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# Annual Report & Accounts

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Performance Review

2003 – 2004

# Contents

Introduction	2
Statement from the Chair and the Chief Executive	4
Objective A	6
Objective B	11
Objective C	13
Objective D	15
Objective E	16
 <b>Report and accounts for the year ended 31 March 2004</b>	
Company information	18
Foreword to the accounts	19
Statement of Governing Council Members' and Accounting Officer's responsibilities	21
Statement on system of internal control	22
Independent auditors' report	24
Income and expenditure account	25
Balance sheet	26
Cash flow statement	27
Notes to the accounts	28

# Introduction

**“The grit in the oyster... is leadership. We need leadership at all levels – from the top of schools to every teacher and every member of the school team – in helping every pupil to get the best out of their time at school.”**

Rt Hon Charles Clarke MP

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.

NCSL brings a national focus to school leadership and ensures that current and aspiring school leaders at all levels have the support, challenge, inspiration and recognition they need to make the nation's schools the best they can be.

In partnership with LEAs, higher education institutions, government agencies and training providers, we are working to join up thinking, provide continuity, fill in gaps in provision and raise the profile and esteem of school leaders.

## Purpose and values

We believe that all children have the potential to become successful learners. We believe 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 core purpose is to develop individuals and teams to lead and manage their schools to be the best they can be. As set out in our remit from the DfES, we have been established to:

- provide a single national focus for school leadership development, research and innovation
- be a driving force for world-class leadership in our schools and the wider community
- provide support to and be a major resource for school leaders
- stimulate national and international debate on leadership issues

Our values derive from our statement of core purpose and the beliefs it embodies. We:

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

## Aims and objectives

NCSL's Corporate Plan 2003-07 set out our aims for the next four years. Our key goal is to have:

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

To organise our work and to move towards our goal, we set out five key objectives:

- A** 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
- B** Find, analyse, describe and celebrate great practice in school leadership in order to build a usable knowledge base for school leaders to share
- C** Promote collaborative learning and communication so that all school leaders feel they are part of a network of vibrant professional learning communities and have opportunities to contribute to developments in educational policy
- D** Make NCSL a challenging, supportive and dynamic place to work which itself demonstrates the qualities of a learning organisation
- E** Demonstrate the impact of NCSL on school leadership and progress towards achieving our key goal

## Strategy

During 2003-04 we expanded the scale and reach of our activities in response to the needs of the profession and the government's transformation of schools agenda, and continued to build capacity within NCSL. Our priorities have been to:

- support delivery of the school workforce remodelling agenda
- facilitate the development and deployment of consultant leaders to support the Primary Leadership Strategy
- roll out the Strategic Leadership of ICT (SLICT) programme to schools
- manage the reduction in subsidy for NPQH participants and the transition to mandatory status
- implement the Headteacher Induction Programme (HIP)
- roll out Leading from the Middle as a national programme
- roll out the Bursar Development Programme
- continue to develop our programmes for under-represented groups
- create a range of learning and development opportunities as part of the London Leadership Strategy
- continue the development of our networked learning communities
- build capacity within our affiliated centres
- develop the content and capacity of our e-learning discussion communities
- achieve Investors in People status
- demonstrate the impact of NCSL on school leadership and on pupils' experiences and achievements

## Statement from the Chair and the Chief Executive

**“Remodelling is a great opportunity to support the professionalism of teachers and support staff. It is about ensuring that the time of all staff is focused on what will add most value to pupils.”**

David Miliband, Minister for School Standards

Throughout 2003-04 we have continued to build upon the rapid growth in previous years, develop new programmes, products and infrastructure and demonstrate the impact of the College in schools.

Between January and March 2004 an End to End Review of school leadership policy and delivery was carried out. It found that “the College has made a substantial contribution to school leadership development” and made “very significant, even remarkable, achievements”.

The review report cites NCSL as “creative and productive” and “delivering a step change in the availability and access for school leaders to development opportunities”. There are high levels of participant satisfaction with the College and in the last year, our programmes and activities have involved more than 20,000 school leaders.

In previous years, our primary objective has been to build the ‘top line’, with rapid growth, new programmes and products, and a strategic framework in which to place them. The End to End Review remarked on our ability to respond “speedily to DfES initiatives” and increase “the co-ordination and development of a framework for school leadership development”. In 2003-04 we have built on these top-line activities to ensure that our stakeholders understand the impact the College is having.

In July 2003, in their report, *Leadership and Management: What Inspection Tells Us*, Ofsted noted the significant improvements in leadership and management in recent years. The challenge for NCSL has been to determine which aspects of leadership and management have the most influence on improvements and therefore which need most emphasis. We also needed to demonstrate a much tighter connection between leadership and management, teaching and pupil achievement.

To understand the effect that NCSL has had on school leadership, we have again compiled our *School Leadership 2004* report. We collected data and evidence regarding the quality of our programmes and activities and school leaders’ perceptions of their value. This report is part of an on-going process to strengthen and broaden intelligence about our effectiveness in helping to raise standards and the quality of leadership in schools.

Throughout the year we have continued to work closely and effectively with our partners and stakeholders. To ensure that all school leaders can access a wide range of professional development programmes locally, we have established a network of affiliated centres. Based in each of the nine government regions, the centres herald the beginning of a strong working partnership among the different bodies involved in education and training across England. They will create greater coherence and dynamism and ensure that we build an even stronger nationwide presence.

During the year, NCSL was commissioned by the DfES to host the National Remodelling Team (NRT). Since its official launch in July 2003, NRT has worked to support schools in leading and managing change and to promote and support implementation of the National Workload Agreement.

Since May 2003, we have been working closely with the Standards and Effectiveness Unit at the DfES in developing a primary leadership strategy. At the core of this programme are 1,000 primary strategy consultant leaders – effective, experienced serving primary headteachers who work with, coach, mentor and support up to 5,000 primary school leadership teams in teaching and learning.

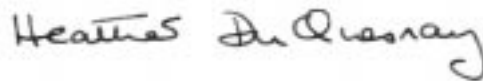
The green paper *Every Child Matters* has given both impetus and focus to the development of our community leadership strategy, launched in November 2003. Based on a multi-agency approach, NCSL has been working with schools, voluntary and community groups, public sector agencies, regeneration bodies and local government on a range of small scale development projects aimed at building effective partnerships between schools and their communities.

Throughout the year, we have continued to use ICT as a means of increasing access to our leadership programmes, information and communication. In November 2003, we rolled out our Strategic Leadership of ICT programme. In addition, our networked learning communities currently involve more than 1,000 schools and 30,000 school leaders, making it one of the largest combined network communities in the world.

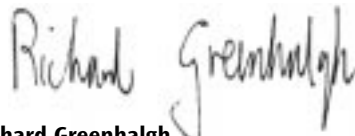
Internally, a period of sustained growth has resulted in acquisition of additional office space to ease the overcrowding at the Learning and Conference Centre, and we have opened premises in London to house the National Remodelling Team and our London Challenge and community leadership initiatives. We have also examined our internal systems and processes to ensure that they are sufficiently robust to deliver a challenging programme of initiatives. As a consequence, we have begun to examine our pricing policies and to benchmark and evaluate our outputs. In line with our corporate plan commitment, NCSL obtained Investor in People status in March 2004.

Looking ahead to 2004-05, the College faces a number of challenges. The End to End Review makes six key recommendations that will be used as the springboard for our next stage of development and we are committed to implementing them speedily.

We will continue to deliver our portfolio of major programmes, scale up pilot activity for national roll-out, and further review and devise systems and processes for measuring our impact on schools and school leaders. Whilst this is a challenging agenda, we have already begun the process.



**Heather Du Quesnay**  
*Chief Executive*



**Richard Greenhalgh**  
*Governing Council Chair*

# Objective A

## Leading from the Middle

More than 2,600 individuals actively participated in the first cohort in September 2003. Of these nearly 2,000 were middle leaders and 600 were leadership coaches.

**“I’ve been on a number of other, similar middle management courses but this is by far the best.”**

LfM participant

## NPQH

Almost 5,000 participants registered for NPQH during 2003-04.

**“I found it challenging, informative and rewarding – an excellent preparation for headship.”**

NPQH participant

Objective A: 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.

NCSL's *Leadership Development Framework*, which was first developed in February 2002, sets out five stages of leadership.

Throughout 2003-04, NCSL has continued developing coherence across these stages, revising existing programmes, procuring contractors for major national programmes, engaging in new areas of work and developing more systematic links among internal teams. The national remodelling work has meant that the Leadership Programmes group now has a base in both Nottingham and London.

The five stages set out in the *Leadership Development Framework* are as follows.

### Emergent leaders

For those emergent leaders who are beginning to take on management and leadership responsibilities and perhaps form an aspiration to become a headteacher, the College has designed the **Leading from the Middle Programme**.

Following a highly successful pilot, the programme was formally launched in September 2003. By the end of March, more than 2,600 individuals had actively engaged on Cohort 1 of the programme.

The withdrawal rate of 4 per cent is very low for a new programme and reinforces key findings indicating high levels of course approval and appreciation of the development opportunities provided.

A target of 5,000 middle leaders has been set for 2004-05.

### Established leaders

During 2003-04, NCSL ran two pilot versions of the **Established Leaders Programme** for those senior leaders not currently intending to apply for headship. Feedback from participants on the first pilot has been very positive with 91 per cent of respondents stating that it either exceeded or satisfied their expectations. The second pilot finished in July 2004. The future of this programme is tied in with discussions regarding modularisation of College programmes and changes to the access stage of NPQH.

### Entry to headship

For those school leaders who are preparing for entry to headship, NCSL has a mix of established and newly developed provision.

Throughout 2003-04, NCSL has been working on transitioning the **National Professional Qualification for Headship (NPQH)** to mandatory status, integrating the programme with the College's online learning management system, managing the withdrawal of subsidy for travel, subsistence and cover for schools over 100 pupils, and building capacity for delivery.

The nine NPQH centres have been working to target particular groups, by gender, phase of school, ethnicity or LEA, where there has previously been lower uptake. Active steps have also been taken to work with LEAs and diocesan authorities, particularly to recruit potential headteachers for schools with a religious foundation. NPQH became mandatory from April 2004.

Though there has been some reaction to the removal of travel, supply and subsistence, very few candidates have withdrawn or deferred for financial reasons.

The programme recruited a further 4,930 participants over the year and we now have over 11,000 NPQH graduates. As of March 2004 there were 8,300 participants on the programme. Of these 4,940 are from primary schools, 3,020 from secondary and 340 from special schools. The proportion of women participants has continued to grow in all sectors.

In line with the government's personalised learning agenda, we are currently exploring modularising the access stage of NPQH. This will give leaders greater flexibility in their own learning by letting them take modules rather than a whole package.

Launched in September 2003, the **Headteacher Induction Programme (HIP)** builds on the good practice of its predecessor, Headlamp whilst addressing the shortcomings identified during its review. During 2003-04, HIP and Headlamp have run in parallel. Headlamp will cease in August 2005. However, as a result of extensions to eligibility periods, there will be Headlamp participants in the system until January 2006.

The target for HIP registrations between September 2003 and March 2004 was 700, based on reaching 50 per cent of the estimated 1,400 new heads per year. The total number actually registered, including Headlamp participants, was nearly 1,000.

Two evaluation studies of the **New Visions Programme for Early Headship** painted a powerful picture of the impact of the programme on leadership learning and the effect on leaders, personally and professionally, as well as their schools. The reports concluded that the programme makes an excellent contribution to the induction of new heads. It added that the focus on learning and learning processes could be regarded as 'best practice' in leadership development.

During 2003-04, there were about 330 participants on the programme.

## Advanced leaders

Following a very successful pilot, the revised **Leadership Programme for Serving Headteachers (LPSH)** was launched in September 2003 for headteachers at the advanced leadership stage, that is with at least three years' headship experience. During 2003-04, more than 700 headteachers registered using NCSL's online application process. Feedback has been extremely positive, with participants expressing high levels of satisfaction with the programme and the materials.

The **Headfirst Programme** has been developed in partnership between NCSL and Ofsted. It helps headteachers develop their ability to make accurate judgements about the quality of education provided in their school and to understand more fully the Ofsted inspection framework. By engaging in the programme headteachers are able to evaluate:

- standards of pupils' work and achievement
- the quality of teaching and how this impacts on learning
- the quality of leadership and management

Between September 2003 and March 2004, 231 participants started the programme.

**Partners in Leadership** is a national scheme pairing headteachers with senior business leaders to work in partnership on issues relating to leadership and management. Business in the Community (BITC) manages the scheme on behalf of NCSL. In 2003-04, more than 550 matches were made.

In September 2003, Partners in Leadership was taken over by a new management team at BITC. They and NCSL have worked closely to take the programme forward into 2004-05 and robust reporting mechanisms will be put in place to evaluate the impact of the programme.

**The International Placements for Headteachers Programme (IPH)** has been developed in partnership with the British Council. The programme offers headteachers a unique opportunity to examine and learn from other international education systems.

### LPSH

**"I have a greater understanding of how others see my leadership skills and style and a greater confidence in my abilities as a school leader."**

LPSH participant

**"The LPSH course remains one of the more powerful pieces of professional development that I have undertaken. It has provided a platform for discussion with school staff on a range of key leadership/management issues."**

LPSH participant



### SLICT

By the end of March 2004 nearly 2,000 schools had participated in the programme.

**“This is the first programme I have participated in where all aspects of the course were valuable, stimulating, relevant and had direct impact on our thinking leading to change in school.”**

SLICT participant

### Equal Access to Promotion

97 per cent of participants rated the relevance of programme content as either excellent (82%) or good (15%).

**“Very thoroughly prepared course, very skilful course presenters and organisers. Very positive learning experience.”**

Programme participant

Throughout 2003-04, 430 headteachers undertook international visits exceeding the year-end target of 350. Initial feedback indicates that the programme has had a very positive impact on participants.

### Consultant leadership

The **Consultant Leader Programme** encourages experienced headteachers and other school leaders to take responsibility for the future development of the profession while still in their substantive post. During 2003-04, 334 school leaders were trained as consultant leaders, with 302 registered by the College as NCSL consultant leaders.

### Strategic programmes

In addition to the range of programmes delivered as part of the stages of leadership, NCSL has developed a number of strategic and innovative programmes to improve and increase the capacity for school leadership.

We have continued to develop our programmes for under-represented groups and ensured that issues such as inclusion, promoting diversity, ethnic minority attainment and equality are incorporated within our core programmes. These have been supplemented by additional targeted programmes such as Aiming Higher, Equal Access to Promotion and, as part of London Challenge, the SHINE initiative.

The **Developing Capacity for School Improvement Programme** supports school teams in their leadership, strategic planning and management of the school to sustain long term improvement.

The pilot phase has involved over 200 leadership teams drawn from primary, middle, secondary and special schools. Of these, 85 per cent rated the programme as good or excellent. The programme has been refined in response to the feedback and national roll-out is planned for January 2005.

The **Working Together for Success Programme**, which focuses on the team building and team development within the context of an identified school issue, has been piloted with 14 early adopter senior leadership teams in London, Hampshire and Birmingham. Consultant facilitators have worked with the next phase of adopters exclusively drawn from London. Evaluation of the pilot phase has taken place and the interim report from Lincoln University is positive. National roll-out will commence in spring 2005.

The **Strategic Leadership of ICT Programme (SLICT)** is an exciting intervention programme designed to help headteachers understand the benefits technology can bring to teaching and learning and to whole school improvement. SLICT spreads recognition of the improvement opportunities offered by technology and focuses on the headteacher's role in strategically leading ICT in schools. National roll-out began in November 2003, in partnership with Becta.

By the end of March 2004, 1,880 schools from nearly 140 LEAs had participated in the pilots and national programme. NCSL and Becta have received funding from the DfES to provide for up to 10,000 heads to participate between 2003 and 2006. For 2004-05, the target is a further 3,200 schools.

Evidence from an independent evaluation of the extended pilots, carried out by the University of Leicester, gives early indications of positive impact on participating heads.

The DfES have provided funding to develop a pilot programme to address the needs of secondary leadership teams in implementing and embedding the use of ICT throughout the curriculum. The Specialist Schools Trust will join the partnership of NCSL and Becta to deliver this pilot.

The **Bursar Development Programme** helps school business managers develop their professional competence. During 2003-04, NCSL rolled out the Certificate in School Business Management (CSBM) nationally. It is now fully established with intakes being oversubscribed by at least 25 per cent and course participation satisfaction rates exceeding 90 per cent.

Around 900 participants started the programme during 2003-04 and 400 completed prior to April 2004. The online materials accessed by CSBM participants won the World of Learning Conference and Exhibition award.

During the past year, NCSL has been designing and testing the Diploma of School Business Management (DSBM) and 100 people have completed the two pilots. The programme will be refined and modified prior to national launch in November 2004.

The Bursar Team has worked closely with the National Remodelling Team, reworking online bursar learning materials to help populate the new financial management in schools website for heads.

This year NCSL has also worked closely with the Standards and Effectiveness Unit at the DfES and the Primary Strategy on the development and delivery of the **Primary Strategy Leadership Programme**.

This programme involves some 3,500 school leadership teams working with the support of 1,000 primary strategy consultant leaders to develop and improve the leadership of learning and teaching, and raise standards in literacy and numeracy. In 2003-04, LEAs were asked to focus the programme on the 25 per cent of primary schools with Year 6 pupils who had made the least improvement in raising standards.

In partnership with the Primary Strategy, NCSL has trained more than 1,000 primary strategy consultant leaders who have been deployed by LEAs since September 2003, working as additional members of LEA school improvement teams.

The target for 2004-05 is to engage 4,500 schools (1,500 of those from the first year and 3,000 new) using more than 1,700 primary strategy consultant leaders.

The **Leading Small Primary Schools Programme** is designed specifically for established headteachers of small primary schools. It secures long term improvement by building effective and supportive partnerships between schools and across LEAs and by addressing the unique leadership development needs of heads of small schools.

Over 100 headteachers and 20 LEAs have been involved in the pilots covering more than 10 regions from Northumberland to Devon.

The **London Leadership Strategy** focuses on secondary school leaders in London. The strategy is one strand of the London Challenge initiative described in the DfES document *Investments for Reform*. It focuses on all aspects of leadership capacity and is being run in partnership by NCSL and the London Leadership Centre.

The objectives of the strategy are to:

- raise standards across London schools
- re-establish London as a leading force in educational development
- motivate education professionals to work in London

This work is significant in establishing a sustainable framework for leadership development in London, as well as acting as a test bed for programmes such as Working Together for Success and community leadership.

Within one year, the Leadership Strategy has engaged with all 33 London boroughs (apart from the City of London which has no secondary schools) with engagement running at 70 per cent of schools. The strategy is designed to reach a wide range of school leaders, from second and third year teachers seeking assistance in career planning to experienced heads looking for new challenges as consultant leaders.

The National Remodelling Team (NRT) was established by the DfES within NCSL to progress the government's school workforce remodelling agenda. It challenges and supports schools in implementing the National Workload Agreement and encourages new ways of remodelling the school workforce. Finally it supports schools in leading and managing change effectively.

Since its official launch in July 2003, NRT has worked to ensure implementation the agreement throughout England and to support LEAs working with schools on remodelling. By the end of March 2004, more than 4,250 schools had been nominated by LEAs to participate, with more than 2,500 attending launch events.

### Primary Strategy Consultant Leaders

Of consultant leaders, 95 per cent think that the programme will lead to raised standards in English and mathematics at the end of Key Stage 2 in participating schools.

### National Remodelling Team

Over 4,000 schools with over 1.5 million pupils have signed up to the national remodelling programme.

**“Supply teachers were expensive and the quality of their teaching was variable. I knew that if we were going to improve standards in the school we had to change things.”**

Primary school headteacher

The current model will be expanded in the financial year 2004-05 to engage a further 7,500 schools.

The NRT is also working to ensure coherence with other major workforce initiatives, particularly with the Primary Strategy Leadership Team. It also has a close liaison with the TTA and Ofsted, amongst others, to ensure that remodelling is in line with other areas of public sector reform.

Throughout 2003-04, NCSL has been developing a community leadership strategy to encourage greater collaboration between schools and their local communities in a bid to raise the achievement and aspirations of young people. It supports the recommendations in the green paper *Every Child Matters*.

The first stage of NCSL's community leadership strategy, launched in November 2003, focused primarily on the London area and forms part of the leadership strand of the London Challenge. Work has already begun on four key elements of the strategy: community leadership, team leadership, leading schools with a religious character, and student leadership.

NCSL has formed community leadership networks comprising LEA representatives, schools, community groups and public service agencies which are setting themselves clear objectives to achieve over the next 18 months.

Finally, the National Standards for Headteachers were devised in 1996 and since that time only small revisions have been made.

Following discussions with key stakeholder groups, NCSL developed a revised model for the National Standards for Headteachers. The final report was presented to ministers in June 2004.

## Objective B

### Leading Edge Seminars

During 2003-04, over 880 school leaders, academics and policy-makers explored a wide range of leadership issues through Leading Edge seminars.

### Research Publications

Over 6,000 copies of *Making a Difference: Successful Leadership in Challenging Circumstances* have been requested to date and 2,200 electronic copies have been downloaded from the NCSL website.

*Heart of the Matter* has proved one of the College's most popular publications, with more than 9,200 being ordered since its publication in summer 2003.

Objective B: Identify, evaluate, disseminate and celebrate the most effective practices in school improvement and leadership development through research and programme delivery, contributing to developments in educational policy.

NCSL believes that school leaders have a crucial role in both creating knowledge and ensuring that our research has relevance to practice. Throughout 2003-04, we have continued to find ways to increase school leaders' access to good practice and to look for the most effective methods for disseminating and applying research findings to schools.

The College's Research Associate Programme supports headteachers and other school leaders in engaging in research or applied enquiry activities. In line with our 2003-07 corporate plan commitment, NCSL has registered a further 30 research associates this year.

Throughout the year we have delivered a total of 21 Leading Edge seminars with over 850 participants. These interactive development and research seminars have led to national publications, specific development projects, further research into key issues, and incorporation of practitioner thinking into NCSL activity.

In July 2003, we published *Heart of the Matter*, a practical guide to how middle leaders in secondary schools can make a difference to learning and how senior leaders can support them in this. Developed through Leading Edge seminars, the publication brought together school-based strategies of outstanding practitioners in an accessible format. Since its publication in summer 2003, more than 9,000 have been ordered.

In 2003-04, one of our key achievements was the publication of *School Leadership 2003*, a detailed assessment of NCSL activities, performance and impact throughout the year. It draws together a range of existing research and perspectives on school leadership including the Chief Inspector of Schools annual report, Ofsted's evidence base and NCSL commissioned surveys. Key findings from *School Leadership 2003* are set out in Objective E.

Over the summer the Research Group prepared the first *Annual Review of Research* which collates and summarises the major themes emerging from commissioned research, research associates' studies and Leading Edge activities.

We have also published *Growing Tomorrow's School Leaders*, a report by Frank Hartle and Katherine Thomas of the Hay Group. It addresses the challenges schools face in recruiting high-quality staff to middle and senior management positions and it sets out good practice in identifying and nurturing the school leaders of the future. The report has attracted a lot of media interest, including national and educational press coverage. We have already started to build on the ideas through a Leading Edge seminar and to develop our thinking on career planning and leadership succession.

Development of NCSL's evaluation work has continued throughout 2003-04. A generic evaluation instrument has been designed and is being trialled with the goal of improving quantitative and qualitative data. All evaluations are focusing on the quality of the learning experience and the impact of this experience in schools.

The College has now established a national Leadership Network comprising some 200 leading heads from around the country. The network has identified key themes to 'problem-solve' including personalised learning, in-school variation, new technologies and learning transformation. The network held its first dissemination event in the autumn.

Throughout the year, we have continued work on the learning-centred leadership project which started in November 2002.

The main aims of the project were to:

- investigate the nature of effective learning-centred leadership and its contribution to the creation of teaching and learning schools
- analyse and describe the practice of learning-centred leadership and its influence upon bringing about change and improvement in the professional practice of others
- examine the processes involved in creating learning and teaching schools in which such leadership can be developed, supported and sustained

The project finishes in April 2004.

On the international stage, in the last year NCSL has continued to develop a number of areas.

The College has been instrumental in driving forward a network for International School Leadership Centres to encourage discussion and sharing knowledge and best practice in leadership development. To date nine international centres have formally signed up. We have also embarked on a number of activities with overseas partners: NPQH has been franchised for use by the departments for education in the Cayman Islands and Cyprus and the online team is involved in facilitating online communities with individuals from around the world.

NCSL is a partner and part funder of the Successful Leadership Internationally project, a major four-year research programme being undertaken with partners from England, Canada, America and Hong Kong.

NCSL's Chief Executive Heather du Quesnay visited the World Bank Institute in Washington to promote the work of the College. The visit was also used to explore ways in which NCSL may more closely inform the World Bank's work on school development.

Through its work with the British Council, the College has provided opportunities for groups of heads to undertake study visits of other countries. These visits provide an opportunity for heads to review different approaches to learning, teaching and schooling. During 2003-04, there were 31 visits to 23 different countries.

The Research Group has also promoted aspects of its work at international research and practitioner conferences. In July 2003, research associate studies were reported at the International Confederation of Principals bi-annual conference in Edinburgh and emerging findings from the learning-centred leadership study were presented in November 2003 at the American University Council for Educational Administration annual conference in Portland, USA.

## Objective C

### Networked Learning Group

Networked learning communities span the whole of England and involve more than 1,500 networks, 32,000 teachers and 577,00 pupils.

**“We are now beginning to work together in key areas of national strategy such as numeracy and literacy. We are developing leaders across schools ...it’s a move away from the sort of competitiveness which has often existed in the past.”**

Headteacher

**“Links with local primary schools have improved considerably as a result of the networked learning community project.”**

Ofsted January 2003, School evaluation

### Online

The number of talk2learn online community users is now over 45,000 and approximately 5,500 individual school leaders access the community software each month.

As of April 2004 close to 8,000 people were actively using the Learning Gateway across four NCSL programmes.

**“It has opened up a new world of contacts and opportunities for professional dialogue.”**

Online community user

Objective C: Use ICT and other means to further develop access to leadership learning, information and communication, providing greater opportunities for school leaders to contribute to the national education debate.

NCSL's Networked Learning Communities (NLC) programme, launched in September 2002, has brought together clusters of schools, LEAs, higher education institutions (HEIs) and the wider community to raise standards and improve opportunities for their pupils.

Currently, there are 109 networks collaborating across the country, engaging with more than 1,200 schools, 30,000 staff and 555,000 pupils. There are a further 28 associate networks involving more than 300 schools, 5,800 teachers and 103,000 pupils.

Each NLC has a pupil learning focus to improve teaching and learning in all the schools in the network. This reflects key elements of the emerging personalised learning agenda, suggesting schools in networked learning communities are well placed to respond to this policy priority.

Throughout 2003-04, NCSL has been involved in a series of strategic meetings with DfES and Tom Bentley from Demos to develop a range of initiatives based on networking and collaboration.

These include the Collaborative Leadership Learning Programme, designed for facilitator headteachers or LEA officers who are establishing new learning for leadership groups or trying to transform existing headteacher meetings into learning for leadership groups.

Launched in February 2004 with a think tank of 20 LEAs, the LEA/NLC Cluster Project and LEA Futures Project is designed to develop capacity for supporting and facilitating networks of schools, networked learning, multi-agency collaboration and partnerships. A significant focus for the project is how it can support delivery of the government green paper *Every Child Matters*.

Outline agreement has also been reached with Her Majesty's Chief Inspector for a development and research project led jointly by Ofsted and the Networked Learning Group. It will investigate the experience and implications of networking and collaboration for schools in special measures and will evaluate locally designed strategies to support schools in responding to this challenge.

Nexus, the termly Networked Learning Group magazine, was launched in 2003-04, with a circulation close to 10,000. Its three issues have featured advice from network leaders on establishing and running a network. Two were themed editions in which networks write about pupil involvement in teaching and learning and on the impact of school networks.

### Affiliated centres

During 2003-04, nine affiliated centres were established in government office regions. The purpose of establishing the affiliated centres is to:

- enable NCSL to extend the scale and reach of its activities so that all school leaders have access to leadership development and research opportunities relevant to their personal needs as well as those of their school.
- extend partnerships with a range of groups including LEAs, dioceses and faith schools, higher education institutions, and training and development providers in the public and private sectors.

Since they were established in March 2003, the centres have set up steering and partnership groups, promoted and publicised the work of NCSL, provided leadership development opportunities, worked with schools on practitioner-based research and completed the first stage of an audit of leadership development opportunities in the regions.

All the affiliated centres were visited for an interim progress review in autumn 2003. Following the review, and in light of the changing policy context, it was clear that it is time to reconsider the affiliated centres' role. The NCSL comprehensive spending review and the recent End to End Review identified a clearer role for the centres and throughout 2004-05 NCSL will be working with them on the best way of achieving this.

### Online learning

While many school leaders attended NCSL programmes in person, thousands more accessed the College's online resources during 2003-04, as the extent of online learning activity continues to increase both in range and quality.

NCSL's annual research survey indicates that over 50 per cent of headteachers now regularly use web-based resources as part of their working practices. The College's challenge is to extend its reach to those school leaders who are not using new technology as a normal part of their professional roles.

In April 2003, NCSL held the first Online Community Learning Conference. It offered delegates the opportunity to explore interactively how NCSL and other leading organisations build successful online communities and their impact on learning and continuing professional development. This highly successful event included leading thinkers and practitioners including Professor Stephen Heppell, Director of Ultralab; Professor Steve Molyneaux, Director of the Learning Lab; Lizzie Jackson from the BBC; and Norbut Pachler, University of London.

In June 2003, David Miliband MP, sat in an online hotseat in NCSL's DfES in Dialogue community. The hotseat, titled *A New Phase of Reform*, focused on a range of issues including the government's plans for remodelling the school workforce. The homepage received almost 2,000 visits and the Minister answered around 80 questions from individual school leaders.

In September 2003, Charles Clarke MP accepted an invitation from NCSL to give a live webcast address to schools through the NCSL website and to sit in an online hotseat. The webcast was accessed by over 2,250 schools and 1,250 visits were made to the hotseat. These events generated significant positive feedback from a wide range of school leaders and provided a good model for future high profile events.

### NCSL Learning Gateway

Central to the development of online learning is NCSL's Learning Gateway, which provides a single point of access for programme participants. The flexibility of being able to choose where and when to learn has enabled a far wider audience to participate than would previously have been viable with more traditional delivery methods.

Successfully implemented in September 2003, the NCSL Learning Gateway consists of a suite of applications including online registration, online communities, a learning management system and e-learning content which includes 360 degree diagnostics, virtual school simulations and structured courseware. Applications are all accessed through a single sign-on process and within six months the system was being actively used by 10,000 learners enrolled on one of the College's structured leadership development programmes.

The Learning Gateway is one of the first of its kind in the public sector to be used across the internet to deliver training to such large numbers of programme participants. This innovation has attracted interest from other public sector bodies and places NCSL at the forefront of the delivery of blended learning.

At its formal launch in January 2004, Charles Clarke highlighted the following key themes.

- The Learning Gateway is a school leader's personalised single access point to all NCSL online learning facilities and programme materials

- The Gateway is about helping school leaders to learn to be online learners themselves – something that they will be asking their students to do in schools as ICT and online learning become commonplace features of learning both inside and outside the classroom
- The Learning Gateway is more than a technical solution. It's about empowering programme participants to take responsibility for accessing their learning

### Online communities for school leaders (talk2learn)

Developed by NCSL specifically for school leaders, talk2learn is a secure online community learning environment. A component of the NCSL Learning Gateway, talk2learn offers school leaders access to a confidential and extensive network of colleagues with whom they can debate, discuss, share ideas and model new practice.

Within the online community, participants share information and build relationships with peers and in doing so, develop their own learning and generate knowledge and understanding that they can take back to their own schools. By March 2004, talk2learn had over 40,000 registered members.

### NCSL website

Since taking over responsibility from the DfES over two years ago, the NCSL website has seen huge increases in the number of visitors. By the end of March 2004, the website was receiving over 29,000 visitors per month.

The website received an Award of Excellence for best website in the public sector/non-profit category from the British Association of Communicators in Business.

## Objective D

Our Learning and Conference Centre was utilised by over 25,000 delegates.

20 per cent of College staff are studying for a professional qualification.

NCSL achieved IIP status in March 2004.

Objective D: Make NCSL an efficient, effective learning organisation and a fulfilling place for staff to work, in order to achieve our goals.

During 2003-04, NCSL continued to experience substantial growth in its portfolio of programmes and projects. The creation of the National Remodelling Team has resulted in the College opening a London office to accommodate both the London Challenge and National Remodelling Teams, while a second Nottingham office has been opened to alleviate the overcrowding at the Learning and Conference Centre.

Throughout the year NCSL commissioned or participated in three significant reviews:

In November 2003, DfES commissioned Cornwell Management Consultants to undertake a financial management survey of the College. Whilst acknowledging that NCSL had met the challenge of substantial growth well, it identified a number of areas for development which will be addressed during 2004-05.

In January 2004, the DfES commissioned an End to End Review of the College's "leadership policy to delivery" processes. The final report was completed at the beginning of April 2004 and its findings will feed into the DfES submission to the treasury 2004 spending review.

NCSL has also undertaken a wide ranging review of its ICT provision to ensure that it is both aligned with current and future business requirements and cost effective.

We have continued to ensure that value for money is achieved in our procurement practices through application of the government's Gateway process and have begun to explore potential business opportunities for income generation.

During the year, the College has implemented its proposals for reducing the levels of subsidy for candidates on NPQH, Leading from the Middle and other programmes. Although there have been some concerns expressed by schools, there is no evidence to suggest that this has resulted in a reduction of the number of applicants.

In the area of corporate governance and financial control, the College's statements of internal control were approved and our statutory accounts received an unqualified audit opinion. We have also begun work to establish an overall risk management strategy.

In line with commitments contained in the 2003-07 Corporate Plan, the College produced its Continuous Quality Improvement Framework to be implemented across all programmes by January 2005 and we achieved Investors in People status in March 2004.

During the year, the College recruited over 100 new staff, bringing the total head count at the year end to 246. Staff turnover was 10 per cent, well within acceptable parameters. Our sickness and absence rate, at 3.5 per cent, is below the national average of 4.5 per cent for comparable organisations.

A three-year pay structure has been introduced with performance-related pay playing a key element. By the year end, around 20 per cent of College staff were studying for a professional qualification.



## Objective E

95 per cent of participants consistently rate their experience with NCSL as satisfying or exceeding their expectations, according to NCSL evaluations.

According to an Ofsted report in June, leadership and management are rated as good or better in 76 per cent of primary schools and 84 per cent of secondary schools.

A survey of headteachers in March 2004 shows that:

- 71 per cent believe NCSL is having a positive impact on education
- 77 per cent believe NCSL helps raise standards
- 60 per cent had taken part in NCSL activities over the past 12 months

### Objective E: Demonstrate the impact of NCSL on school leadership and progress towards achieving our key goal.

In this section, we examine the impact which the College has had on leaders, schools and the school system during 2003-04. In doing so, we have drawn on the latest Ofsted reports on the quality of leadership and management in schools, Professor John Howson's review of trends in leadership recruitment and commissioned reports from MORI and RBA Research.

Our findings, which are set out in detail in *School Leadership 2004*, are organised around six levels of impact:

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

#### Reach

NCSL's reach is extensive and continues to grow, with 78 per cent of school leaders and 93 per cent of heads having heard of NCSL, according to a commissioned research survey. The survey also found that 60 per cent of headteachers had taken part in NCSL activities during the last 12 months and that during the year, more than 20,000 school leaders have been involved in programmes and other activities.

The spread of participants is geographically diverse, though there needs to be greater effort to involve leaders from the north of England. The number of participants from ethnically diverse backgrounds is increasing but we acknowledge that more needs to be done to increase our reach within this group.

NCSL's annual survey of web use shows that just over 50 per cent of headteachers now regularly use web based resources and tools as part of their working practices and that the NCSL site is one of the most regularly used.

#### Engagement

Survey data shows that 71 per cent of all heads believe that NCSL is a major resource for school leaders and 59 per cent say that the College has helped them develop both personally and professionally. Evidence from programme evaluations indicates that more than 95 per cent of participants consistently rate their experiences with NCSL as satisfying or exceeding their expectations. The number of heads who believe strongly that the College challenges them to think about how their school can be better run has increased by 10 per cent from last year.

#### Learning outcomes

Evidence points to a range of learning outcomes for people on NCSL programmes. Participants report that their involvement with the College has led to:

- increased knowledge and understanding
- greater confidence
- greater clarity of vision and values
- increased awareness of the latest thinking on leadership, management and school improvement
- improved skills
- increasing recognition of the importance and use of ICT

Respondents also suggested that NCSL programmes had widened their range of leadership styles, encouraged them to share leadership knowledge and responsibility and increased the involvement of students.

### Application of learning outcomes

Through school-based projects, participants say they use and apply the knowledge gained from involvement in College programmes and activities. Topics focus on issues of relevance to the school's development and relate to managing performance, raising standards and developing vision. Many participants describe how they are now working to promote a learning culture in their schools and encouraging others in their own professional learning.

Within our networked learning communities, participants are citing renewed professional motivation, an impact on recruitment and retention, pupils doing new and different things, and social and moral justice being asserted as schools support one another and tackle the challenges within their local areas, together.

Participants on the Consultant Leader Development Programme have strengthened leadership teams in their own schools, adopted client-centred coaching styles with colleagues, applied strategies from the programme to support and develop staff and utilised a repertoire of leadership styles from the programme to change their behaviour.

### Improvements in schools

Whilst it takes time for improvements and ideas developed through NCSL programmes and activities to work their way into schools, there is evidence that participants are contributing to school improvements in a variety of ways.

Evidence from the Leading from the Middle pilot shows that the programme may already be having an impact on team work and curriculum that will lead to improved classroom practice. Changes included participants running their team in a more business-like and purposeful way; being explicit in leadership behaviour and making expectations clear; employing a problem-solving, team-building style of meeting; modelling behaviours they wish to see emulated; and delegating more widely.

References to positive outcomes from participation in networked learning communities are beginning to appear in Ofsted reports on networked learning schools. Inspectors refer to schools' commitment to the programme as a means of improving teaching and learning, sharing expertise with other schools and engaging in joint professional development opportunities.

### Changes in the school system

Ofsted's report, *Leadership and Management: What inspection tells us* indicates that the proportion of headteachers providing excellent leadership and management in schools has doubled over the last five years. Today leadership and management are good or better in 76 per cent of primary schools and 84 per cent of secondary schools.

The report also suggests that there is a strong relationship between the quality of leadership and management and the quality of teaching. In most primary schools in which leadership and management were very good, the quality of teaching was also good or very good.

Nevertheless, there are a number of challenges NCSL must address. By comparison with senior managers, the contribution of middle managers remains less strong. The effectiveness of monitoring and evaluating the quality of teaching and learning also emerges as a weakness of poor quality leadership.

Since October 2003, NCSL's impact investigation team has been looking for evidence of leaders making a difference in their schools. This work has shown that leaders are not always able to directly attribute improvements to their efforts to NCSL but we have learned that widening the focus to include followers' perceptions is likely to reveal more about the factors that contribute to school improvement and have an effect on children's achievements.

During 2004-05 we will be working with the Ofsted database to see what it can tell us about the impact of leaders and we intend to conduct an in-house analysis of the pathways by which leaders influence pupil outcomes.

# Report and accounts for the year ended 31 March 2004

## Company information

<b>Directors serving during the year</b>	<b>Appointed</b>	<b>Resigned</b>
R Greenhalgh (Chair)	25 September 2000	
Y Bevan	25 September 2000	
B Bigland	25 September 2003	
T Brighthouse	25 September 2000	25 September 2003
M Britt	1 January 2003	
I Hall	6 November 2002	
B Hodson	5 February 2001	
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	
T Piggott	6 November 2002	
N Portwood	5 February 2001	5 February 2004
T Salt	25 September 2000	
P Stafford	25 September 2003	
M Stevenson	25 September 2000	8 June 2003
M Taylor	6 November 2002	
P Williams	15 February 2004	

**Company secretary**  
Eversheds

**Registered number**  
4014904

**Registered office**  
Triumph Road  
Nottingham  
NG8 1DH

**Head office**  
Triumph Road  
Nottingham  
NG8 1DH  
[www.ncsl.org.uk](http://www.ncsl.org.uk)

**Auditors**  
KPMG LLP  
2 Cornwall Street  
Birmingham  
B3 2DL

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

**Solicitors**  
Eversheds  
1 Royal Standard Place  
Nottingham  
NG1 6FZ

# Foreword to the Accounts

## Background Information

The National College for School Leadership Limited (NCSL) 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 the Treasury. The full accounts direction is available upon request but in summary the direction requires NCSL to comply with the accounting and disclosure provisions of the Companies Act and UK Generally Accepted Accounting Practice (UK GAAP). In preparing the accounts NCSL has also paid regard to the guidance "Executive NDPBs: Annual Reports and Accounts Guidance 2003/04" issued by HM Treasury.

## Principal Activities

NCSL's objective is to raise educational standards and aspirations by providing facilities for the training and support of heads, deputies and other school leaders. NCSL 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 NCSL's Chief Executive and a leadership team of six executive directors.

## Results and Financial Performance

The primary financial objective was to provide sufficient surplus to cover the brought forward deficit. This was achieved NCSL showed a surplus for the year of £5,069,991 to recover the deficit brought forward from 2002/03 of £4,315,929.

The company is a not for profit organisation and its constitution prevents it from paying a dividend.

## Fixed Assets

Note 7 to the accounts details fixed asset additions during the year.

## Future Developments

NCSL produced a four year corporate plan for the period 2003/07 announcing an ambitious plan to be the world's most powerful force in school leadership. During 2002/03 NCSL took possession of a new, purpose built, state of the art residential learning and conference centre. NCSL intends to press forward and build upon the excellent progress made during the last financial year, continuing toward our strategic goal of developing the learning and conference centre to become an internationally renowned leadership development facility.

The directors consider that the forthcoming year will show an increase in income to £115m.

## Research and Development

Significant resource was devoted towards Research and Development activities during 2003/04. A total of £1,897,510 was spent on this work compared with £1,825,236 in 2002/03. Research work included a programme of visiting associates, examination of worldwide best practice, leading edge seminars and commissioned research.

## Post Balance Sheet Events

There were no post balance sheet events.

## Charitable and Political Donations

There were no charitable or political donations during the year.

## Disabled Employees

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

## The Governing Council

The following persons served during the year:

### Chair

Richard Greenhalgh Chair, Unilever UK

### Directors

Yasmin Bevan	Headteacher, Denbeigh High School
Brenda Bigland	Headteacher, Lent Rise Primary School, Reading
Tim Brighthouse	Commissioner of London Schools
Matthew Britt	Headteacher, Stocks Green Primary School, Tonbridge
Iain Hall	Former headteacher, Parris Wood Technology College
Beverley Hodson	Former Managing Director, W H Smith UK Retail
Tony Mackay	Director, Centre for Strategic Thinking, Melbourne, Australia
Hugh Mitchell	Head of International Directorate, Shell Petrol Co. Ltd. The Hague
Linda Neal	Director of Excellence in Cities, Greenwich and former headteacher
Diane Nightingale	Headteacher, Hounslow School, Totton
Helen Paterson	Headteacher, Liphook Church of England Junior School
David Patterson	HR Consultant and former MD of Hay Group Ltd (UK)
Vicki Phillips	Secretary of Education, Pennsylvania, U.S.A.
Terry Piggott	Executive Director, Rochdale LEA
Nigel Portwood	Executive Vice President - Finance & Operations, Penguin Group, USA
Toby Salt	Headteacher, St. Anthony's School, Chichester
Patricia Stafford	Non-Executive Director, Inland Revenue and Governor, Luton University
Michael Stevenson	Joint Director of Factual Learning, B.B.C.
Martin Taylor	Former headteacher and Chief Executive of NHS Trust
Peter Williams	Head of Technical, Data and Multimedia Services, T-Mobile UK

### Ex Officio

David Normington	Permanent Secretary, Department for Education and Skills
Heather Du Quesnay	Director & Chief Executive, The National College for School Leadership
David Bell	Her Majesty's Chief Inspector of Schools, Ofsted
John Beattie	Chair, General Teaching Council for England
Michael Gibbons	Head of Innovation Unit, Department for Education & Skills
Stephen Hillier	Director, School Workforce Unit, Department for Education & Skills
David Hopkins	Director, Standards & Effectiveness Unit, Department for Education & Skills

## Employee Involvement

Staff involvement is actively encouraged. Means of employee communication include a workplace staff consultation group, 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.

## Equal Opportunities

NCSL is an equal opportunities employer. NCSL has an equal opportunities policy, which is in line with best practice and has been approved by the DFES.

## Prompt Payment

NCSL is committed to complying with the principles of the Better Payment Practice Code but so far has not had systems in place to measure compliance. During the year an immaterial interest charge was paid as a result of one late invoice.

## Auditors

In respect of the year ended 31 March 2004 NCSL's external auditors KPMG LLP, in addition to the statutory audit, have undertaken reviews and benchmarking, provided advice on NCSL's tax liability and have provided executive search and selection services.

NCSL's internal audit service has been provided by PKF who have also supplied interim finance staff and VAT advice.

## Going Concern

The accounts have been prepared on a going concern basis as the Governing Council believe that NCSL will continue in operational existence for the foreseeable future. The Secretary of State for Education and Skills has remitted NCSL to take over all of the national school leadership training programmes and has confirmed a baseline budget of grant funding £89.42m in 2004/05 rising to £91.92m 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:

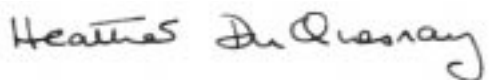
### Eversheds

Nottingham

Company Secretary

Dated: 28 July 2004

Approved by:



**H Du Quesnay**

Chief Executive

Dated: 28 July 2004

# Statement of Governing Council Members' and Accounting Officer's Responsibilities

Under Section 227 of the Companies Act 1985 NCSL'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 NCSL'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 the 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 to 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 NCSL as the Accounting Officer. Her relevant responsibilities as Accounting Officer, including her responsibility for the propriety and regularity of the public finances for which she is answerable and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum, issued by the 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 Officer 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 to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide a reasonable and not absolute assurance of effectiveness. NCSL 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.

NCSL continued to improve the system of internal control during the year ended 31 March 2004 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 has been incorporated into the corporate planning and decision making process of NCSL. 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 NCSL. 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 NCSL 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 NCSL which discusses the attitude of NCSL toward 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.

NCSL 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.

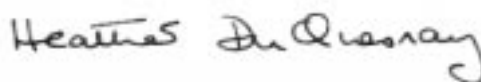
Risk management is a dynamic process - new risks will be identified, some will be terminated, contingency plans and control measures will need to be updated in response to changing internal and external events, and our assessment of likelihood and impact will also need to be reviewed, particularly in 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 NCSL 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 2003/04 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 NCSL'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 & 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 NCSL'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



**Heather Du Quesnay**  
*Accounting Officer*

Dated: 28 July 2004



# Independent auditors' report to the member and directors of The National College for School Leadership Limited

## KPMG LLP

2 Cornwall Street  
Birmingham  
B3 2DL

**We have audited the accounts on  
pages 10 to 22.**

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 5, 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's 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's 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 6 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 Director's 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 2004 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's accounts direction
- 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

### Chartered Accountants

*Registered Auditor*  
Birmingham

Dated: 28 July 2004

## Income and Expenditure Account for the year ended 31 March 2004

	<i>Note</i>	<b>Year ended 31 March 2004</b>		Year ended 31 March 2003	
		£	£	£	£
<b>Turnover</b>	3				
Grant in Aid from DfES National Remodelling Team Grant		<b>85,016,673</b>		59,774,007	
Other income		<b>7,227,496</b>		–	
		<b>3,381,633</b>		826,353	
		<b>95,625,802</b>			60,600,360
Administrative expenses		<b>(90,555,811)</b>			(65,214,168)
Surplus/(deficit) on ordinary activities before taxation		<b>5,069,991</b>			(4,613,808)
Tax on surplus/(deficit) on ordinary activities	6	–			–
Surplus/(deficit) on ordinary activities after taxation		<b>5,069,991</b>			(4,613,808)
Notional capital charge		<b>(85,675)</b>			(107,301)
Surplus/(deficit) after notional capital charge		<b>4,984,316</b>			(4,721,109)
Add back notional capital charge		<b>85,675</b>			107,301
Accumulated surplus/(deficit) for the year	11	<b>5,069,991</b>			(4,613,808)

There are no recognised gains and losses other than those shown in the Income and Expenditure Account.

All activities relate to continuing operations.

# Balance Sheet

## As at 31 March 2004

	Note	2004 £	2004 £	2003 £	2003 £
<b>Fixed assets</b>					
Tangible assets	7		<b>25,320,414</b>		25,645,620
<b>Current assets</b>					
Debtors	8	<b>6,374,923</b>		1,583,492	
Cash at bank and in hand		<b>5,336,416</b>		4,629,271	
			<b>11,711,339</b>	6,212,763	
<b>Creditors: amounts falling due within one year</b>	9	<b>(11,988,486)</b>		(11,518,396)	
<b>Net current liabilities</b>			<b>(277,147)</b>		(5,305,633)
<b>Total assets less current liabilities</b>			<b>25,043,267</b>		20,339,987
<b>Creditors: amounts falling due after more than one year</b>	10		<b>(24,289,205)</b>		(24,655,916)
<b>Net assets/(liabilities)</b>			<b>754,062</b>		(4,315,929)
<b>Capital and reserves</b>					
Income and expenditure account			<b>754,062</b>		(4,315,929)
Member's funds/(deficit)	11		<b>754,062</b>		(4,315,929)

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

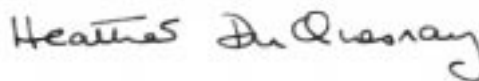
### Eversheds

Nottingham

*Company Secretary*

Approved by the board on 28 July 2004.

These accounts were approved by the Accounting officer:



### H Du Quesnay

*Chief Executive & Accounting Officer*

Approved by the Accounting Officer on 28 July 2004.

# Cash Flow Statement

## for the year ended 31 March 2004

	Year ended 31 March 2004 £	Year ended 31 March 2003 £
<b>Net cash inflow from operating activities</b>	<b>707,145</b>	1,127,912
<b>Capital expenditure</b>		
Purchase of tangible fixed assets	<b>(851,704)</b>	(1,739,075)
Receipt of deferred capital grants	<b>851,704</b>	1,739,075
Increase in cash	<b>707,145</b>	1,127,912
<b>Reconciliation of operating surplus/(deficit) to net cash inflow from operating activities</b>		
Operating surplus/(deficit)	<b>5,069,991</b>	(4,613,808)
Depreciation	<b>1,176,910</b>	1,042,552
Loss on disposal of fixed assets	–	30,473
Release from deferred capital grants	<b>(1,176,910)</b>	(1,013,149)
Increase in debtors	<b>(4,791,431)</b>	(1,178,482)
Increase in creditors	<b>428,585</b>	6,860,326
Net cash inflow from operating activities	<b>707,145</b>	1,127,912
<b>Reconciliation of net cash flow to movement in net funds</b>		
Increase in cash in the year	<b>707,145</b>	1,127,912
Change in net funds	<b>707,145</b>	1,127,912
Opening net funds	<b>4,629,271</b>	3,501,359
Net funds at 31 March	<b>5,336,416</b>	4,629,271

# Notes to the Accounts for the year ended 31 March 2004

## 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.

## 2 Accounting policies

The accounts have been prepared in accordance with applicable accounting standards and in accordance with a direction given by the Secretary of State for Education and Skills with the consent of the 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.

### 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

NCSL is funded mainly by Grant in Aid from its sponsor department, the Department for Education and Skills. Grant in Aid is received monthly and is treated as revenue being recognised upon receipt, except for amounts used for the purchase of fixed assets which are held in creditors and released to the Income and Expenditure account in line with depreciation on the relevant assets.

Where NCSL 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 NCSL has provided training bursaries for individuals, the liability is recognised on the balance sheet and is matched by the expected funding. When the individuals access these bursaries, the relevant income and expenditure is recognised.

### 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

NCSL 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 NCSL 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

NCSL employees are eligible to become members of the Nottinghamshire County Council Local Government Pension Scheme, a defined benefit scheme. Pension contributions are charged to the Income and Expenditure account as they become payable in accordance with the rules of the scheme.

### 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 NCSL in connection with its educational, research and vocational training activities.

<b>4 Operating surplus/(deficit)</b>	<b>2004</b>	2003
	<b>£</b>	£
This is stated after charging:		
Depreciation of fixed assets	<b>1,176,910</b>	1,042,552
Loss on disposal of fixed assets	–	30,473
Auditors' remuneration		
Audit services - external auditors	<b>35,250</b>	31,450
Audit services - internal auditors	<b>22,117</b>	18,137
Other fees - external auditors - tax advice	<b>1,939</b>	–
- external auditors - other consultancy	<b>86,794</b>	–
- external auditors - staff recruitment	<b>22,525</b>	–
Other fees - internal audit - VAT advice	<b>7,818</b>	–
- internal audit - interim staffing	<b>33,368</b>	–
Research and development expenditure	<b>1,897,510</b>	1,825,236
Operating lease payments - plant and equipment	<b>825,508</b>	608,144
Operating lease payments - other	<b>596,951</b>	29,499

<b>5 Staff costs</b>	<b>2004</b>	2003
	<b>£</b>	£
a) Wages and salaries of direct employees	<b>6,215,472</b>	3,282,475
Social security costs	<b>603,541</b>	260,029
Other pension costs	<b>725,829</b>	349,322
Contract & temporary staff costs	<b>280,092</b>	171,081
Seconded staff costs	<b>547,106</b>	342,851
	<b>8,372,040</b>	4,405,758

Salaries include gross salaries and performance bonuses payable.  
It does not include estimated monetary value of benefits in kind.

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

	<b>2004</b>	2003
Senior management (includes 1 secondee)	<b>8</b>	7
Other staff	<b>173</b>	101
Seconded staff	<b>7</b>	N/A
Agency, temporary and contract staff	<b>12</b>	7
	<b>200</b>	115

c) NCSL is a member of the Nottinghamshire County Council Pension Scheme. The charge to the income and expenditure account for the year represents NCSL's liability for pension contributions in the year.

d) Members of the Governing Council, who are directors for the purpose of Company Law, receive no remuneration from NCSL. Expenses for attendance at meetings are reimbursed. Any associated income tax liability is borne by NCSL.

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 has not been disclosed under the provisions of the Data Protection Act (1998) for the right to privacy of personal data.

# Notes to the Accounts

## for the year ended 31 March 2004

### 6 Taxation

It has been agreed by the Inland Revenue that NCSL 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.

### 7 Tangible fixed assets

	Land and buildings Owned £	Plant and machinery Owned £	Plant and machinery Donated £	Total £
<b>Cost or valuation</b>				
At 1 April 2003	25,585,415	1,202,174	42,482	26,830,071
Additions at cost	314,328	537,376	–	851,704
At 31 March 2004	<u>25,899,743</u>	<u>1,739,550</u>	<u>42,482</u>	<u>27,681,775</u>
<b>Accumulated depreciation</b>				
At 1 April 2003	574,541	567,428	42,482	1,184,451
Charge for the year	605,975	570,935	–	1,176,910
At 31 March 2004	<u>1,180,516</u>	<u>1,138,363</u>	<u>42,482</u>	<u>2,361,361</u>
<b>Net book value</b>				
<b>At 31 March 2004</b>	<b><u>24,719,227</u></b>	<b><u>601,187</u></b>	<b><u>–</u></b>	<b><u>25,320,414</u></b>
At 31 March 2003	<u>25,010,874</u>	<u>634,746</u>	<u>–</u>	<u>25,645,620</u>

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, NCSL entered into a 99 year lease with the Department for Educational and Skills for the use of a building sited on the Jubilee Campus of the University of Nottingham. No consideration was transferred by NCSL 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 NCSL's accounts to reflect the substance of the lease which confers the operational risk of the building to NCSL. 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, NCSL made a payment of £1.3m to the DfES in lieu of rent on a non-prejudicial basis. Discussions are ongoing about the future arrangements for lease and associated rental payments between the DfES and NCSL.

<b>8 Debtors</b>	<b>2004</b> £	2003 £
Trade debtors	<b>612,945</b>	1,090,707
Other debtors	<b>4,172,293</b>	–
Prepayments and accrued income	<b>1,589,685</b>	492,785
	<b>6,374,923</b>	1,583,492
<b>9 Creditors: amounts falling due within one year</b>	<b>2004</b> £	2003 £
Trade creditors	<b>1,302,262</b>	3,914,012
Other creditors including taxation and social security	<b>3,733,463</b>	334,651
Deferred capital grant	<b>1,031,209</b>	989,704
Accruals and deferred income	<b>5,921,552</b>	6,280,029
	<b>11,988,486</b>	11,518,396
<b>10 Creditors: amounts falling due after more than one year</b>	<b>2004</b> £	2003 £
Deferred capital grant - land and buildings	<b>24,113,253</b>	24,436,332
Deferred capital grant - other	<b>175,952</b>	219,584
	<b>24,289,205</b>	24,655,916
<b>11 Reconciliation of movement in member's (deficit)/funds</b>	<b>2004</b> £	2003 £
Opening balance	<b>(4,315,929)</b>	297,879
Surplus/(deficit) for the year	<b>5,069,991</b>	(4,613,808)
At 31 March	<b>754,062</b>	(4,315,929)



# Notes to the Accounts for the year ended 31 March 2004

## 12 Related party transactions

NCSL 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 £85,291,531 and National Remodelling Team funding of £7,800,000 was received from the DfES during the year, of this funding £600,064 in respect of Grant in Aid and £572,504 in respect of National Remodelling Team are held within deferred income at the year end.

NCSL invoiced the DfES for a further £1,776,789 for reimbursement of expenditure and other services rendered.

The directors I Hall and T Mackay were paid £17,047 (year end creditor £6,380) and £31,250 (year end creditor £nil) respectively, for consultancy services. Lent Rise Combined School, of which B Bigland, a director of NCSL, is the headteacher, received funding of £23,440 in the year of which £3,956 was included within creditors at the year end.

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 NCSL during the year, other than those noted above.

## 13 Material non cash transactions

There were no material non cash transactions.

## 14 Financial performance targets

The only financial performance target was to achieve a surplus sufficient to cover the brought forward deficit. This objective was met.

## 15 Operating lease commitments

At 31 March 2004, NCSL had annual commitments under non-cancellable operating leases falling due as set out below:

	2004 Land and buildings £	Other £	2003 Land and buildings £	Other £
Within one year	–	72,611	–	80,904
In the second to fifth years inclusive	541,773	745,067	126,400	465,797
	<b>541,773</b>	<b>817,678</b>	126,400	546,701

## 16 Post balance sheet events

There were no post balance sheet events.

## 17 Pensions

NCSL operates a defined benefits staff pension scheme providing benefits based upon final pensionable salary. The scheme is part of the Nottinghamshire County Council Pension Scheme 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.

### SSAP 24

The pensions costs are assessed every three years in accordance with the advice of a qualified independent actuary, the next valuation will be at 31 March 2004 and will be available in October 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 2001
Actuarial method .....	Projected Unit
Investment returns per annum .....	6.5%
Pension increases per annum .....	2.5%
Salary scale increases per annum .....	4.0%
Market value of assets at date of last valuation .....	£1,440m
Proportion of members' accrued benefits covered by the actuarial value of the assets .....	91%

### FRS 17

The following information is based upon a full actuarial valuation of the fund as 31 March 2001 updated to 31 March 2002, 2003 and 2004 by a qualified independent actuary.

	2004	2003	2002
Inflation	2.8%	2.5%	2.5%
Rate of increase in salaries	4.3%	4.0%	4.0%
Rate of increase in pensions	2.8%	2.5%	2.5%
Discount rate for liabilities	6.3%	5.4%	6.0%

# Notes to the Accounts

## for the year ended 31 March 2004

### 17 Pensions (continued)

The assets in the scheme (of which NCSL's share is estimated at 0.2%) and the expected rates of return were:

	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 2004	Value at 31 March 2003 £000	Long term rate of return expected at 31 March 2004	Value at 31 March 2002 £000
Equities	7.5%	3,821	7.5%	1,774	8.0%	1,473
Bonds	4.7 to 5.5%	1,215	4.5 to 5.4%	722	6.0%	394
Property	6.5%	680	6.5%	412	7.0%	286
Other	4.0%	359	3.75%	124	–	–
Total market value of assets		<b>6,075</b>		<b>3,032</b>		<b>2,153</b>

	2004 £000	2003 £000	2002 £000
NCSL's estimated asset share	6,075	3,032	2,153
Present value of scheme liabilities	(7,843)	(4,686)	(2,509)
Deficit in the scheme	<b>(1,768)</b>	<b>(1,654)</b>	<b>(356)</b>

Under the transitional arrangements of FRS 17, no provision has been made in the accounts for NCSL's share of the deficit of the scheme. If provision were made, the following entries would be made:

Balance sheet presentation	2004 £000	2003 £000	2002 £000
Net assets/(liabilities) excluding FRS 17 pension liability	754	(4,316)	298
Net pension liability	(1,768)	(1,654)	(356)
Net liabilities including FRS 17 pension liability	<b>(1,014)</b>	<b>(5,970)</b>	<b>(58)</b>
<b>Reserves note</b>			
Income and expenditure account excluding FRS 17 pension liability	754	(4,316)	238
Pension reserve	(1,768)	(1,654)	(356)
Net liabilities including FRS 17 pension liability	<b>(1,014)</b>	<b>(5,970)</b>	<b>(58)</b>

Under the transitional arrangements of FRS17, NCSL's pension charge for the year calculated under FRS17 assumptions is not included in the accounts (as this is currently calculated on a SSAP24 basis). If the charge had been included on an FRS17 basis, the following entries would be made:

<b>Analysis of the amount charged to the income and expenditure account</b>	<b>2004 £000</b>	2003 £000
Service cost	(916)	(376)
Past service cost	–	–
<b>Total operating charge</b>	<b>(916)</b>	<b>(376)</b>
<b>Analysis of net (interest)/return on pension scheme</b>	<b>2004 £000</b>	2003 £000
Expected return on pension scheme assets	275	213
Interest on pension scheme liabilities	(321)	(193)
<b>Net (interest)/return</b>	<b>(46)</b>	20
<b>Amounts recognised in the statement of total recognised gains and losses (STRGL)</b>	<b>2004 £000</b>	2003 £000
Actual return less expected return on pension scheme assets	488	(717)
Change in financial and demographic assumptions underlying the scheme liabilities	(329)	(561)
<b>Actuarial gain/(loss) recognised in STRGL</b>	<b>159</b>	<b>(1,278)</b>
<b>Movement in surplus during year</b>	<b>2004 £000</b>	2003 £000
Deficit in scheme at beginning of year	(1,654)	(356)
Movement in year:		
Current service charge	(916)	(376)
Contributions	689	336
Past service costs –		
Net (interest)/return on assets	(46)	20
Actuarial gain or loss	159	(1,278)
<b>Deficit in scheme at end of year</b>	<b>(1,768)</b>	<b>(1,654)</b>

## Notes to the Accounts for the year ended 31 March 2004

### 17 Pensions (continued)

History of experience gains or losses	2004 £000	2003 £000
Difference between the expected and actual return on assets:		
Amount	<b>488</b>	(717)
% of scheme assets	<b>8%</b>	23.6%
Total amounts recognised in statement of total recognised gains and losses		
Amount	<b>159</b>	(1,278)
% of scheme liabilities	<b>2%</b>	27.3%

AR/2004

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