gathered both internally and externally. A DfES-commissioned project during 2004 on the State of School Leadership by MORI has repeated an investigation previously undertaken in 2001 by the University of London Institute of Education and provides evidence of the increased impact of the College over time.

Improvements noted include development of the school culture, impact on colleagues, changes in pupils' levels of engagement and in some contexts, improved standards of achievement. There is also evidence of reorganisation and development of existing organisational systems and structures, especially in monitoring and evaluation.

The most significant evidence of effects on pupils' standards of achievement is reflected in the work of some of the College's strategic initiatives. For example, in the Primary Strategy Leadership Programme, analysis of the 2004 Key Stage 2 results indicated that Primary Strategy Leadership Programme schools improved their performance in English by 2.4 per cent (other schools 1.8 per cent) and in mathematics by 2.0 per cent (other schools by 1.2 per cent).

This was a small but significant improvement and was particularly pleasing given that the programme was not designed just as a short-term intervention strategy. The programme made a significant contribution to standards of attainment moving off the plateau.

In the London Challenge, participating schools have made greater gains than the rest of English schools, and by 2004 the London GCSE average was above the national average.

London Key to Success schools have made a greater gain between 2003 and 2004 and over the four years from 2001 to 2004, compared with the changes in other schools. Schools with involvement in four or more strands of the London Leadership Strategy involvement show higher GCSE gain scores than other schools.

It is also the case that primary schools working in networked learning communities (NLCs) have shown higher gains at Key Stage 2 than non-NLC schools at levels 4 and 5 in English, maths and science. These improvements are small (less than 1 per cent), but are statistically significant.

Further gains of this kind are beginning to emerge from Leadership Network schools involved in the Within-School Variation project. All schools involved in the project report significant developments, such as greater levels of pupil engagement (as in the case of the school focusing on A-level students), pupil achievement in specified areas (such as writing), and in teacher learning and cultural change.

Throughout the year, we have developed a number of strategies for studying the impact of the College. We have established an impact investigation team to follow up the impact of participation in College programmes when leaders return to their schools. The College has also published *Ideas with Impact* (NCSL, 2004) which reports on the success and impact of NCSL's strategic initiatives.

We have employed a variety of strategies to investigate the impact of participation with the College on leadership development. All evaluations, both internal and external, focus on evidence of impact. We have developed coherent quality assurance processes within and between programmes and a generic end-of-programme evaluation form. These processes are enabling us to gather consistent data for specific programmes and across programmes.

We have undertaken investigations of the impact of our work beyond the programme or event. During 2004-05 the focus of our impact investigation team has been on the Leading from the Middle programme. The team has observed a sample of celebration events, analysed the structure and content of a sample of leadership focus reports and visited a sample of Leading from the Middle graduates in their schools to explore the impact of their experience. In addition, they have undertaken case studies of a sample of consultant leaders.

Members of the impact team also participated in a seminar for the College's leadership team led by the Prime Minister's Delivery Unit (PMDU). This introduced their rapid review process and applied it to an aspect of Leading from the Middle. Also, as a result of the evidence of improved achievement resulting from the involvement of schools in the Primary Strategy Leadership Programme, a PMDU-style investigation was undertaken into the factors related to the effectiveness of the Consultant Leader Development Programme.

We are also able to demonstrate the progress of the College since its inception through the series of School Leadership reports and the RBA studies which have been undertaken over the last five years.

The results of the RBA study provide evidence of the progressively increasing impact of the College in relation to the extent to which it is seen as supporting school leaders, is a resource for school leaders, offers a dynamic range of programmes as well as whether the College is seen as being involved in shaping educational policy or a leading contributor to school improvement nationally.

One of the most important strategic developments for reporting on the impact of the College is the work that has been undertaken this year on developing a balanced scorecard to summarise the College's achievement and to set targets for its future activity. This was a proposal that emerged from the College's end-to-end review and has been developed through close partnership with DfES and members of the review team. This will provide an annual summary of the College's achievements in four main domains:

- outcomes and impact
- stakeholder and customer perspectives
- organisational development and learning
- organisational efficiency

Changes to the school system

The College's contribution to system leadership has been another key development during 2004-05. Evidence from the Chief Inspector's Report suggests that the system is improving and has in place many of the preconditions for further improvement, but that for this to happen, there needs to be an increased focus on the development of middle leaders, and improvements in school self-evaluation, assessment and management.

The College has contributed to system development through its advocacy of a range of key processes including:

- networking
- collaboration
- leadership being learning centred and oriented to improving teaching and improving standards of achievement
- distributed leadership
- leadership and management being increasingly team-based
- coaching being used to develop capacity in schools and across the system
- the importance of community involvement
- the use of highly successful leaders to support other leaders through consultancy and executive leadership

The work of the Consultant Leader Development Programme, Primary Strategy consultants, Primary Strategy learning networks and our strategic initiatives are all ways in which the College is contributing to policy implementation and broader system developments.

DfES and Capita have been working with our Networked Learning Group to assist in the design, planning and delivery of the Primary Strategy Learning Networks, and the new National Professional Qualification for Integrated Centre Leadership (NPQICL) is a response by the College (and other agencies) to the system needs generated by the Every Child Matters agenda.

Consultant leaders now contribute significantly as facilitators to a range of College programmes, including NPQH, Leading from the Middle, and to the Primary and London Leadership Strategies. The Networked Learning Group has made a major contribution to the development of the Primary Strategy learning networks and the College's Leadership Network has engaged in discussion with ministers about the practical implications of policy proposals. In addition, our online hotseats have provided a valuable means by which ministers can engage in debate with the profession on policy developments.

Our Executive Leadership pilot programme aims to develop a cadre of highly effective and experienced school leaders with the knowledge, skills and confidence to contribute to the educational policy agenda. It is expected that participants will be in a position to make a significant contribution to the debate on the future of school leadership, and to influence and inform system change.

Ultimately the aim of all of this activity is the College's aspiration for 'every child in a well-led school, every leader a learner'.

Accounts for the year ended 31 March 2005

Company information

Directors serving during the year

	Appointed	Resigned
R Greenhalgh (Chair)	25 September 2000	31 August 2004
V Treves (Chair)	1 September 2004	–
Y Bevan	25 September 2000	24 September 2004
B Bigland	25 September 2003	–
M Britt	1 January 2003	–
I Hall	6 November 2002	24 September 2004
B Hodson	5 February 2001	13 February 2005
T Mackay	25 September 2000	–
H Mitchell	21 February 2001	–
L Neal	14 February 2003	–
D Nightingale	14 February 2003	–
H Paterson	6 November 2002	–
D Patterson	6 November 2002	–
V Phillips	25 September 2000	24 September 2004
T Piggott	6 November 2002	–
T Salt	25 September 2000	–
P Stafford	25 September 2003	4 December 2004
M Taylor	6 November 2002	–
P Williams	15 February 2004	–

Company secretary

Eversheds

Registered office

1 Royal Standard Place
Nottingham
NG1 6FZ

Registered number

4014904

Head office

Triumph Road
Nottingham
NG8 1DH
www.ncsl.org.uk

Bankers

Office of HM Paymaster General
National Investment and
Loans Office
Russell Way
Crawley
West Sussex
RH10 1UH

Auditors

KPMG LLP
2 Cornwall Street
Birmingham
B3 2DL

Solicitors

Eversheds
1 Royal Standard Place
Nottingham
NG1 6FZ

Foreword to the accounts

Background information

The National College for School Leadership Limited (the College) was incorporated on 14 June 2000. It is an executive non-departmental public body (NDPB) sponsored by the Department for Education and Skills (DfES). It is a company limited by guarantee, having no share capital. The accounts have been prepared in accordance with an accounts direction issued by the Secretary of State for Education and Skills with the consent of HM Treasury. The full accounts direction is available upon request but in summary the direction requires the College to comply with the accounting and disclosure provisions of the Companies Act and UK Generally Accepted Accounting Practice (UK GAAP). In preparing the accounts the College has also paid regard to the guidance Executive NDPBs: Annual Reports and Accounts Guidance 2004/05 issued by HM Treasury.

Principal activities

The College's objective is to raise educational standards and aspirations by providing facilities for the training and support of headteachers, deputies and other school leaders.

The College is governed by a board of non-executive directors (otherwise referred to as the governing council) appointed by the Secretary of State for Education and Skills. Executive management is provided by the College's Chief Executive and a leadership team of six executive staff members.

Results and financial performance

The primary financial objective was to achieve a small operating surplus. This was achieved, the College showed a surplus of £1.2million for the year, before Financial Reporting Standard (FRS) 17 pensions adjustments. The company is a not for profit organisation and its constitution prevents it from paying a dividend.

During the year, the College took the decision to adopt early the full provisions of FRS 17. This has resulted in a prior year adjustment being made to the accounts, the full effect of which is disclosed in note 15.

With effect from 1 April 2005, the hosting of the National Remodelling Team (NRT) was transferred to the Teacher Training Agency (TTA). This has been disclosed as a discontinued activity within these accounts.

Future developments

The College produced a four-year corporate plan for the period 2003 to 2007 announcing an ambitious plan to be the world's most powerful force in school leadership. The College intends to press forward and build upon the excellent progress made during the last financial year, continuing towards our strategic goal of developing the learning and conference centre to become an internationally renowned leadership development facility.

The College is undergoing a period of change as it moves towards commissioning out the majority of its programme design and delivery during 2005/06.

The three-year funding of the Networked Learning Communities ends during 2005/06 and preparations are being made to manage this and the College's withdrawal from the Cranfield premises.

Fixed assets

Note 8 to the accounts details fixed asset additions and disposals during the year.

Research and development

Significant resource was devoted towards research and development activities during 2004/05. A total of £3.1 million was spent on this work compared with £1.9 million in 2003/04. Prior to 2004/05 salary costs amounting to approximately £1 million were not allocated as research expenditure. Research work included a programme of visiting associates, examination of worldwide best practice, Leading Practice seminars and commissioned research.

Pension arrangements

Note 21 to the accounts details the College's pension liability and arrangements.

Post balance sheet events

There were no post balance sheet events.

The governing council

The following people served during the year:

Chair

Richard Greenhalgh (until 31 August 2004)
Chair, Unilever UK

Vanni Treves (wef 1 September 2004)

Directors

Yasmin Bevan
Headteacher, Denbigh High School

Brenda Bigland
Headteacher, Lent Rise Primary School, Reading

Matthew Britt
Headteacher, St Mary's Lewisham CE Primary School

Iain Hall
Consultant and former headteacher, Parris Wood Technology College

Beverley Hodson
Former Managing Director, WH Smith UK Retail

Tony Mackay
Director, Centre for Strategic Educational Thinking, Melbourne, Australia

Hugh Mitchell
Group HR Director, Shell International, The Hague

Linda Neal
Senior Principal Consultant, Cambridge Associates

Diane Nightingale
Headteacher, Hounslow School, Totton

Helen Paterson
Chief Inspector of Schools, Solihull

David Patterson
HR Consultant and Director, Bioss International

Vicki Phillips
Secretary of Education, Portland, Oregon

Terry Piggott
Director of Education, Rochdale

Toby Salt
Headteacher, St. Anthony's (special) School, Chichester

Patricia Stafford
Non-Executive Director, Inland Revenue, and Governor, Luton University

Martin Taylor
Former headteacher, and Chief Executive, NHS Trust

Peter Williams
Senior Manager (Customer Services UK and Europe), T-Mobile

Ex officio

David Normington
Permanent Secretary, Department for Education and Skills

Heather Du Quesnay
Director and Chief Executive, National College for School Leadership (until 31 January 2005)

Stephen Munby
Director and Chief Executive, National College for School Leadership (wef 25 March 2005)

David Bell
Her Majesty's Chief Inspector of Schools in England

John Beattie
Chair, General Teaching Council for England (until August 2004)

Judy Moorhouse
Chair, General Teaching Council for England (wef 1 September 2004)

Michael Gibbons
Head of Innovation Unit, Department for Education and Skills

Stephen Hillier
Director, School Workforce Unit, Department for Education and Skills

David Hopkins
Chief Advisor for School Standards, Department for Education and Skills

Management

During the year, following public advertisement, the DfES appointed a new chief executive. Steve Munby took up post on 25 March 2005.

Vanni Treves took up his three-year appointment as Chair of the governing council on 1 September 2004. He receives an annual remuneration of £40,000.

Charitable and political donations

There were no charitable or political donations during the year.

Disabled employees

The College is committed to a policy of equal opportunities. Disability is not regarded as a bar to recruitment or advancement and selection is based on merit. The office accommodation at all of the College's sites is equipped to accommodate the needs of people with disabilities and complies with the requirements of the Disability Discrimination Act.

Employee involvement

Staff involvement is actively encouraged. Means of employee communication include regular team meetings, internet communications and fortnightly briefings for all staff. A number of cross-office working groups have been established to encourage participation of staff and improved methods of working. The College holds an annual staff conference.

Equal opportunities

The College is an equal opportunities employer. The College has an equal opportunities policy, which is in line with best practice and has been approved by the DfES. During 2004/05 the College has run diversity training for all staff.

Prompt payment

The College is committed to complying with the principles of the Better Payment Practice Code and monitors performance on a monthly basis, taking measures where indicated to improve compliance.

Auditors

In respect of the year ended 31 March 2005 the College's external auditors KPMG LLP, in addition to the statutory audit, have provided advice on the College's tax liability and supplied interim staff. The College's internal audit service has been provided by PKF who have not undertaken any other work for the College.

Going concern

The accounts have been prepared on a going concern basis as the governing council believe that the College will continue in operational existence for the foreseeable future. The Secretary of State for Education and Skills has provided a remit for the next five years of the College's operation and has confirmed a baseline budget of grant funding of £99 million in 2005/06.

Elective resolution

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

Signed by order of the board by:
H Mitchell, Director
Dated: 25 August 2005

Approved by:
S Munby, Chief Executive
Dated: 3 August 2005

Statement

of governing council members' and Accounting Officer's responsibilities

Under Section 227 of the Companies Act 1985 (the Act) the College's directors are required to prepare a statement of accounts for each financial period in the form and on the basis set out by the Act. The accounts direction, which is issued by the Department of Education and Skills, requires the company to comply with the accounting and disclosure provisions of the Companies Act and UK Generally Accepted Accounting Practice (UK GAAP).

The accounts are prepared on an accruals basis and must give a true and fair view of the College's state of affairs at the period end and of its income and expenditure, total recognised gains and losses and cash flows for the financial period.

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the surplus or deficit for that period. In preparing those accounts, the directors are required to:

- observe the accounts direction issued by HM Treasury, including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed and to disclose and explain any material departures in the accounts
- prepare the accounts on the going concern basis, unless it is inappropriate to presume that the organisation will continue in operation

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Secretary of State for Education and Skills has designated the Director and Chief Executive of the College as the Accounting Officer. The relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the Non-departmental Public Bodies' (NDPB) Accounting Officers' Memorandum, issued by HM Treasury and published in Government Accounting.

Statement

on system of internal control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the National College for School Leadership's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in the NDPB Accounting Officers' Memorandum.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide a reasonable and not absolute assurance of effectiveness. The College is designated a 'smaller' body by HM Treasury so it is important that the measures adopted are appropriate to the size, resources and complexity of the organisation.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of organisational policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The College continued to improve the system of internal control during the year ended 31 March 2005 and up to the date of approval of the annual report and accounts, and accords with the Treasury guidance.

Control procedures have been audited by the internal auditors during the year and found to be satisfactory.

Capacity to handle risk

The leadership team will keep the main risks under regular strategic review, whilst risk management and the consideration of risk have been incorporated into the corporate planning and decision-making process of the College. High-level information on risks and the management of risks will then be integrated with other key performance data and presented to the governing council.

We have already held an annual risk management workshop, attended by employee representatives from each group within the College. As a consequence we were able to identify the main risks and determine a control strategy for each.

We intend to build upon this initial work and continue to raise the profile of risk management within the College by making use of a range of media to disseminate information and best practice, including:

- the employee induction process
- NCSL intranet
- NCSL cross-college briefings
- risk workshops
- the performance monitoring process

The risk and control framework

The leadership team has formally agreed a risk management strategy for the College which discusses the attitude of the College towards risk and articulates how the management of risk will be driven. Many of our risks are in new and developing areas and our knowledge of their potential likelihood and impact is sometimes limited. In such cases we will implement a precautionary approach where appropriate.

The College has completed the process of identifying the main risks that may affect the organisation, capturing essential information within a risk register against which each risk has a clearly identified owner. In respect of each risk we have undertaken a process of assessment, risk rating, impact consideration, a review of control measures and contingencies.

Risk management is a dynamic process – new risks will be identified, some will be terminated, contingency plans and control measures will need to be updated in response to changing internal and external events, and our assessment of likelihood and impact will also need to be reviewed, particularly in the light of our own management actions. This process operates under the guidance of the leadership team and risk management group.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the College who have responsibility for the development and maintenance of the internal control framework, and comments by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the board and the Audit Committee and a plan to address any weaknesses and ensure continuous improvement of the system is in place.

In 2004/05 the following key internal control measures were in place:

- a system of delegation of authority with defined revenue and capital spend authorisation limits
- regular reviews by the leadership team of periodic financial reports which indicate financial performance against forecasts
- an internal audit service and an annual internal audit report providing an independent opinion on the adequacy and effectiveness of the College's system of internal control

- an Audit Committee to review the work of internal audit and provide regular reports to the governing council
- a comprehensive budgeting system with an annual budget which is reviewed and agreed by the Finance and General Purposes Committee of the governing council
- regular review of the system of internal control through reports of the internal and external auditors and an annual review by the Audit Committee of the effectiveness of the College's system of internal control
- the governing council receives periodic reports from the chairman of the Audit Committee concerning internal control
- receipt of regular reports from project managers on the steps they are taking to manage risks in their areas of responsibility including progress reports on key projects and progress towards corporate plan objectives

S Munby, Accounting Officer

Dated: 3 August 2005

Independent auditors' report

to the member and directors of The National College
for School Leadership Limited

We have audited the accounts on pages 31 to 48.

This report is made solely to the company's member in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's member for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Directors, the Chief Executive and Auditors

The Directors are responsible for preparing the Foreword and, as described on page 26, the Directors and Chief Executive are responsible for the preparation of accounts in accordance with the United Kingdom's Companies Act 1985, applicable accounting standards, and Secretary of State for Education and Skills' accounts direction and for ensuring the regularity of financial transactions. The Directors and Chief Executive are also responsible for preparation of the Foreword and other contents of the Annual Report. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985, and Secretary of State for Education and Skills' accounts direction and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. We also report if, in our opinion, the Foreword is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We have read the other information contained in the Report and Accounts, and consider whether it is consistent with the audited accounts. We have considered the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

We have reviewed whether the statement of internal control on page 27 reflects the company's compliance with the Treasury's guidance 'Corporate Governance: statement on the system of internal financial control'. We report if it does not meet the requirements specified by the Treasury, or if the statement is misleading or inconsistent with other information we are aware of from our audit of the accounts. We are not required to consider whether the Directors' statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

Basis of audit opinions

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the accounts. It also includes an assessment of the significant estimates and judgments made by the Directors and Chief Executive in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error, and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinions

In our opinion:

- the accounts give a true and fair view of the state of affairs of the company at 31 March 2005 and of the surplus, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985 and Secretary of State for Education and Skills' accounts direction; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

KPMG LLP
Chartered Accountants
Registered Auditor
Birmingham
Dated: 25 August 2005

Income and Expenditure Account

For the year ended 31 March 2005

	note	Year ended 31 March 2005		Year ended 31 March 2004 (as restated)	
		£'000	£'000	£'000	£'000
Turnover	3				
From continuing operations					
Grant in Aid from DfES		94,532		85,017	
Other income		3,933		3,191	
		98,465		88,208	
From discontinued operations	4				
National Remodelling Team Grant		18,702		7,228	
Other income		–		190	
		18,702		7,418	
			117,167		95,626
Programme costs		(104,754)		(80,753)	
Infrastructure costs		(10,325)		(9,803)	
Contributions to provisions		(874)		–	
			(115,953)		(90,556)
Operating surplus before FRS 17 adjustments	5		1,214		5,070
Less Employers LGPS costs		4,399		694	
Current service cost		(1,110)		(916)	
Past service cost		(400)		–	
			2,889		(222)
Operating surplus					
From continuing operations			4,103		4,848
From discontinued operations					
–National Remodelling Team Grant			–		–
Operating surplus			4,103		4,848
Interest payable and similar charges (net interest on pension scheme)	21		113		(46)
Surplus after tax			4,216		4,802
Tax on surplus on ordinary activities	7		–		–
Surplus on ordinary activities after taxation			4,216		4,802
Notional capital charge			(395)		(86)
Surplus after notional capital charge			3,821		4,716
Add back notional capital charge			395		86
Accumulated surplus for the year	14		4,216		4,802

Statement of Total Recognised Gains and Losses (STRGL)

For the year ended 31 March 2005

		Year ended 31 March 2005	Year ended 31 March 2004
	note	£'000	£'000
Surplus for the year		4,216	4,802
Actual return less expected return on pension scheme assets		491	488
Experience losses arising on the scheme liabilities		(4,364)	–
Change in financial and demographic assumptions underlying the scheme liabilities		(1,381)	(329)
Total recognised (losses)/gains for the year		(1,038)	4,961
Prior year adjustment	15	(1,768)	
Total losses recognised since last annual report		(2,806)	

Balance Sheet

As at 31 March 2005

		2005		2004 (as restated)	
	note	£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	8		24,715		25,320
Current assets					
Debtors	9	2,484		6,375	
Cash at bank	10	18,193		5,336	
			20,677		11,711
Creditors: amounts falling due within one year	11	(18,773)		(11,988)	
Net current assets/(liabilities)			1,904		(277)
Total assets less current liabilities			26,619		25,043
Creditors: amounts falling due after more than one year	12	(23,777)		(24,289)	
Provisions for liabilities and charges	13	(874)		–	
Pension liability	21	(4,020)		(1,768)	
			(28,671)		(26,057)
Net liabilities			(2,052)		(1,014)
Capital and reserves					
Income and expenditure reserve (including pension liability)			(2,052)		(1,014)
Member's deficit	14		(2,052)		(1,014)

These accounts were approved by the board of directors and signed on their behalf by:

H Mitchell, Director

Approved by the board on: 25 August 2005

S Munby, Chief Executive and Accounting Officer

Dated: 3 August 2005

Cash Flow Statement

For the year ended 31 March 2005

	Year ended 31 March 2005	Year ended 31 March 2004
	£'000	£'000
Net cash inflow from operating activities	12,857	707
Capital expenditure		
Purchase of tangible fixed assets	(945)	(852)
Receipt of deferred capital grants	945	852
Increase in cash	12,857	707
Reconciliation of operating surplus to net cash flow from operating activities		
Operating surplus	4,103	4,848
Depreciation	1,498	1,177
Release from deferred capital grants	(1,550)	(1,177)
Net book value of assets transferred to TTA	52	–
Non cash pension charges	1,510	916
Decrease/(increase) in debtors	3,891	(4,791)
Increase in creditors	6,878	428
Increase in provisions	874	–
Cash payments made to offset pension liability	(4,399)	(694)
Net cash inflow from operating activities	12,857	707
Reconciliation of net cash flow to movement in net funds		
Increase in cash in the year	12,857	707
Change in net funds	12,857	707
Opening net funds	5,336	4,629
Net funds at 31 March	18,193	5,336

Notes to the Accounts

for the Year Ended 31 March 2005

1 Company status

The company is limited by guarantee and has no share capital.

The maximum liability of each member is £1. The sole member is the Secretary of State for Education and Skills.

The company is an executive non-departmental public body, sponsored by the Department for Education and Skills (DfES).

2 Accounting policies

The accounts have been prepared in accordance with the Companies Act 1985, applicable accounting standards and in accordance with a direction given by the Secretary of State for Education and Skills with the consent of HM Treasury. The particular accounting policies adopted are described below. They have been applied consistently in dealing with items considered material in relation to the accounts. The accounts have been prepared on a going concern basis for the reasons set out on page 25.

As permitted by section 226A(5) of the Companies Act 1985 (the Act) the directors have adopted a format for the income and expenditure account that differs from that prescribed by Schedule 4 to the Act as it is considered that the directors' presentation provides a more true and fair view of the College's activities. The directors have restated the information contained in the income and expenditure account and relevant notes as presented in the 2004 accounts as they believe this provides a more informative presentation. This had no effect on the result for either the current or preceding year.

2.1 Accounting convention

The accounts have been prepared under the historical cost convention, except for assets received from the DfES for which no consideration is paid, which are capitalised at their cost to the DfES.

2.2 Government grants

The College is funded mainly by Grant in Aid from its sponsor department, the Department for Education and Skills. Grant in Aid is received monthly and except as detailed below is treated as revenue being recognised upon receipt. Amounts used for the purchase of fixed assets are held as deferred income in creditors and released to the income and expenditure account in line with depreciation on the relevant assets.

Where the College receives funds from the DfES which are specifically earmarked for identified projects the income is recognised to the extent that expenditure has been incurred, any unspent income being taken to creditors as deferred income.

Where the College has provided training bursaries for individuals, a liability is recognised on the balance sheet to the extent to which it is expected the bursary will be used. Income and expenditure is recognised at the time the claimant becomes entitled to the bursary. The balance of funding attributable to individual applicants is held in a separate HM Paymaster account.

2.3 Grants paid

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

2.4 Leases

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

2.5 Value added tax

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

2.6 Fixed assets and depreciation

Assets with a purchase cost in excess of £2,500 are capitalised unless they are part of a recognised scheme in which case items with a lower cost are capitalised as distinct groups.

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

Land and buildings	over 50 years
Building improvements	over 10 years
Computer hardware and communications equipment	over 3 years
Computer software	over 2 years
Office furniture and equipment	over 3 years

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

2.7 Research and development

Research and development expenditure, including research grants, is written off as incurred.

2.8 Foreign currencies

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income and expenditure account.

2.9 Notional cost of capital

The notional cost of capital of 3.5 per cent on average capital employed during the year, excluding cash at bank and donated assets, has been shown in the income and expenditure account. Where the capital employed is represented by liabilities a negative charge or credit is shown. This is in line with HM Treasury guidance.

2.10 Pensions

College employees are eligible to become members of the Nottinghamshire County Council Pension Scheme, a defined benefit scheme. The College has fully adopted FRS 17 Retirement Benefits and the accounts have been restated by way of a prior year adjustment (see note 15).

2.11 Cash

Cash for the purpose of the cash flow statement comprises cash in hand and deposits repayable on demand.

3 Turnover

Other income included within turnover represents the invoiced value of goods and services supplied by the College in connection with its educational, research and vocational training activities.

4 Discontinued operations

The hosting of the National Remodelling Team (NRT) transferred to the Teacher Training Agency (TTA) with effect from 1 April 2005. NRT's costs and income are shown as discontinued operations on the income and expenditure account. Comparatives for 2003/04 have been provided.

5 Operating surplus

	2005	2004
This is stated after charging:	£'000	£'000
Depreciation of fixed assets	1,498	1,177
Auditors' remuneration		
Audit services – external auditors	39	35
Audit services – internal auditors	32	22
Other fees – external auditors – tax advice	4	2
– external auditors – other consultancy	11	87
– external auditors – provision of interim staff	26	23
Other fees – internal audit – VAT advice	–	8
– internal audit – interim staffing	–	33
Research and development expenditure	3,128	1,898
Operating lease payments – plant and equipment	1,420	826
Operating lease payments – other	755	597

6 Staff costs

	2005	2004
a)	£'000	(as restated) £'000
Wages and salaries of direct employees	8,345	6,215
Social security costs	766	604
Other pension costs	336	32
Contract and temporary staff costs	680	280
Seconded staff costs	602	547
LGPS current service charge	1,110	916
LGPS past service charge	400	–
	12,239	8,594

Salaries include gross salaries and performance bonuses payable. It does not include estimated monetary value of benefits in kind. Following the adoption of FRS 17, the employers pension cost in respect of the College's main pension fund, the Nottinghamshire County Council Pension Scheme, is charged directly to the pension liability in the balance sheet. The amount charged for the year was £4,399,000 (2004: £694,000).

b) The average number of employees during the year was made up as follows:

	2005	2004
Senior management (includes one secondee)	7	8
Other staff	217	173
Seconded staff	5	7
Agency, temporary and contract staff	19	12
	248	200

c) The College is a member of the Nottinghamshire County Council Pension Fund.

d) Directors' emoluments	2005 £'000	2004 £'000
Salaries	23	–

The Chair of the governing council is the only member of Council who receives emoluments from the College. Other members of the governing council, who are directors for the purpose of Company Law, receive no remuneration from the College. Expenses for attendance at meetings are reimbursed.

e) Information in respect of the remuneration and pension entitlements of the Chief Executive, who is not a director for the purposes of Company Law, and the individual salary and pension entitlements of the other senior managers have not been disclosed under the provisions of the Data Protection Act 1998 for the right to privacy of personal data.

7 Taxation

It has been agreed by the Inland Revenue that the College is currently exempt from taxation (other than value added tax) on its educational activities, and therefore no provision for current or deferred corporation tax is necessary.

8 Tangible fixed assets

	Land and buildings Owned £'000	ICT Owned £'000	Furniture and fittings Owned £'000	ICT, furniture and fittings Donated £'000	Total £'000
Cost or valuation					
At 1 April 2004	25,900	893	846	42	27,681
Additions at cost	252	685	8	–	945
Disposals	–	–	(152)	–	(152)
At 31 March 2005	26,152	1,578	702	42	28,474
Accumulated depreciation					
At 1 April 2004	1,181	715	423	42	2,361
Charge for the year	631	583	284	–	1,498
Disposals	–	–	(100)	–	(100)
At 31 March 2005	1,812	1,298	607	42	3,759
Net book value at 31 March 2005	24,340	280	95	–	24,715
At 31 March 2004	24,719	178	423	–	25,320

The disposals figure reflects the transfer of NRT assets to the TTA.

The tangible fixed assets were revalued during the year using the depreciated replacement cost method required by the Executive NDPB Annual Reports and Accounts Guidance. This was done using appropriate indices from the Office of National Statistics. The outcome of this revaluation did not significantly change the depreciated historic cost carrying value of the tangible fixed assets and therefore has not been reflected in these accounts.

On 7 June 2002, the College entered into a 99-year lease with the Department for Education and Skills for the use of a building sited on the Jubilee Campus of the University of Nottingham. No consideration was transferred by the College to the DfES in respect of this lease and the lease contains no provision for rental to be charged. Under the provisions of FRS 5, this building was capitalised at cost within the College's accounts to reflect the substance of the lease which confers the operational risk of the building to the College.

A corresponding entry was made to deferred capital grants within creditors and this creditor balance is being released to income in line with depreciation on the asset. During the year, the College made a payment of £1.3 million to the DfES in lieu of rent on a non-prejudicial basis. Discussions about the future arrangements for lease and associated rental payments between the DfES and the College are ongoing and expected to be finalised in summer 2005.

9 Debtors

	2005 £'000	2004 £'000
Trade debtors	1,317	613
Other debtors	16	4,172
Prepayments and accrued income	1,151	1,590
	2,484	6,375

10 Cash at bank

The College's cash balance at the year end can be analysed as follows:

	2005 £'000	2004 £'000
HMPG accounts	18,006	5,175
Nat West account for Headteacher Induction Programme	187	161
	18,193	5,336
Representing:		
Working balance	391	(1,068)
Year end accruals	7,143	4,570
VAT, PAYE and NI payable	271	321
Deferred grant – continuing operations	2,808	779
Deferred grant – discontinuing operations (NRT)	624	573
Receipts in advance	848	-
Headteacher Induction Programme grants	6,108	161
	18,193	5,336

11 Creditors: amounts falling due within one year

	2005 £'000	2004 £'000
Trade creditors	133	1,302
Other creditors including taxation and social security	6,279	3,733
Deferred capital grant	938	1,031
Accruals and deferred income	11,423	5,922
	18,773	11,988

12 Creditors: amounts falling due after more than one year

	2005 £'000	2004 £'000
Deferred capital grant – land and buildings	23,709	24,113
Deferred capital grant – other	68	176
	23,777	24,289

13 Provisions for liabilities and charges

	2005 £'000
Opening balance	–
Additions during the year	874
Amount used during the year	–
Balance at 31 March 2005	874

Provision has been made to provide for the identified early retirement costs of staff leaving the College. The liability at 31 March 2005 is based on individual pension entitlements and these are expected to become payable in the two years 2005/06 and 2006/07.

Provision has also been made for the costs, including redundancy, early retirement costs and estimated reinstatement costs of redeeming the lease of the Cranfield premises as a result of the end of the three-year funding of the networked learning communities. The costs have been established on the best available information.

A further provision has been made in respect of anticipated dilapidation costs in respect of other leased premises.

14 Income and expenditure reserve	2005	2004
	£'000	(as restated) £'000
At 1 April (as previously reported)	754	(4,316)
Prior year adjustment (pension liability)	(1,768)	(1,659)
	(1,014)	(5,975)
Surplus for the year	4,216	4,802
Movement from STRGL	(5,254)	159
Closing reserves	(2,052)	(1,014)

15 Prior year adjustment

During the year the College took the decision encouraged by accounting standards and adopted the requirements of FRS 17 (Retirement Benefits) early. Under the provisions of FRS 3 this constitutes a change in accounting policy and is therefore accounted for as a prior year adjustment. The effect of the prior year adjustment on the position previously reported at 31 March 2004 is shown below.

In 2005 the College made a one-off employer contribution payment of £3.5 million to the pension fund. Had the decision to adopt FRS 17 not been taken, this payment would have been required to be treated as a pension prepayment in line with SSAP 24 (accounting for pension costs). Given these requirements, the directors do not consider it practical to state the effect of the prior year adjustment on the financial position for the current year.

Income and expenditure account	2004	Prior year adjustment	2004
	£'000	£'000	(as restated) £'000
Income	95,626	–	95,626
Operating costs	(90,556)	(222)	(90,778)
Interest payable	–	(46)	(46)
Surplus for the year	5,070	(268)	4,802
Actuarial adjustments in STRGL	–	159	159
Total recognised gains for the year	5,070	(109)	4,961

Balance sheet	2004	Prior year adjustment	2004 (as restated)
	£'000	£'000	£'000
Fixed assets	25,320	–	25,320
Current assets	11,711	–	11,711
Current liabilities	(11,988)	–	(11,988)
Long-term liabilities	(24,289)	–	(24,289)
Pension liability	–	(1,768)	(1,768)
Total net assets	754	(1,768)	(1,014)
Reserves	754	(1,768)	(1,014)

16 Related party transactions

The College is a non-departmental public body and a company limited by guarantee. The guarantor is the Secretary of State for Education and Skills and thus is considered a related party. Grant in Aid income of £114,670,303 including National Remodelling Team funding was received from the DfES during the year: of this funding £3,213,182 in respect of Grant in Aid is held within deferred income at the year end.

The College invoiced the DfES for a further £2,427,308 for reimbursement of expenditure and other services rendered; £218,779 of the invoiced income has been deferred.

The directors I Hall and T Mackay were paid £92,168 (year end creditor £nil) and £39,870 (year end creditor £5,000) respectively, for consultancy services. Lent Rise Combined School, of which B Bigland, a director of the College, is headteacher, received funding of £1,175 in the year of which £nil was included within creditors at the year end.

The College requires staff to declare any potential purchases from suppliers with whom they may have a financial interest, prior to contracting. Where it is deemed acceptable for the purchase to proceed staff are not permitted to take any part in the contract negotiations with any related party.

The College paid £39,119 (year end creditor £6,000) to Mary Miles, spouse of Pete Anstey a member of the College leadership team.

The College paid £2,115 (year end creditor £nil) to Goddard Payne Consulting Ltd. Gene Payne, a senior manager of the College, was a director of the company at the balance sheet date.

The College paid £29,700 to Academy of Youth (year end creditor £nil). Maggie Farrar, a senior manager of the College, is a trustee of this charity.

The University of Nottingham is not a related party.

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

17 Material non-cash transactions

There were no material non-cash transactions.

18 Financial performance targets

The only financial performance target was to achieve a small operating surplus. This objective was met.

19 Operating lease commitments

At 31 March 2005, the College had annual commitments under non-cancellable operating leases falling due as set out below:

	2005 Land and buildings £'000	2005 Other £'000	2004 Land and buildings £'000	2004 Other £'000
Within one year	107	–	–	73
In the second to fifth years inclusive	213	3	542	745
	320	3	542	818

20 Post balance sheet events

There were no post balance sheet events.

21 Pensions

The College operates a defined benefit staff pension scheme providing benefits based upon final pensionable salary. The scheme is part of the Nottinghamshire County Council Pension Fund which is administered under the statutory framework of the Local Government Pension Scheme. The scheme is funded with assets held by trustees. The pension costs are assessed by a qualified actuary, on the basis of triennial valuations using the projected unit method.

The pensions costs are assessed every three years in accordance with the advice of a qualified independent actuary. The latest valuation is as at 31 March 2004. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuation	31 March 2004	
Actuarial method	Projected unit	
Market value of assets at date of valuation	1,503m	
Proportion of members' accrued benefits covered by the actuarial value of the assets	73%	
Salary scale increases per annum	4.25%	
Pension increases per annum	2.5%	
	Past service	Future service
Investment returns per annum		
– pre-retirement	7.35%	6.5%
– post-retirement	5.6%	6.5%

In addition to the regular contributions of £899,000, to reduce the fund deficit reported by the 31 March 2004 actuarial valuation, the College made a £3.5 million lump sum contribution to the fund. The pension liability of £4,020,000 shown on the balance sheet is as a result of the application of FRS 17 actuarial assumptions.

Contribution rates with effect from 1 April 2005	As a percentage of pensionable pay
– employers	9.8%
– employees	6.0%

FRS 17

The following information is based upon the full triennial actuarial valuation of the fund as at 31 March 2004, updated to 31 March 2005 by a qualified, independent actuary.

	31 March 2005	31 March 2004	31 March 2003
Inflation	2.9%	2.8%	2.5%
Rate of increase in salaries	4.65%	4.3%	4.0%
Rate of increase in pensions	2.9%	2.8%	2.5%
Discount rate for liabilities	5.4%	6.3%	5.4%

The assets in the scheme (of which the College's share is estimated at 0.9%) and the expected rates of return were:

	Long-term rate of return expected at 31 March 2005	Value at 31 March 2005 £'000	Long-term rate of return expected at 31 March 2004	Value at 31 March 2004 £'000	Long-term rate of return expected at 31 March 2003	Value at 31 March 2003 £'000
Equities	7.5%	9,811	7.5%	3,821	7.5%	1,774
Bonds	4.7 to 5.4%	2,852	4.7 to 5.5%	1,215	4.5 to 5.4%	722
Property	6.5%	2,217	6.5%	680	6.5%	412
Cash/liquidity	4.75%	310	–	–	–	–
Other	7.5%	310	4.0%	359	3.75%	124
Total market value of assets		15,500		6,075		3,032

	2005 £'000	2004 £'000	2003 £'000
College's estimated asset share	15,500	6,075	3,027
Present value of scheme liabilities	(19,520)	(7,843)	(4,686)
Deficit in the scheme	(4,020)	(1,768)	(1,659)

Analysis of the amount charged to the income and expenditure account

	2005 £'000	2004 £'000
Service cost	(1,110)	(916)
Past service cost	(400)	–
Total operating charge	(1,510)	(916)

Analysis of net return/(interest) on pension scheme	2005 £'000	2004 £'000	
Expected return on pension scheme assets	680	275	
Interest on pension scheme liabilities	(567)	(321)	
Net return/(interest)	113	(46)	
Amounts recognised in the statement of total recognised gains and losses (STRGL)	2005 £'000	2004 £'000	
Actual return less expected return on pension scheme assets	491	488	
Experience losses arising on the scheme liabilities	(4,364)	–	
Change in financial and demographic assumptions underlying the scheme liabilities	(1,381)	(329)	
Actuarial (loss)/gain recognised in STRGL	(5,254)	159	
Movement in deficit during year	2005 £'000	2004 £'000	
Deficit in scheme at beginning of year	(1,768)	(1,659)	
Movement in year:			
–Operating charge	(1,110)	(916)	
–Contributions	4,339	694	
–Past service costs	(400)	–	
–Net return/(interest) on assets	113	(46)	
–Actuarial (loss)/gain	(5,254)	159	
Deficit in scheme at end of year	(4,020)	(1,768)	
History of experience gains or losses	2005 £'000	2004 £'000	2003 £'000
Difference between the expected and actual return on assets:			
–Amount	491	488	717
–% of scheme assets	3.2%	8%	23.6%
Experience gains and losses on scheme liabilities			
–Amount	(4,364)	–	–
–% of scheme assets	28.2%	0%	0%
Total amount recognised in STRGL			
–Amount	(5,254)	159	(1,278)
–% of scheme liabilities	26.9%	2%	27.3%

**National College for
School Leadership**

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