



Partnerships for Schools Limited

Company Number: 04650964

Annual Report and Accounts

For the Year Ended 31 March 2010

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Glossary

Department refers to the Department for Education, formerly known as the Department for Children, Schools and Families.

Secretary of State refers to the Secretary of State for Education, formerly known as the Secretary of State for Children, Schools and Families.

Chief Executive's Foreword

Overall, the past year can be characterised by a sense of continued pace and momentum in the delivery of capital investment in schools. Building on the delivery successes of 2008-9, the past year has been a year of strong delivery in which Partnerships for Schools (PfS) has met or exceeded all key targets identified in the Business Plan for 2009-10.

As well as our core delivery functions on Building Schools for the Future (BSF) and the Academies programmes, the past year also saw PfS's role grow significantly with the transfer of responsibility for the majority of schools capital programmes from the Department for Education (formally the Department for Children, Schools and Families – for the purpose of this report the Department will be used throughout) to create a more coherent strategic policy and delivery function for all programmes.

During the year 24 BSF projects were launched, 20 of which were with local authorities new to BSF. 20 deals at local authority level were signed with the private sector, bringing the total number to 50 and representing over £5 billion of investment in state secondary schools. At the end of the financial year, 151 schools had benefitted from BSF investment to date.

A significant challenge for PfS and the schools capital community more generally, has been the prevailing economic conditions. At the start of 2009, no banks were willing to lend to BSF schemes that had a PFI component. By March this year, around 20 institutions were in the market to lend, including the European Investment Bank, with whom we secured a £300m line of credit. We also saw a number of commercial new entrants to the market. In order to give a short-term fiscal stimulus to the construction industry and small to medium sized enterprises, £800 m of capital spending was accelerated in 2009-10 and was targeted at small-scale modernisation and building projects.

The minimum design standards were introduced in 2009-10 to encourage excellence in the design of BSF schools – a first for any public sector building programme.

Further to recommendations in the 2009 NAO value for money report on BSF PfS launched a post occupancy evaluation (POE) pilot. The aim of POE is to learn lessons that can be quickly fed back into the programme and to assess the difference made by BSF investment.

To create further time and cost savings in BSF, PfS launched a second Procurement Review in November 2009. Building on the anticipated £250m savings due to be delivered by an initial review of procurement carried out in 2007-8, the current review will report in 2010.

Savings to the public purse have also been delivered through the use of our benchmarking data. We have analysed cost data for nearly 200 schools across the country, enabling us to drive further efficiencies through the programme.

Progress on the Academies programme also continues apace, with 350 Academies at varying stages of delivery, putting us well on trajectory to deliver the objective of 400 new Academy schools. 2009-10 saw the programme accelerate rapidly with a further 35 Academies moving into procurement through the PfS Contractor Framework; and 28 construction contracts signed – a significant increase from the nine achieved by March 2009.

The 2006 PfS National Framework has been extremely successful, with the original OJEU value of £2 billion worth of educational projects achieved ahead of schedule as a result of

the acceleration of the Academies programme. A new Contractor Framework with an OJEU level of £4 billion, operational from December 2009, will continue to deliver the Academies programme and support the wider BSF delivery.

Significant efficiency savings on the procurement costs of Academies of up to 30% are being evidenced this year, with an efficiency drive within the Academy programme expected to yield further savings across the programme.

New responsibilities transferred to us during the year include the £1.9 billion Primary Capital Programme, which aims to create primary schools that are equipped for 21st century learning, at the heart of their communities, with children's services in reach of every family.

The regional Primary Capital Programme pathfinders have successfully completed 32 new and refurbished schools and more than 90% of exemplar projects are scheduled for completion during the course of the academic year 2009-10.

In addition to core schools capital funding, PfS is also now responsible for the delivery of a £200m Cross Government Co-location Fund which aims to bring together local services in ways that reflect people's lives. As well as helping these services work more effectively, there are also potential savings to be made from using facilities to the full and bringing together assets and functions. In 2009-10 £34.4m of co-location funding was allocated to projects. Twenty projects are now in construction with a few smaller schemes approaching completion, and the majority of projects will be on site by July 2010.

The past twelve months have represented a period of significant change for PfS as an organisation. As a public body, it is essential that we operate in the most efficient and effective way to ensure that capital programmes deliver value for money to the taxpayer. Our work here focuses both on ways in which we drive further value from the programmes we run and how we discharge our duties in managing them.

Reflecting the significant expansion of our remit to cover the majority of schools capital programmes, 41 posts from the Department transferred to PfS. We also moved premises to accommodate our growth, though still recognising that a significant proportion of our staff are remote workers. To manage this expansion of our responsibilities the Board and Executive Management Team put in place a detailed change management programme to minimise any business disruption. HR, finance and IT systems have also been updated over the year, reflecting our wider responsibilities. The effectiveness and success of this transfer of functions was recognised by PfS's sponsor, the Department (including Ministers) and, as a result, all capital programmes are running smoothly, positioning us well for the coming year.

2009-10 has been a good year for PfS. The challenges have been significant and the team has worked hard to address and overcome these. This positions us well for what will undoubtedly be another very busy 12 months and I am confident that the organisation will again rise to the task in hand.



Tim Byles, CBE
Chief Executive and Accounting Officer

Company Information

Company Registration Number: 04650964

Registered Office:
33 Greycoat Street
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SW1P 2QF

Directors: Michael Grabiner (Non Executive Chairman)
Richard Baldwin (Non Executive Director)
Christine Davies CBE (Non Executive Director)
Stella Earnshaw (Non Executive Director)
Brian Rigby CBE (Non Executive Director)
Andy Buck (Non Executive Director) until 30 Sep 09
Tim Byles CBE (Ex Officio Director)
James Stewart OBE (Ex Officio Director) from 4 June 09

Chief Executive: Tim Byles CBE

Company Secretary: Kirsten Flynn

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National Audit Office
157 – 197 Buckingham Palace Road
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Management Commentary and Business Review

Purpose and Background

Partnerships for Schools (Pfs) was incorporated as a limited company on 29 January 2003 and is an executive non departmental public body (NDPB) sponsored by the Department. Until 31 March 2009, the funding and management of Pfs was carried out under a joint venture arrangement between Partnerships UK (PUK) and the Department. This arrangement ceased with effect from 1 April 2009 and Pfs is now 100% funded by the Department. PUK maintains an active involvement in the delivery of capital programmes by Pfs, including through its representation on the Pfs Board.

Pfs was formally established in April 2004 as the national programme manager for the Building Schools for the Future (BSF) programme with a remit to support local authorities in ensuring that new schools are well designed, built on time and at a reasonable cost to the taxpayer and are properly maintained over their lives. In 2006, Pfs also assumed responsibility for the delivery of the Academies construction programme and, in 2009, Pfs's remit extended to cover the majority of schools capital programmes on behalf of the Department.

The remit and priorities for Pfs delivery in 2009-10 were set out by the Minister for Schools and Learners, Vernon Coaker MP, in a Remit Letter and Supplementary Remit Letter.

Pfs's Remit 2009-10: Building Schools for the Future and Academies

The remit for Pfs in 2009-10 was to rebuild and renew every secondary school over the lifetime of the BSF programme, so that state maintained schools are made fit for the challenges of the 21st century. The planning assumption, subject to future spending review decisions, was that by 2020 every local authority will be engaged in BSF, with contracts to renew the last schools in place. Pfs is also responsible for the delivery of Academy buildings through the BSF programme and through a national framework.

Through the BSF and Academies programmes the Government's aim was to create a step-change in the quality of school provision, with investment-driven innovation and reform, and in the procurement of school buildings. Pfs has been key to delivering that step-change, both locally and nationally to ensure that every secondary pupil benefits from BSF investment over the lifetime of the programme.

Priorities for Pfs in 2009-10 were:

- To support and challenge local authorities in BSF, and their partners, to ensure that the benefits of BSF were realised.
- To work with the Department and other partners to improve the way services for children and young people work together. Pfs was to support the delivery of 21st century schools as set out in the *Children's Plan* and in the White Paper *Your child, your schools, our future: building a 21st century schools system*.
- To respond appropriately to the current economic downturn and, in particular, the difficulties of projects in securing bank finance for PFI projects; and to propose options for resolving affordability issues.

- To improve value for money, and drive efficiencies through PfS's procurement processes, including a reduction in the costs of establishing Local Education Partnerships, and through the collection and sharing of benchmarking data with local authorities.
- To work continually to improve school designs, including responding to developing government priorities and strategies, such as personalised learning, co-location of children's services, and the government's sustainable development agenda, including the requirement to reduce carbon emissions and the ultimate ambition of zero carbon.
- To improve schools' satisfaction with ICT managed services procured under Local Education Partnerships established through BSF.
- To take into account the findings and recommendations of recent reviews on BSF, to explore how best to secure the ultimate aims of the BSF and Academies programmes in the light of the changing context of the delivery chain and of the development of Government policy.

PfS's Supplementary Remit 2009-10

From 1 October 2009, PfS's remit was extended to deliver all strategic, targeted and devolved schools capital programmes on behalf of the Department as the first phase of a longer term programme to create a more coherent strategic policy and delivery function for all the Department capital programmes. The anticipated benefits of this transfer of functions include:

- Reducing duplication of effort between the Department and its NDPBs.
- Joining up of disparate funding streams, thus allowing the Department and PfS to have 'one conversation' with local authorities about how we improve outcomes for children and young people through maximising the benefits derived from the available capital investment.
- Putting "under one roof" the central management of programmes and budgets to allow the Department and cross-government priorities to be delivered more effectively, and to promote efficiencies and economies of scale.
- Increasing PfS's ability to establish consistent protocols and standards across programmes and ensuring that knowledge and lessons learned are shared.

In addition, the joining up of capital programme functions and procurement locally was intended to support improved efficiencies at local levels.

As such, supplementary priorities for PfS in 2009-10 were:

- Delivery of the following capital programmes, and responsibility for managing the capital budgets and making payments in respect of these programmes:

Strategic programmes

- The BSF and Academies construction procurement programmes. The Department transferred to PfS the remaining delivery functions in relation to these programmes.
- The Primary Capital Programme. PfS's remit was to work with the Department on the future implementation and development of this programme, which is currently in its infancy.
- The Co-location Fund. PfS's role was to fund and support the approved projects, and ensure that these were evaluated, and that lessons learned and good practice were shared.

Devolved programmes

- Programmes involving capital funds devolved to schools, (including Voluntary Aided schools) both directly and through local authorities.
- Programmes involving capital funds devolved to local authorities.
- Programmes involving capital funds for ICT devolved to schools and others.

Targeted programmes

- The targeted capital funds for commitments entered into before the current spending period, including those for needs arising due to exceptional growth in pupil numbers.
- Other targeted capital funds which started or were due to start in the current spending period, with the exception of capital funding for Teachers TV, and the 16-19 capital fund.
- Supporting the delivery of these capital programmes by managing a number of programme revenue budgets including:
 - a contract with Construction Industry Council (CIC) to provide for the supply, management, maintenance and development of design quality indicators for schools;
 - a contract with DEGW in partnership with Davis Langdon for research and development to improve the briefing, design and adaptation of schools' space for personalised learning; and
 - a contract with Building Research Establishment (BRE) for identifying safety and security issues that can arise in and around schools and other children's settings, and for drawing together design principles and examples of good practice that architects and others can use to help reduce vulnerability.
- Ensuring that good design and sustainability was at the heart of schools capital programmes by exploring innovation and improving practice in the design, construction, procurement and evaluation of schools so that they provide better learning environments, wider services for children and families, and reduced carbon emissions.

- Promoting and embedding best practice in local authorities' and schools' management of their assets, including the management of premises-related health and safety issues, in relation to their existing estate.
- Administering applications, and making recommendations to the Secretary of State, for the disposal of assets where special statutory requirements apply including school playing fields.
- Working with partners, within and outside government, to monitor Private Finance Initiative (PFI) developments and advise on the delivery aspects of PFI, including the provision of support, advice and guidance to key stakeholders (the Department included) on operational PFI projects, ensuring compliance with HM Treasury requirements and Communities and Local Government guidance.

Organisational Development

PfS continues to pride itself on the quality of its work which is made possible by the knowledge and skills of our employees. In a relatively short space of time we have grown rapidly, with 186 full-time equivalent employees working for the organisation at the end of the reporting period. The expansion of PfS's remit to cover the majority of schools capital programmes has been a major factor in the organisation's growth, with 32 people (41 posts) transferring from the Department on 1 October 2009.

Our employees come from a diverse range of backgrounds – from the private, public and third sectors – which reflects the nature of our work. Providing technical and specialist expertise, our teams advise local authorities on educational issues pre-procurement, support projects throughout procurement and give commercial advice as projects progress to financial close.

As a result of the transfer of responsibilities, PfS now has teams based in Darlington, in addition to our head office in London. As an organisation that works with local authorities and schools across England, it is essential that we have a mobile and flexible workforce. 48% of our staff are remote workers who operate from home, local authorities and schools themselves.

PfS values staff training and development and offers NVQ apprenticeships, participation in leadership and management development as well as a comprehensive in-house menu of courses to support staff development.

In light of PfS's growth, we have taken the opportunity to review a number of key policies on recruitment, employee relations, pay and health and safety. Given the commercially sensitive nature of our work, we also continue to record and report staff declarations of interest.

PfS has positive levels of staff turnover (13%) and absence (5 days per employee). Staff also report high levels of satisfaction with 87% of staff reporting that they are proud to work for PfS.

Corporate Objectives

The Secretary of State defined the overall aims for PfS as follows:

- delivering the schools capital strategy on behalf of the Department;
- improving the strategic impact of capital investment; and
- improving investment efficiency and outcomes for and reducing the procurement burden on local authorities and schools.

The strategic objectives against which PfS's performance has been measured in 2009-10 were:

- **PfS Strategic Objective 1:** To deliver effective central programme management, ensuring that capital investment is delivered on time, on budget and to agreed standards.
- **PfS Strategic Objective 2:** To support and challenge local authorities in the development of Strategies for Change and translating these into real changes on the ground.
- **PfS Strategic Objective 3:** To secure better strategic planning of the type and location of schools and other community facilities.
- **PfS Strategic Objective 4:** To secure partnerships between local authorities and the private sector, delivering capital investment through efficient and effective procurement and delivery approaches, to achieve capital programme objectives at a local level.

A fifth objective was added during the year to those above to reflect the extension of PfS's remit.

- **PfS Strategic Objective 5:** To work closely with the Department to effect a smooth transfer of the capital programmes and cross-programme functions from the Department to PfS ensuring the maintenance of business continuity.

Progress against these five strategic objectives in 2009-10 is set out in the following section.

Strategic Objective 1: To deliver effective central programme management, ensuring that capital investment is delivered on time, on budget and to agreed standards.

2009-10 saw the transfer of responsibility for the majority of schools capital programmes from the Department to PfS to create a more coherent strategic policy and delivery function for all the Department capital programmes. The success with which PfS managed the transfer of capital programmes while continuing to deliver its core business has been recognised by the Department and an independent team carrying out a Gateway Review. For further information see Strategic Objective 5 on page 21

Building Schools for the Future (BSF)

BSF has sought to replace and repair building stock which is not suitable for 21st century educational delivery, or where the buildings are in very poor physical and operational condition.

The new buildings are intended to be shared and used by local communities and to be flexible enough to respond to developing needs. BSF has also supported the local reorganisation of secondary schools to reflect demographic needs and greater diversity of provision.

Overall the past year can be characterised by a sense of continued pace and momentum in the programme. With 151 schools now benefitting from BSF investment, the evidence of programmes helping to improve the life chances of children and young people by creating learning environments which inspire them to reach their full potential is beginning to emerge.

Throughout the year (1 April 2009 to 31 March 2010):

- 24 projects entered the BSF programme (20 new projects and 4 repeat projects);
- 24 projects completed the Strategy for Change process;
- 66 projects completed the Outline Business Case process; and
- 164 school projects reached Financial Close.

2009-10 also saw the introduction of the Minimum Design Standard to encourage excellence in the design of BSF schools. In 2009-10 CABE's Schools Design Review Panel reviewed 167 designs for 60 schools from 32 local authorities within nine UK regions. CABE's enabling team have also completed three one-day workshops for local authorities in the earliest stages of the BSF programme, helping them focus on quality of place, sustainability, and the design aspects of estate planning.

Academies

The Academies programme was introduced in March 2000 to bring a distinctive approach to school leadership drawing on the skills of sponsors from a wide range of backgrounds and other supporters. In March 2006 Ministers announced that PfS would be responsible for the delivery of Academy construction procurement and the following year set a delivery target of 400 Academies. The programme is now well on the way to achieving this trajectory with 350 Academies at varying stages of delivery.

The 2006 PfS National Framework has been extremely successful, with the original OJEU value of £2 billion worth of educational projects achieved ahead of schedule as a result of the acceleration of the Academies programme. A new Contractor Framework with an OJEU

level of £4 billion, operational from December 2009, has supported both the Academies programme and will also support delivery across the schools capital programme.

2009-10 saw the pace of delivering Academies accelerate rapidly with a further 35 Academies moving into procurement through the PFS Contractor Framework, and 28 construction contracts signed – a significant increase from the nine achieved by March 2009. As well as managing the acceleration through the Framework, the number of Academies managed and delivered through BSF increased from 57 at the end of March 2009 to 91 by the end of 2009-10.

Significant efficiency savings on the procurement costs of Academies of up to 30% were evidenced in 2009-10, with an efficiency drive within the Academy programme expected to yield further savings across the programme.

Schools benefitting from investment in 2009-10

During the year 78 BSF schools and Academies benefited from investment, bringing the total to 151 by 31 March 2010. The schools that benefitted from investment in 2009-10 are listed at **Annex A**. BSF can be regarded as having delivered ahead of the school opening trajectory set out in 2006.

	Annual figures for schools benefitting from investment	Cumulative figures for schools benefitting from investment
	No. of schools	No. of schools
Pre 2008-9	23	23
2008-9	50	73
2009-10	78	151 (plus 18 Easter openings = 169)

Primary Capital Programme (PCP)

The Primary Capital Programme aims to create primary schools that are equipped for 21st century learning, at the heart of their communities, with children's services in reach of every family.

Responsibility for supporting local delivery of the PCP transferred to PFS in October 2009. Since this time, PFS has established programme management procedures which will seek to provide baseline information across the programme. PFS is now engaged in dialogue with all local authorities in England to gather key information on the delivery status of PCP schemes.

The regional PCP pathfinders have successfully completed 39 new and refurbished schools and more than 90% of exemplar schools are scheduled for completion during the course of the academic year 2009/10.

The recent baseline exercise is showing that approximately 258 new and refurbished school projects have been completed under the PCP up to April 2010

An OGC Gateway Review (Stage 0) was carried out on the PCP in January 2010. The final Gateway Review report has assessed the delivery confidence of the programme as Amber, which is considered to be positive given the scale and complexity of the programme and the short time that PFS has been involved.

Cross Government Co-location Fund

The Children's Plan: One Year On document announced the creation of a £200m Cross-Government Co-location Fund dedicated to the use of co-located services. PFS is responsible for managing this fund, which is being governed by a Cross Governmental Steering Group including representatives from the Department for Education, the Department of Health, the Department for Business Innovation and Skills, the Department for Communities and Local Government, the Department for Culture, Media and Sport, and HM Treasury.

PFS received 315 applications for a share of the Co-location Fund. Following evaluation and assessment, 101 projects were approved by Ministers in June 2009, making a total of 105, including the four projects approved and separately funded by the Department in late 2008.

The majority of the 105 co-location projects are progressing in line with, or close to, their initial programme and are expected to complete works and have services in place by the end of the August 2011 programme deadline. In 2009-10 £34.4m of co-location funding was allocated to projects.

Strategic Objective 2: To support and challenge local authorities in the development of Strategies for Change and translating these into real changes on the ground.

Building Schools for the Future (BSF)

In September 2008, the Department invited those local authorities not yet in BSF to submit expressions of interest to join the programme. This allowed local authorities to propose an initial project, including their neediest schools, so that their pupils and staff could benefit from investment as early as was practicable with the remainder of their schools being rebuilt or refurbished subsequently.

A revised national programme was announced in March 2009. Replacing the 'wave' system of bringing new projects into BSF, there was to be now a series of 'rolling starts' for those local authorities yet to join BSF. In 2009, PFS invited those local authorities with the highest prioritised projects to provide evidence that they were 'ready to deliver'.

During the evaluation of local authorities' submissions, PFS evaluated the deliverability of local authority plans as well as their investment strategy; the affordability of their project and their capability to deliver. PFS also looked at how transformational the proposals were.

In July 2009 the following authorities were the first to join BSF under the re-prioritisation:

- Barnet
- Bolton
- Hampshire
- Peterborough
- Sunderland, and
- Wigan.

These authorities were followed in November 2009 by:

- Brent
- Darlington
- Devon
- Havering
- Kingston and Croydon (a joint project)
- Lancashire (the next phase of their project)
- Norfolk
- Plymouth
- Sefton
- Tameside (the next phase of their project)
- Wakefield and
- Warrington.

In March 2010 the following authorities were also announced:

- Buckinghamshire
- Cornwall
- Gateshead (the next phase of their project)
- Lincolnshire
- Oxfordshire and

- Sutton

Each local authority invited to join BSF begins by developing a Strategy for Change (SfC), the first formal component of the BSF approvals process. It is designed to capture both the local authority's strategy for secondary education and what that means for the school estate. 24 local authorities had their Strategies for Change approved in 2009-10.

Independent Evaluation of BSF

The third annual independent evaluation of the BSF programme carried out by PricewaterhouseCoopers has found clear early evidence that BSF schools are raising pupil aspirations and improving behaviour. Over eight out of 10 headteachers surveyed believed BSF is transforming learning in schools.

Other key findings from headteachers surveyed as part of the evaluation include:

- 81% agreed or strongly agreed that BSF will contribute to educational transformation in their school
- 77% agreed or strongly agreed that BSF is more visionary than other capital investment programmes
- 84% believed that BSF is enabling their school to improve relationships with parents
- 80% believed BSF has the potential to improve the quality of teaching and learning and
- 89% believed BSF will enable their school to be at the heart of their community.

A copy of the Price Waterhouse Coopers report can be found online at:
www.teachernet.gov.uk/management/resourcesfinanceandbuilding/bsf

Ipsos Mori results

An in-depth survey of 80 local authorities and 48 Private Sector Partners (PSPs) was carried out by Ipsos MORI on behalf of PfS in January 2010. Overall the results provided a strong endorsement for how the national BSF programme is being managed by PfS. The top-line findings from the survey include the following:

- 81% said they were very favourable or favourable towards PfS (LAs: 79%; PSPs: 86%)
- Over 90% believed that BSF will help improve education locally by providing young people, teachers and communities with facilities that are fit for the 21st century (LAs: 97%; PSPs: 92%)
- More than 80% agreed or strongly agreed that although BSF got off to a slow start, it has accelerated and is now delivering (LAs: 84%; PSPs: 89%)
- 84% of LAs and 78% of PSPs said they were satisfied with BSF as a whole
- Almost all PSPs (98%) and four in five LAs (78%) believed that PfS is effective or very effective in delivering the BSF programme

- The survey also highlights very strong support for ICT, with 92% of local authorities and 89% of private sector providers agreeing or strongly agreeing that BSF will help introduce a step-change in the provision of ICT in schools
- BSF will support integration into the wider community and social regeneration – 81% LAs; 95% PSPs

Post Occupancy Evaluation

2009 also saw PfS launch a post-occupancy evaluation (POE) pilot. The aim of POE is to learn lessons that can be quickly fed back into the programme and to assess the difference made by BSF investment. In 2009-10 PfS, working with the Building Research Establishment (BRE) and the British Council for School Environments (BCSE), developed a POE methodology that can be used to assess the benefits from BSF funding.

Primary Capital Programme (PCP)

All local authorities in England have an approved Primary Strategy for Change. The first major phase of the roll-out of PCP is now complete and PfS is actively engaged with every local authority in England to gather information on the delivery status of all PCP schemes.

Strategic Objective 3: To secure better strategic planning of the type and location of schools and other community facilities.

Pupil place planning

Local authorities are responsible for balancing the demand and supply of places in their area to ensure schools serve the needs of their local communities and provide good quality education in the most cost effective way. As part of their BSF plans local authorities must analyse the demand for school places, using robust demographic data to establish where, when and for which age group school places will be needed in the future, and engaging with pupils and parents, as the users of the school system, to establish what their needs and aspirations are.

In February 2010 the Department's School Organisation Team at Darlington transferred to PfS and was renamed the Pupil Places Planning Team. This team oversees the administration and collation of data collected via the annual survey of school places. PfS has already acted with the Department to refine the annual school places survey so that, from 2010, it will be able to track rises in the demand for school places in specific year groups more effectively and enable better deployment of resources to meet that demand.

School estate asset management

PfS also provides advice to local authorities and schools on a number of estate management issues including Compulsory Purchase Orders and relaxations from School Premises Regulations, ensuring that the disposal of school playing fields is approved by the Secretary of State in line with Government policy.

Strategic Objective 4: To secure partnerships between local authorities and the private sector, delivering capital investment through efficient and effective procurement and delivery approaches, to achieve capital programme objectives at a local level.

Building Schools for the Future (BSF)

PfS has worked to establish individual Public Private Partnerships (Local Education Partnerships) and contracts (Strategic Partnering Agreements) with the private and public sector to deliver new and refurbished schools and other schemes (e.g. housing, co-located services, leisure projects) across the country. As part of this PfS has used its commercial procurement and legal expertise to broker commercial deals involving local authorities, banks/institutional funders and construction consortia – these transactions can be up to £2 billion and typically cover a ten year period.

PfS provides support and advice on all school PFI projects (both BSF and legacy PFI) and works with key partners, within and outside government, to monitor PFI developments and advise on the delivery aspects of PFI. This includes working with HM Treasury, PUK and other organisations to build contract management capacity, as well as providing advice on dispute resolution, renegotiations or contract terminations. The function also involves undertaking horizon scanning and risk management on operational contracts. PfS also ensures that business cases involving PFI are scrutinised in accordance with procedures agreed with the Department and HM Treasury, and that all deals have arrangements in place for the effective operation and management of the contracts before approval of their final business case.

2009-10 was a particularly challenging year due to economic conditions. Nevertheless, the programme continued to attract a competitive number of potential funders, with around 20 commercial banks prepared to consider a long term loan product. During the year, PfS closed a record 20 deals at local authority level, with 12 of these forming Local Education Partnerships.

Procurement Review

To create further time and cost savings in BSF, PfS launched a second Procurement Review in November 2009. The review, which will continue into 2010, will build upon the previous review which is already helping to reduce procurement timescales by up to two months and reducing costs across the programme by £250 m.

Benchmarking

One of the defining features of the BSF programme is the use of national cost benchmarks to support the management of value for money and cost control across the programme. The principle was that as projects rolled out data would be collected to provide challenge within the exclusivity period of operating LEPs in the absence of traditional competitive tension. PfS developed a Benchmarking and Performance Management System to support this important service.

The benchmarking process is fully operational in respect of new build projects, lifecycle and facilities management,

We have now analysed cost data from almost 200 BSF schools across the country. This has enabled us to build up a detailed construction cost model for new school buildings and to release benchmarks at an elemental level, which support local authorities in driving out better value for money. In total we have now issued nearly 150 individual school construction benchmarks and have also used them to identify continuous improvement savings.

We have engaged with 35 local authorities on value for money issues to assist them in analysing price against a comparative national benchmark: a total of 234 benchmarks (including lifecycle and FM) have been issued. Local authorities have welcomed this approach and see PfS as an independent check on contractors' costs. Where necessary we have also carried out detailed value for money studies assessing contractors' costs at elemental level, comparing their costs to the sample schemes and other similar LEPs (geographically or same contractor). We have also analysed the cost data for non-sample schools to seek an independent check to the continuous improvements that have been claimed.

PfS Strategic Objective 5: To work closely with the Department to effect a smooth transfer of capital programme and cross-programme functions from the Department to PfS ensuring the maintenance of business continuity.

In October 2009, the day-to-day delivery of the Government's schools capital programmes transferred to PfS from the Department.

These programmes included:

- Primary Capital Programme: funding for national primary school building programme earmarked in every local authority.
- Devolved Formula Capital: funding for schools that is spent on capital projects.
- Targeted Capital Programmes: funding for a wide range of targeted projects aligned to specific policies including zero-carbon exemplar schools and school kitchens..

The total value of the capital programmes transferred to PfS is £15,580 billion up until 2011.

Capital Investment Change Programme (CICP)

There were many change management challenges associated with assuming the responsibility for the majority of the schools capital investment programmes. The transfer of responsibilities, which included implementing new finance and HR systems, was completed with minimal disruption to our existing portfolio of programme management and, as a result, enabled the organisation to keep on trajectory for delivery targets.

The CICP established the processes, risks and plans for the transfer, across workstreams including HR, finance, accommodation, operation systems, funding and external stakeholder engagement.

Of the Department's staff 32 decided to transfer to PfS on loan or permanent transfer, filling the majority of the 41 posts transferred from 1 October. Staff either joined the London office of PfS, which was re-located to 33 Greycoat Street in time for the transfer, or remained in the Darlington office. A comprehensive induction programme was developed and delivered for all transferring and new staff.

A new finance system was implemented and PfS also completed an audit of the Department's functions in order to develop processes for managing the transfer.

An OGC Gateway Review Stage Zero of the Change Programme was conducted in September 2009, to assess the extent to which the programme was well managed, developed and specified. The result was positive, gaining an 'Amber/Green' rating (defined as: 'successful delivery appears probable however constant attention will be needed to ensure risks do not materialise into major issues threatening delivery').

The Capital Investment Change Programme was recognised by the PfS Board and the Department as being well managed. Further information can be found in the Statement on Internal Control on page 58.

Balanced Scorecard Key Performance Indicators

The individual measures and targets which underpin PfS's strategic objectives can be found in PfS's Balanced Scorecard. The Balanced Scorecard is intended to provide a framework through which PfS's performance, and the performance of the programmes that PfS delivers, can be monitored. PfS first proposed the use of a Balanced Scorecard in 2008 and the idea was taken up by the NAO in their report (HC 135), which highlighted that most of the BSF performance targets to date had been focused on the timeliness of delivery and that a more balanced set of performance indicators should be developed.

During 2009, work progressed on identifying a number of additional indicators relating to quality – both the quality of the schools being built, in terms of their design, construction and sustainability and the outcomes for children that we were hoping to see as a result of the leverage that BSF provides. The Balanced Scorecard has been reviewed through the development of PfS's Business Plan for 2010/11 with the aim of reducing the number of measures and targets, whilst retaining a balance across the range of programmes that PfS is now responsible for.

Our performance against the 2009-10 Balanced Scorecard can be found in full at Annex B. A summary of performance against our Key Performance Indicators (KPIs) can be found below. These results have been assessed and validated through an independent audit and contribute to an overall assessment of company performance that is used to assess employee eligibility for a non-consolidated bonus. Scrutiny and approval of remuneration policy and individual bonus awards is provided by PfS's Remuneration Committee.

Key Performance Indicators 2009-10

Balanced Scorecard Measure	Target for 2009-10	Actual	Achieved
Number of schools that have been built, refurbished / remodelled or have received ICT investment in financial year 2009-10.	76	78	✓
Number of Local Authority or Academy Outline Business Cases or equivalent that have been approved in financial year 2009-10.	58	66	✓
Number of schools for which a construction contract or an ICT-only contract has been awarded in financial year 2009-10.	139	164	✓
BSF capital grant paid to local authorities by the end of financial year 2009-10.	Grant paid to be within 10% of start of year estimate and 5% of midyear forecast.	Achieved.	✓
Pilot the Post Occupation Evaluation methodology during financial year 2009-10; and agree a definition and target for a measure of how far school designs have achieved the overall objectives of	Achieved.	Achieved.	✓

Balanced Scorecard Measure	Target for 2009-10	Actual	Achieved
the BSF programme for 2010/11.			
Stakeholder satisfaction score as measured by an independent survey in financial year 2009-10 (data from the question: "How favourable or unfavourable is your overall opinion or impression of PFS?")	74%	81% achieved.	✓

Environmental, Social and Community Impact

PfS recognises that [through the capital programmes] it manages, it has a considerable impact on the wider community, especially the environment, PfS also has a role to be socially responsible as a company and employer. PfS is committed to helping to secure a sustainable future for our children and young people through our work with the Department, local authorities, schools and the private sector.

At a programme level, PfS is responsible for ensuring, as far as is practicable, that the Government policies on sustainability are embedded in the design, construction and inspection of schools delivered through BSF and the other schools capital programmes. PfS is in a unique position to influence local authorities and other key stakeholders to ensure that school buildings are as energy efficient as possible. We are determined to play our part in achieving the Department's vision that all schools become sustainable schools, which work with school communities and local authorities as they plan for investment in their school estate, and as we liaise with the construction, design, education, legal and financial sectors to create new and refurbish existing facilities.

Sustainable Development

During 2009-10 PfS has been further developing its Sustainable Development Action Plan. The main focus of the Plan is the influence that PfS has on the whole school estate. However, the plan also covers PfS's own corporate carbon footprint and sustainable behaviour.

Beyond the statutory requirement to produce a plan, this work is necessary because of the need for PfS to address the Carbon Reduction Commitment and the Climate Change Act 2008. The Climate Change Act commits the Department and its NDPBs to a 43% reduction in the carbon produced by the school estate by 2022 and 80% by 2050.

PfS has been particularly influenced by the work of the Zero Carbon Task Force (ZCTF) which examined how new schools could achieve 'zero carbon' status. Its recommendations provide useful thought leadership that can be applied to all schools whether new build or refurbishment, primary or secondary.

Several groups have been established within PfS to steer PfS's sustainability programme, review current practice and lead on the monitoring and evaluation required for us to report back on sustainability targets.

- The Sustainability Strategic Steering Group steers PfS's sustainability programme and drives progress on ZCTF recommendations.
- The Procurement and Standards Group leads on the examination of current procurement practice and standards to test if they deliver sustainable schools. In 2009-10 the group has identified the procurement measures that drive sustainability.
- The Evaluation and Monitoring Group leads on the collection of data on energy in all schools and in-depth post-occupancy evaluation (POE) on energy consumption of a sample of schools. POE has been piloted this year, and the data for collection in 2010/11 has been identified.

- The Research and Exemplars Group explores options for reducing carbon emissions in. In 2009-10 the group has commissioned a schools climate changes adaption study and identified regional 'zero carbon' pilot projects.
- The PfS Leading by Example Group delivers the areas of the Sustainability Action Plan that relate to PfS's own carbon footprint. Progress to date includes a staff skills survey, obtaining an energy performance certificate for the London office and making proposals for improvements.

Another key development in 2009-10 was the launch of the £12m Energy Display Meter offer which PfS is managing on behalf of the Department through British Gas. Around 4,500 schools have now started the online application process to get a free Energy Display Meter for their primary or secondary school. The Energy Display Meter gives pupils and teachers real-time information about electricity usage in their school, helping them to understand more about how simple changes in behaviour can make a big difference to the amount of energy consumed, and potentially cut electricity bills.

Although our most significant contribution to sustainable development is through our investment in schools, PfS also aims to lead by example by becoming a sustainable organisation. The move to the new office in October 2009 provided an opportunity for a new start in these efforts.

As an organisation, PfS has made a commitment to the Waste and Resources Action Programme. The Programme works across the UK to help businesses and individuals reap the benefits of reducing waste, develop sustainable products and use resources in an efficient way.

Community and Social Responsibility

In May 2009 PfS launched the Transformation Trust, an independent education charity. Tim Byles, PfS Chief Executive, is a Trustee. Funded by private sector contributions, the Trust helps to provide funds through extra-curricular activities in schools recently rebuilt or refurbished through BSF. The Transformation Trust is PfS's nominated charity. All staff are allocated two days of volunteering per year; one of which must be used on the Transformation Trust, with the other being used either as a second day for the Transformation Trust or for personal community volunteering. Over and above this, a considerable number of PfS staff are governors of local schools and carry out these functions in their own time.

PfS's work with The Sorrell Foundation and Learning through Landscapes also demonstrates our wider commitments beyond the remit of BSF and the schools capital programmes.

Several other HR schemes that encourage social and environmental responsibility are made available to all PfS staff. These include Give As You Earn and the Cycle Scheme salary sacrifice, which actively encourages staff to cycle to work.

Staff also held cake sales during the year for Macmillan Cancer Support's Coffee Morning and to raise money for the victims of the Haiti earthquake.

Key Partnerships

PfS interacts with a wide range of private and public sector stakeholders and is responsible for the management of the relationship between all stakeholders involved in the delivery of all schools capital programmes including central government, local authorities, schools, private sector providers, commercial banks, other agencies, audit bodies, (including the NAO), trade associations, professional bodies, think tanks and the media.

PfS commissions independent research on a regular basis to test the views of stakeholders on a range of issues including PfS's effectiveness as a delivery organisation. The most recent survey, carried out by Ipsos Mori in January 2010, found that 81% of local authorities and the private sector were favourable or very favourable towards PfS (this compares favourably with the 2008 survey, where PfS achieved a 74% favourability rating). 88.5% believed that PfS is effective or very effective in delivering the BSF programme. In addition, 86.5% were very satisfied with their relationship with PfS.

PfS works hard to build and maintain effective relationships with all its stakeholders and, in particular, works closely with the following key partners.

Public sector

The Department. The Department is PfS's sponsor department. Being responsible for deployment of a significant proportion of the Department's financial resource, PfS is amongst the Department's most powerful levers to bring about change in the way services for children and young people are delivered. PfS will play a major role in supporting the Department to respond to the increased demand for primary school places and will look beyond the current Spending Review period and advise the Department on future delivery of capital investment.

HM Treasury (HMT) and Infrastructure UK (IUK). PfS provides advice and data to HMT Ministers to support cross-government decisions on national capital investment. In particular PfS works closely with HMT to inform PFI policy and to scrutinise and approve individual schemes.

Local authorities. PfS works with all local authorities in England regarding their schools capital funding allocations across strategic, targeted and devolved programmes. At 31 March 2010, 102 local authorities were engaged in the BSF programme. Based on current estimated trajectories, PfS anticipates that the majority of local authorities will have completed their BSF projects by 2020, with the remaining authorities having established contracts to renew their last schools.

Schools. PfS works through local authorities to engage with schools on the delivery of capital investment locally. PfS provides guidance, support and training (working with other delivery bodies such as NCSL and CABE) to headteachers, governing bodies and pupils. PfS has a direct relationship with over 7,000 Voluntary-Aided schools (state-funded school in which a foundation or trust (often a religious organisation) contributes to building costs and has a substantial influence in the running of the school).

Local Partnerships (LPs). PfS contracts with LPs to provide capacity building support and skills and resources reviews in local authorities.

Commission for Architecture and the Built Environment (CABE). PfS has funded CABE to deliver design review panels and to provide support to local authorities and schools to ensure that capital projects are well designed and of high quality.

National College for Leadership of Children's Services (NCSL). PfS work with NCSL to develop training programmes for headteachers and school middle leaders to build their skills and capacity for engaging on capital projects.

Becta. PfS facilitates Becta's work in relation to ICT in BSF schools and Academies.

PfS also regularly engages with the following public sector departments, bodies and organisations regarding the capital programmes for which it is responsible.

- Local Government Association
- Association of Directors of Children's Services
- Young People's Learning Agency
- Specialist Schools and Academies Trust
- Homes and Communities Agency
- Arts Council
- Sport England
- Diocesan Boards
- Department for Communities and Local Government
- Department for Business, Innovation and Skills
- Department for Energy and Climate Change
- Home Office
- Office of Government Commerce
- Department for Culture, Media and Sport

Private sector

Construction industry. PfS has direct engagement with over twenty key market players.

Commercial banking market. Despite the severity of the credit crunch in 2009, the BSF programme has successfully attracted a number of different financial institutions to provide loans to fund the PFI programme.

Building Schools for the Future Investments (BSFI). BSFI is a sister organisation to PfS and is the central investor in the BSF programme. BSFI is a limited liability partnership (LLP) whose members are the Department and Partnerships UK. BSFI invests in 10% of the risk capital of each Local Education Partnership (LEP) alongside the local authority and its chosen private sector partner.

External advisory market. PfS set up and manages four Adviser Framework Agreements - Technical (including Programme and Project Management); Legal; Financial; and Education involving nearly 60 companies.

Trade Associations. PfS engages with a large variety of trade associations and fora on a regular basis including the CBI; the Public Private Partnerships Forum; the Construction Industry Council; the Business Services Association and the Major Contractors Group.

Key PfS suppliers. PfS manages a number of key contracts that support the delivery of school capital programmes including with:

- the Construction Industry Council (CIC) to provide for the supply, management, maintenance and development of design quality indicators for schools
- DEGW in partnership with Davis Langdon for research and development to improve the briefing, design and adaptation of schools' space for personalised learning
- Building Research Establishment (BRE) for identifying safety and security issues that can arise in and around schools and other children's settings, and for drawing together design principles and examples of good practice that architects and others can use to help reduce vulnerability and
- British Gas to provide free Energy Display Meters for primary and secondary schools.

Other organisations

Academy Sponsors. PfS regularly works with Sponsors of the Academy programme who come from a wide range of backgrounds including, universities, individual philanthropists, businesses, the charitable sector, existing private schools and educational foundations. They may also come from faith groups or the voluntary sector. Some are established educational providers.

The Transformation Trust. The Transformation Trust is an independent education charity. Tim Byles, PfS Chief Executive, is a Trustee. The Trust funds extra-curricular activities in schools recently rebuilt or refurbished through BSF. Building on this capital investment, the Trust aims to deliver a range of opportunities and experiences in new schools. Funded by private sector contributions, the Trust aims to create a level playing field of opportunity so that every young person has the chance to achieve their full potential. The Trust is now supporting extra-curricular activities in over 100 new BSF and Academy schools.

The Sorrell Foundation. PfS has worked with this charitable foundation, grant funded by the Department, which provides pupils with opportunities to engage in designing their own schools.

Learning through Landscapes (LTL). LTL represents stakeholders who have a particular interest in how outside spaces can be used as part of the learning experience.

Risk Management

Our governance arrangements provide a framework to protect delivery through robust risk management, internal controls, management review, Board engagement and stakeholder reporting. PFS's risk and control framework is described in more detail in the Statement on Internal Control on page 58.

Risks have been assessed against estimation criteria approved by the Board and reviewed on a regular basis. These criteria cover the potential impact of the risk and the likelihood of its occurrence.

Probability – the evaluated likelihood of a particular threat or event actually happening, including how frequently it might arise.

Impact – the evaluated effect or result of a particular risk actually happening.

PfS's principal risks at 31 March 2010 were:

Risk Description	Mitigating Actions
<p>Reduced availability and flexibility of capital funding Insufficient funds available to deliver the capital programmes for which PFS is currently responsible.</p>	<p>PfS is actively engaging with the relevant departments as policy develops. Scenario planning work is under way which will support preparation for the forthcoming spending settlement. PFS continues to develop proposals for improvements /alternative delivery methods through Procurement Review.</p>
<p>Reduced revenue funding for PFS Insufficient funds to resource and deliver PFS's Business Plan objectives across capital programmes.</p>	<p>PfS's Business Plan and Remit Letter 2010/11 has been agreed including an Efficiency Plan, but may be subject to review post General Election when the policy direction is clear. PFS continues to identify areas for saving as part of the ongoing management of the business.</p>
<p>Changing demographics Growth in and migration patterns of the population have not been adequately catered for leading to a severe lack of funding for primary places.</p>	<p>PfS is reviewing the current funding allocation methodology. PFS is responsible for administering the surplus places survey and for pupil place planning. PFS's analysis in these areas is likely to inform future spending settlements.</p>
<p>Local authority delivery and resources Local authorities do not adequately resource and plan the delivery of schools capital and are unable to meet delivery targets for new/refurbished buildings.</p>	<p>Local authority resources are likely to be under increased pressure due to the current economic climate and future spending settlements. PFS's Capital Support Programme has sought to address capacity and capability issues. All local authorities in BSF participate in Gateway Reviews of their projects at relevant stages.</p>
<p>Market delivery and resources. Capital projects do not attract sufficient market interest leading to poor competition or a need to restart procurement leading to delays and reduced value for money.</p>	<p>PfS considers different procurement options to improve market attractiveness and engages with the private sector to understand bid strategies. A regular bidders bulletin highlights which projects are in the pipeline and are ready to commence procurement.</p>

Risk Description	Mitigating Actions
<p>Debt funding. Delays and risks to achieving financial close on major procurements due to the economic environment and difficulties in raising affordable debt.</p>	<p>There are around 20 banks either actively participating in BSF, PFI or expressing interest. PfS has developed mitigating solutions for specific projects where there have been issues. PfS continues to monitor the interest rate swaps markets.</p>

PfS's system of internal control is designed to manage risk to a reasonable level, rather than to eliminate all risk of failure to achieve aims and objectives. In preparation of the annual Statement on Internal Control each member of the Executive Management Team was required to provide an annual statement of representation to the Accounting Officer confirming their acceptance of their delegated responsibility for maintaining an adequate system of internal control and risk management.

PfS's internal auditors reviewed our processes for managing risk twice during the year, firstly to assess our planning for new activities and secondly, following the transfer of functions from the Department, to assess the embedding of risk management in new activities. The risk register was refined to make issues clearer and easier to manage.

Future Development

Looking ahead, the coming year promises to provide its own set of challenges. Although not an area that PfS can get directly involved in, potential changes in policy could impact on the shape of respective capital programmes and our response to any changes will need to be swift and well considered.

The new financial year will also see significant time devoted to preparations for decisions on capital spending over the next three year period, working closely with colleagues in the Department and HM Treasury on an appropriate settlement across capital programmes.

Financial Commentary

Sources of Funds

PfS is funded by Grant in Aid from the Department. The funding is provided to cover expenditure on capital grants paid to local authorities and schools; ongoing programme expenditure; operational activities and capital expenditure. Additional income arises from providing shared services to another organisation and receiving monies to jointly fund staff posts.

During 2008-09, PfS was financed through a joint venture between the Department and Partnerships UK. The joint venture was terminated with effect from April 2009.

PfS is allocated funding from the Department through an annual business planning cycle. Funding is agreed and is set down in a remit letter.

Main areas of expenditure

During the year, £5,157,042,484 was paid to local authorities, diocese and voluntary-aided schools in the form of capital grants. The table below summarises how this money was spent. A more detailed account is shown in note 3 of the accounts.

<u>Capital grant funds paid to local authorities and schools in the year (£m)</u>		
	2009-10	2008-09
Strategic programmes including, Building Schools for the Future, national framework academies, primary capital programme and the co-location programme	1,962	875
Devolved programmes including, funds devolved to local authorities and schools (including voluntary aided schools)	2,250	1,531
Targeted programmes including, standards and diversity programme, Basic Need (new pupil places) and targeted capital fund	945	913
Total - all capital programmes	5,157	3,319

In addition, PfS paid £12,615,171 to Voluntary-aided Schools as revenue grant payments (2008-09 £11,448,472) and managed several revenue programmes, which totalled £4,534,193 (2008-09 £3,896,511).

Financial management

The funding position is reported to the Board on a monthly basis. In addition, PfS provides financial information to the Department and HM Treasury on the forecast for expenditure on the schools capital programme across the financial year and the current and future spending review periods, on a quarterly basis.

During the financial year, the organisation invested in a new finance system in order to allow it to manage its wider remit and to make timely payments to local authorities and schools. The new system has also helped to deliver improved financial management of the schools capital programme.

For the financial year 2009-10, expenditure on capital, revenue and administration costs were successfully contained within the allocated funding envelope.

PfS is subject to public sector efficiency reviews. During the year, PfS generated efficiency savings of £116,000,000 across the capital programmes and £230,000 in cost savings within its administration budget.

Capital and Reserves

In accordance with HM Treasury Guidelines, we are not permitted to draw down funds in advance of our needs. Funds are held in our Paymaster General account.

The authorised share capital is £100, of which one share [£1] is issued, fully paid and held by the Department.

Tax Status

PfS registered for VAT during the year. We had previously received advice that we would not need to register. Subsequently we received contrary advice from the Department and HMRC. We have estimated that penalties and interest may be due for late registration, which we have provided for (2009-10 £52,258; 2008-09 £52,258). PfS does not have any activities that result in a liability for Corporation tax.

Statutory Accounts

The accounts are prepared in accordance with generally accepted accounting practice, including the requirements of the Companies Act; pronouncements by the International Accounting Standards Board, International Accounting Standards and International Financial Reporting Standards. This is the first time that accounts have been presented according to International Financial Reporting Standards (IFRS).

During the year, the responsibility for the majority of schools capital programmes was transferred from the Department to PfS. Although the transfer was effected on 1 October 2009, the accounts have been prepared on the basis of merger accounting. This means that the accounts show the effect of the transfer as if it took place on 1 April 2009, with comparative figures for the previous year.

The statutory accounts for year ended 31 March 2010 are presented on pages 65 to 68.

The Statement of Comprehensive Net Expenditure shows the total expenditure less any self-generated income. The main points to note are:

- capital grant payments increased in 2009-10 partly due to the government's fiscal stimulus programme, in which funding was brought forward from future years in order to help the economy in the wake of the collapse of the financial markets, and partly due to accelerated activity in the BSF programme.

- Staff costs increased mainly as a result of the increase in workload arising from the increase in the number of local authorities joining the BSF programme. Other reasons include the introduction of new programmes and a provision for restructuring costs following a review of the transfer of activities from the Department.
- Other expenditure increased mainly as a result of one-off costs relating to the transfer and an increase in the revenue programmes transferred from the Department
- Income rose mainly as a result of an increase in the level of shared services provided.

The Statement of Financial Position shows the balance sheet as at 31 March 2010. The main points to note are:

- An increase in the cash balance held at the end of the year is mainly due to the larger cash balances that PfS needs to manage as a result of the enlarged remit
- Other liabilities fell as a result of a reduction in the accrued liabilities relating to payments to voluntary-aided schools
- Provisions for liabilities and charges increased in 2009-10 partly as a result of expected severance payments from a restructuring, following a review of the transfer of activities from the Department

Note that the accounts show the financial results, including the transferred programmes, for the period before the transfer of responsibility for the schools capital programme took place. Under merger accounting rules, the effect of the transfer is shown as if the activities had been transferred throughout the year. Comparative figures are shown with the full-year effect. In order to make this comparison, a merger reserve has been generated to record and account for this activity.

This is the first year that the accounts have been prepared according to International Financial Reporting Standards. Note 1 to the accounts explains the effect of this change.

Remuneration Report

Remuneration Policy

The remuneration of the Chairman, and Non-Executive Board Members is determined by the Secretary of State. The Non-Executive Board members are appointed by the Secretary of State for a fixed term appointment of 3 or 4 years, which can be renewed once.

Remuneration Committee

The following Non-Executive Directors of the Board were members of the Remuneration Committee in 2009-10:

Michael Grabiner (Chair)
Brian Rigby
Richard Baldwin
Christine Davies
James Stewart (ex-officio) (from 15 July 2009).

In addition the following persons were in attendance:

Tim Byles – Pfs Chief Executive
Simon Wiles – Director of Corporate Resources (until March 2010)
Kirsten Flynn – Company Secretary
Peter Houten – the Department (until 31 January 2010)
Dugald Sandeman – the Department (from 31 January 2010).

The Board determines the membership and terms of reference in accordance with the Company Memorandum and Articles of Association. The key duties of the Remuneration Committee are:

- To consider for approval on behalf of the Board the broad policy for executive remuneration. The Committee shall review at least annually the individual remuneration packages (including pension entitlements) for the Chief Executive CEO and other senior executives.
- To review the recommendations by the CEO, HR Manager and the Department for annual reviews of salary and performance of senior executives and the objective criteria to be used in granting discretionary and performance related benefits.
- To determine how the company's bonus plan(s) should be operated and the criteria to be applied from time to time.
- To produce an annual remuneration report to the Board.
- To review the process of succession planning and its working in practice.

In establishing remuneration the Committee has regard to the following considerations:

- Public sector rules around appointment and remuneration, and Treasury pay guidance and approval processes.

- The composition of the remuneration package between salary, bonus, pension and other benefits.
- The need to recruit, retain and motivate suitably capable and qualified people to exercise their different responsibilities.
- Regional/local variations in labour markets and their effects on the recruitment and retention of staff.
- Where PFS aims to stand in relation to similar companies' and public sector pay scales.
- The need to give the executive directors and senior executives every reasonable encouragement to enhance the company's performance and to ensure that they are fairly, but responsibly, rewarded for their individual contributions.
- Severance packages.
- Government policies for improving the public services including the requirement for organisations such as PFS to meet their challenging remits.
- The funds available under its delegated budgets and associated expenditure limits.
- The Government's inflation target.

The Remuneration Committee met seven times in 2009-10 and was quorate on all occasions. The Chair of the Remuneration Committee formally reported back to the Board after each meeting.

During 2009-10 the Committee dealt with the following items:

- Consideration of the remuneration packages for the Chief Executive and senior executives.
- Consideration of the organisation's new balanced scorecard approach to performance management and recommendations on which measures should be remuneration linked for 2009-10.
- Approval of bonuses and review of in year merit increases below senior executive level for performance in 2008-09 (1 April 2009 meeting) and for performance in 2009-10 (10 March 2010 meeting). Performance against PFS's key targets were independently audited and validated.
- Review and harmonisation of the organisation's terms and conditions.
- Consideration of the guidance from HM Treasury on the 2009-10 and 2010-11 pay remits and recommendations on the pay award for PFS staff.
- Changes to the Civil Service Compensation Scheme.
- Succession planning and capacity building activity.

Staff contracts of employment

All permanent members of staff are subject to a contract of employment and are appointed solely on the basis of merit and fair and open competition. Core terms and conditions have been agreed with the Department and any variations to these are required to be agreed in advance with the Remuneration Committee. PfS, wherever practicable and appropriate, seeks to be consistent with the Department's own guidelines and policies.

All permanent staff are party to contracts of employment which have been developed in line with best practice. Notice periods are a maximum of 6 months with the vast majority being 3 months. PfS employs some staff on a fixed term contract basis. No contract provides for additional sums payable in the event of termination of employment other than would normally be expected to be included in line with best practice.

Directors' Remuneration

The remuneration of each main board director analysed into its constituent elements, along with comparatives is as follows:

Main Board Directors	Salary and Bonus		Real increase in pension and lump sum at pension age (£k)	Accrued pension at pension age at 31 March 2010 and related lump sum (£k)	Cash equivalent transfer value at 31 March 2009 (£k)	Real increase in cash equivalent transfer value (£k)	Cash equivalent transfer value at 31 March 2010 (£k)
	2010 (£k)	2009 (£k)					
Michael Grabiner (Chair)	25-30	25-30	-	-	-	-	-
Richard Baldwin	20-25	20-25	-	-	-	-	-
Stella Earnshaw	5-10	5-10	-	-	-	-	-
Brian Rigby	5-10	5-10	-	-	-	-	-
Christine Davies	5-10	5-10	-	-	-	-	-
Andrew Buck (until 30 September 2009)	0-5	5-10	-	-	-	-	-
Lynne Morris (until 30 April 2008)	n/a	0-5	-	-	-	-	-
David Bullock (until 30 April 2008)	n/a	0-5	-	-	-	-	-
James Stewart (ex-officio) from 4 June 2009	20-25 See note	n/a	-	-	-	-	-
Tim Byles (ex-officio and Chief Executive)	225-230	260-265	5-10	80-85	1,142	80	1,303

Note: James Stewart is a Director of Partnerships UK and the remuneration is paid to the company.

Members of the Executive Management Team

As required by the Financial Reporting Manual, published by HM Treasury, the following is the remuneration of each individual substantive Executive Management Team member not included in the table of directors' remuneration above.

Members of Executive Management Team	Salary and Bonus		Real increase in pension and lump sum at pension age (£k)	Accrued pension at pension age at 31 March 2010 and related lump sum (£k)	Cash equivalent transfer value at 31 March 2009 (£k)	Real increase in cash equivalent transfer value (£k)	Cash equivalent transfer value at 31 March 2010 (£k)
	2010 (£k)	2009 (£k)					
Director of Operations - Sal Wilson	155-160	145-150	0-5	20-25	250	34	304
Director of Academies - Colin Howell	155-160	n/a	0-5	10-15	131	28	186
Director of Corporate Resources - Simon Wiles	120-125	90-95	0-5	0-5	21	23	48
Director of Education & Planning - Russell Andrews	125-130	120-125	0-5	50-55	710	41	800
Director of Corporate Affairs - Amy Leonard	110-115	105-110	0-5	5-10	28	11	44

The notice period for the Chief Executive is six months and for members of the Executive Management Team it is three.

Members transferring from the Department.

As part of the transfer of the Schools Capital Programme, 32 people transferred from the Department to PFS. Members transferring were able to elect whether they joined PFS on loan from the Department or as a permanent move. They retained the terms and conditions of the Department, which differ from those in PFS. During 2010-11 PFS will harmonise both sets of terms and conditions for permanent employees. Those people on loan will retain their terms and conditions and have the right to transfer back to the Department or move permanently to PFS at the end of their loan period, which is typically two years. The number of people who transferred on loan was 21, with 19 remaining at the end of the year.

Salary, benefits in kind and performance pay

'Salary' includes gross salary, performance pay and bonuses and any other allowance to the extent that it is subject to UK taxation. The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument.

All staff on PFS's terms and conditions participate in a performance related bonus scheme which allows up to 20% of base salary to be paid in addition to normal pay, except for the Chief Executive for whom the maximum rises to 25% of base salary. This sum is awarded in March each year, subject to an independent audit and approval by the Remuneration Committee. Awards are made on the basis of corporate and individual performance. Staff performance is assessed in line with pre-agreed performance criteria and is subject to overview by the Executive Management Team. PFS has a performance management system that recognises both individual contributions and overall company performance. For the Executive Management Team the weighting apportioned to the overall company performance is higher than for the individual contribution. The "grandfather principle" is

applied in looking at performance against objectives and targets for staff across the organisation, with the Chairman acting as a "grandfather" for the Executive Management Team.

During 2010-11, PfS is committed to reviewing the terms and conditions for all permanent employees, as a part of the process of harmonisation. The affordability of any pay packages is subject to the approval of the Department, as a part of its pay remit.

Pension Benefits

No non-executive Director is entitled to any pension benefits under their terms of appointment.

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, employees may be in one of four defined benefit schemes: either a 'final salary' scheme (Classic, Premium, or Classic Plus); or a 'whole career' scheme (Nuvos). These schemes are unfunded with the cost of benefits met by monies voted by Parliament each year.

Pensions payable under Classic, Premium, Classic Plus and Nuvos are increased annually in line with changes in the Retail Prices Index. New entrants may choose between membership of the appropriate defined benefit arrangement or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at 1.5% of pensionable earnings for Classic and 3.5% for Premium, Classic Plus and Nuvos.

Benefits in Classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition a lump sum equivalent to three years pension is payable on retirement. For Premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike Classic, there is no lump sum. Classic Plus is essentially a hybrid with benefits in respect of service before October 2002 calculated as in Premium. In Nuvos, a member builds up a pension based on pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension is credited with 2.3% of their pensionable earnings in that scheme year and accrued pension is uprated in line with RPI.

The Partnership Pension Account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute but where they do, the employer will match these contributions up to a limit of 3% of pensionable salary. Employers also contribute a further 0.8% of pensionable pay to cover the costs of centrally-provided risk benefit cover.

Pension age is 60 for members of Classic, Premium and Classic Plus and 65 for members of Nuvos.

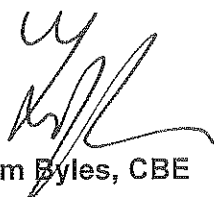
Further details about the Civil Service pension arrangements can be found at the website www.civilservice-pensions.gov.uk

Cash Equivalent Transfer Value

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

Real increase in CETV

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



Tim Byles, CBE
Director and Accounting Officer

Date 28.06.10

Audit Committee Report

Membership and Attendance

This Annual Report gives details of the coverage and challenge provided by the Audit Committee of PfS and the conclusion and opinions reached.

The report covers meetings during the period 1 April 2009 to 31 March 2010.

During the period the membership of the Audit Committee was as follows:

Stella Earnshaw – Chair, Independent Director
Richard Baldwin – Independent Director
Brian Rigby – Independent Director
Andy Buck – Independent Director (to 30 September 2009)

The Audit Committee met four times. The Committee spent time with the auditors and without the presence of management at each meeting.

The Committee dealt with the following items, during the year:

- Recommendation to approve the accounts for 2008-9
- Annual review of the committee's performance
- Security Policy requirements and implementation following the Hannigan review
- Recommendation to appoint external auditors after re-tendering of the external audit contract.
- Review of policies and standing orders including fraud policy and complaints policy
- Review of the Internal Audit work plan and Internal Audit reports
- Review of the External Audit Strategy for 2009-10

The following items were considered at each meeting:

- Fraud, losses, procurement and VAT issues
- Review of risk management log
- Review and monitoring of the programme to transfer financial responsibility for the schools capital programme.
- Review of impact of IFRS requirements and PfS's readiness to report them

In discharging its responsibilities the Committee places considerable reliance on the work of Internal and External audit.

The Committee concurs with the Annual Opinion provided by internal audit.

Overall Management of Risk

The Committee has reviewed PFS's risk management arrangements and reviews the Risk register at every meeting with higher rated risks also reported to the Board. Based on this the Committee is content that appropriate consideration is being given to risk management and took assurance from the steps management took to mitigate risks and learn lessons.

Significant change in year

A key risk this year has been the transfer of capital programmes from the Department, effective from 1 October 2009. The Committee reviewed the systems and procedures which would be in place, both to effect the transfer and ensure the smooth integration of the programmes. At each meeting the Committee received reports on the transfer and closely monitored progress. The level of internal audit work was increased to reflect the broadened scope of activities and the transfer itself.

Audit Arrangements

The Committee oversaw the process for the re-tendering of the external audit and members sat on the selection panel.

The Committee reviewed the Internal Audit plan. The following Internal Audit reports, from Tribal, our independent auditors, were considered and are shown below with their assurance levels. Examples highlight some of the subsequent changes and developments.

- Strategic Governance Arrangement – “Reasonable Assurance”. To develop the financial forecasting and approval process in good time for the transfer from the Department, which was achieved with the new financial system in place from September 09.
- Payroll Changeover Arrangements – “Reasonable Assurance”. Recommendations were made to formalise the sign off of changes to the payroll masterfile: these were implemented immediately.
- Risk Management – Planning for new activities – “Substantial Assurance”. The audit identified a need for a separate risk register for issues with regards to the office move: this was developed.
- Capacity Planning Arrangements – “Reasonable Assurance”. The audit recommended a detailed project plan to establish timings and deliverables of the move to new accommodation at Greycoat Street: this was implemented and the move went smoothly.
- Benchmarking and Performance Management System – “Reasonable Assurance”. PFS should document the process followed to produce reports to ensure adequate cover for absences: this has been implemented
- Financial Systems – “Substantial Assurance” on Payroll and Banking, “Reasonable Assurance” on Income and Payments. Recommendations were made to provide guidance notes for users of the new purchase order system, which were issued.

- Expenses Arrangements – “Reasonable Assurance”. Some anomalies were identified in key travel and subsistence documentation. This is being picked up through the harmonisation of staff terms and conditions.
- Business Continuity Planning Arrangements – “Reasonable Assurance”. Recommendation for a timetable to be set up for the conduct of a business impact analysis, work has started on this and continues to progress.

Based on the above the Committee is satisfied with the audit arrangements in place.

Audit Committee Effectiveness

In line with best practice, the Audit Committee undertook an annual review of the effectiveness of the Committee using a Self assessment checklist. This review concluded that the Audit Committee was well established with a clear terms of reference, appropriate agendas and skilled and experienced members.

Conclusion

The Committee acknowledges that whilst it is not possible to eliminate risk, it believes that management are managing risk in a professional and considered way. The Audit Committee has placed appropriate and reasonable reliance on the reports and representations referred to above and have concluded that an adequate system of internal control and risk management is in place.

Stella Earnshaw

Stella Earnshaw

Chairman of Audit Committee

Date 22 JUNE 2010

Board and Executive Management Board Members



Chairman
Michael Grabiner
Non-executive Chairman

Appointed January 2008 (second term)

Michael was appointed by the Secretary of State. As Chairman he is responsible for providing strategic leadership, encouraging high standards of propriety and promoting the efficient and effective use of resources. Mike was previously a partner at Apax Partners LLP, the Chief Executive of Energis plc, and Director of BT Europe. He is a non-executive director and his appointment period is from Jan 2008 - Dec 2010. His previous 3 year appointment concluded in Dec 2007.

Meetings

Attended 10 of 11 Board meetings

Attended 7 out of 7 Remuneration Committee meetings



Stella Earnshaw
Appointed May 2008 (second term)

Stella is a non-executive Director of the Board and is also the Chairman of the Audit Committee. Stella is also the non executive Vice Chair of the West Midlands Ambulance (NHS Trust). Stella is a qualified accountant and was previously a Director at Shell. Her period of appointment is from May 2008 - April 2012. Her previous 3 year appointment concluded in April 2008.

Meetings

Attended 11 of 11 Board meetings
Attended 4 out of 4 Audit Committee meetings



Richard Baldwin

Appointed May 2008 (second term)

Richard is a non-executive director of the Board and also sits on the Pfs Audit and Remuneration Committees. Richard is a non voting member of the BSFI Investment Committee, the Chairman of Community Health Partnerships Ltd and a non-executive director of Geoffrey Osborne Ltd. Richard is also a visiting professor at the University of Salford. Previously Richard sat on the boards of Alfred McAlpine plc and APV plc, and was a Managing Director in GEC. Richard's period of appointment is from May 2008 - April 2012. His previous 3 year appointment concluded in April 2008.

Meetings

Attended 9 of 11 Board meetings

Attended 4 out of 4 Audit Committee meetings

Attended 7 out of 7 Remuneration Committee meetings



Brian Rigby
Appointed May 2008 (second term)

Brian is a non-executive director of the Board and sits on the Pfs Audit and Remuneration Committees. He was previously Chief Executive for the Office of Government Commerce and a Director at BT. His appointment period is from May 2008 - April 2011. His previous 3 year appointment concluded in April 2008

Meetings

Attended 10 of 11 Board meetings
Attended 2 out of 4 Audit Committee meetings
Attended 7 out of 7 Remuneration Committee meetings



Christine Davies CBE

Appointed May 2008 (second term)

Christine is a non-executive director of the Board and sits on the Remuneration Committee. Christine is also the Director of the Centre for Excellence and Outcomes in Children and Young People's Services (C4EO) and is a member of the Specialist Schools and Academies Trust (SSAT) Advisory Council. She was previously DCS at Telford and Wrekin Council. Her appointment period is from May 2008 - April 2011. Her previous 3 year appointment concluded in April 2008. Christine received a CBE for her 'outstanding contribution for education'.

Meetings

Attended 9 of 11 Board meetings
Attended 4 out of 7 Remuneration Committee meetings



Andrew Buck

Appointed September 2008
Resigned September 2009

Andy was a non-executive director of the Board from September 2008 until he resigned in September 2009. Until September 2009 Andy was the partnership head teacher of the Eastbrook – Jo Richardson Partnership. Andy also chaired and worked with the Accreditation Committee and City Challenge in London as a consultant leader and member of the core team, leading the 'G2G Good to Great' initiative on helping good schools become outstanding. Andy now works for The National College for Leadership of Children's Services.

Meetings

Attended 2 of 2 Board meetings
Attended 2 of 2 Audit Committee meetings



Tim Byles CBE

Chief Executive and Accounting Officer
Appointed November 2006

Tim was appointed to the PfS Board by the Secretary of State. As an ex-officio director Tim will hold office unless, or until, he ceases to hold the office of Chief Executive of Partnerships for Schools. Tim is designated as the Accounting Officer for PfS and as CEO Tim has responsibility, under the PfS Board, for the overall organisation, management and staffing of PfS.

Meetings

Attended 11 of 11 Board meetings
Attended 4 out of 4 Audit Committee meetings
Attended 7 out of 7 Remuneration Committee meetings



James Stewart OBE

Chief Executive of Partnerships UK (until Feb 2010) and Director of Partnerships UK
Appointed June 2009

James is appointed to the Board in an ex-officio capacity as Director of Partnerships UK (PUK). He is also Chief Executive of Infrastructure UK. James sits on the PfS Remuneration Committee. Previously James was Managing Director of Project Finance and the Global Head of Infrastructure and Environment with Société Générale (SG) in London.

Meetings

Attended 11 of 11 Board meetings
Attended 6 out of 7 Remuneration Committee meetings

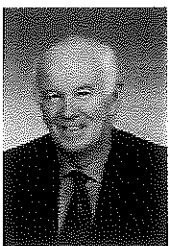
Observers



Peter Houten (until 31 January 2010)
Director, School Formation and
Investment Group
Department for Education

Meetings

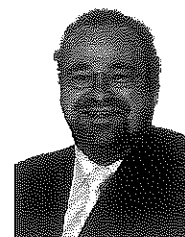
Attended 9 of 9 Board meetings
Attended 5 out of 5 Remuneration Committee
meetings



Dugald Sandeman
Director, School Resources Group
Department for Education

Meetings

Attended 3 of 3 Board meetings
Attended 2 out of 2 Remuneration Committee
meetings



Craig Anderson
Finance Director
Partnerships UK

Meetings

Attended 10 of 11 Board meetings
Attended 3 out of 4 Audit Committee meetings

Company Secretary



Kirsten Flynn
Company Secretary
Appointed September 2007

Meetings

Attended 11 of 11 Board meetings
Attended 4 out of 4 Audit Committee meetings
Attended 7 out of 7 Remuneration Committee
meetings

Executive Management Team



Sal Wilson
Director of Operations
Appointed December 2004

Sal joined PfS in December 2004, as Regional Programme Director, coordinating resources and supporting the delivery of projects in the South. Sal has since been promoted to Operations Director and now has lead responsibility to ensure the successful delivery of all projects in BSF. Sal also has a remit to support the Chief Executive in organisational development and with the integration of transferred functions.

Meetings

Attended 11 of 11 Board meetings



Colin Howell
Director of Academies
Appointed November 2004

Colin joined PfS in November 2004, as a Regional Programme Director co-ordinating resources within the northern area and working with BSF local authorities providing local support. In April 2006 he became Academies Director, leading on the integration of the delivery of the Government's Academies Programme with BSF.

Meetings

Attended 10 of 11 Board meetings



Russell Andrews
Director of Education and Planning
Appointed April 2005

Russell Andrews joined PfS as Assistant Director of Education in April 2005 and then was promoted to Director of Education and Planning in May 2006. He oversees the strategic planning for pre-engagement and pre-procurement work in local authorities assuring that transformation is delivered through BSF.

Meetings

Attended 11 of 11 Board meetings

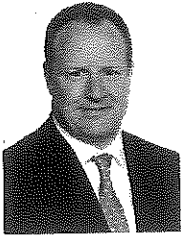


Amy Leonard
Director of Communications
(Corporate Affairs from March 2010)
Appointed February 2007

Amy joined Partnerships for Schools as Communications Director in February 2007. Amy oversees a team that is responsible for all aspects of communications at PfS, including: media relations; public affairs and stakeholder liaison; brand management; marketing and events; web content; and internal communications. Amy is also Chief Executive of The Transformation Trust.

Meetings

Attended 11 of 11 Board meetings



Simon Wiles
Director of Corporate Resources
(until March 2010)
Appointed June 2008

Simon joined PfS in June 2008 as Director of Corporate Resources with responsibility for Finance, IT, HR and Administration. Prior to joining PfS Simon was Director of Resources and Deputy Chief Executive of the City of York Council.

Meetings
Attended 11 of 11 Board meetings

Directors' Report and Financial Statements

Directors' Report

The Directors have pleasure in submitting the annual report and accounts of the company for the year ended 31 March 2010. These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) in accordance with s397 of the Companies Act 2006, and contain such disclosures as are required under the Act. In accordance with a direction issued by the Secretary of State these statements also apply the adaptations, interpretations and modified disclosure requirements of HM Treasury's Financial Reporting Manual (FReM) insofar as they do not conflict with the Companies Act.

Background and Principle Activity

The background and principle activities of the company is provided within the Management Commentary at page 6.

Business Review

The information in the section entitled Management Commentary on pages 6 to 9 has been provided in accordance with Section 417 of the Companies Act 2006.

Directors and their Interests

The Directors in office during the year are listed below.

- Michael Grabiner (Non Executive Chairman)
- Richard Baldwin (Non Executive Director)
- Christine Davies CBE (Non Executive Director)
- Stella Earnshaw (Non Executive Director)
- Brian Rigby CBE (Non Executive Director)
- Andy Buck (Non Executive Director) until 30 September 09
- Tim Byles CBE (Ex Officio Director)
- James Stewart OBE (Ex Officio Director) from 4 June 09

All Non Executive Directors are considered to be independent. The Chief Executive is also the Accounting Officer for the company.

Michael Grabiner chairs the Remuneration Committee which includes Richard Baldwin, Brian Rigby, James Stewart and Christine Davies as its other members. The Remuneration Committee met seven times during 2009-10. Stella Earnshaw chairs the Audit Committee which includes Richard Baldwin, Brian Rigby and Andy Buck as its other members. The Audit Committee met four times during 2009-10.

None of the Directors have any interest in the shares of the company. The company is wholly owned by the Secretary of State for Education. Directors' interests are included in a register of interests appropriate to PFS's activities. Details of their interests can be found in the table below.

Director	Relevant roles, committees and interests in 2009-10
Michael Grabiner (Chair)	PFS Chairman and Chairman of the Remuneration Committee. Michael is a business consultant. As a former partner of Apax Partners LLP Michael is an investor with a carried interest in Apax Europe 5 funds. Apax Europe 5 was a shareholder in Synetrix until December 2009 and in Promethean and Smart. Michael represented Apax as Non-Executive Director on the Board of Synetrix until December 2009. Michael is also Chairman of the Temporary Governing Body of the JCOSS School in Barnet, London.
Richard Baldwin	Member of the PFS Audit and Remuneration Committees and the Investment Committee of Building Schools for the Future Investment LLP. Richard holds a number of directorships including at Community Health Partnerships Limited, where he is Chairman, and at Geoffrey Osborne Limited. Richard is a visiting professor at the University of Salford and is the Chair of the Advisory Board of the Health and Care Infrastructure Research and Innovation Centre (HaCIRIC). Richard is also a member of the Advisory Board, Innovation and Entrepreneurship Group at Imperial College.
Stella Earnshaw	Chairman of the PFS Audit Committee. Stella is Vice-Chair of the West Midlands Ambulance (NHS Trust) and is also a Trustee of County Air Ambulance.
Brian Rigby	Member of the PFS Audit and Remuneration Committees. Until February 2010, Brian was a non-executive director of the Oxford Radcliffe Hospital Trust. Until June 2009, Brian was also a governor at Millfields School in Somerset.
Christine Davies	Member of the PFS Remuneration Committee. Christine is the Director of the Centre for Excellence and Outcomes for Children and Young People's Services (C4EO). Christine is also a programme director for LGA's Narrowing the Gap programme and is a director of the National Children's Bureau. Christine is a member of the Specialist Schools and Academies Trust (SSAT) Advisory Council.
Andrew Buck (until 30 September 2009)	Andy Buck resigned from the PFS Board on 30 September 2009. During his appointment Andy was a member of the PFS Audit Committee. Andy was a partnership teacher at The Eastbrook – Jo Richardson Partnership, London Borough of Barking and Dagenham and a member of the governing council of the National College for School Leadership (NCSL). Until September 2009 Andy was a director (non-remunerated) of the British Council for School Environments (BCSE). Andy was the programme director of "Good to Great" in the London Challenge. Andy is also the Chair of the Governing Body at Monteagle Primary School in the London Borough of Barking and Dagenham.

Director	Relevant roles, committees and interests in 2009-10
James Stewart (ex-officio)	James Stewart is a director of Partnerships UK (PUK) and PUK Investments Limited and the Chief Executive of Infrastructure UK. James sits on the board of Building Schools for the Future Investments LLP and the board of Local Partnerships. James is also a director of the Treasury Taskforce Limited and PUK Finance Limited. He is a non-executive director of Sport England and a trustee and director of Cumberland Lodge.
Tim Byles (ex-officio and Chief Executive)	Tim is Chief Executive of Partnerships for Schools. He holds no other directorships. Tim is a Trustee of the Transformation Trust. Tim is also a member of the Society of Local Authority Chief Executives (SOLACE) and a member of the Association of County Chief Executives (ACCE)

Employees

It is the company's aim to keep employees informed about its affairs and in particular about those matters that affect them directly. The company communicates through regular meetings at an individual, team and company-wide level. Good internal communication is fostered through the use of internal briefings, newsletters and the PfS intranet. Furthermore, PfS has established a staff forum to allow colleagues from across the organisation to come together to share ideas and discuss organisational issues and areas for improvement, for example: travel and subsistence; and health and safety. PfS recognises relevant trade unions as appropriate.

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retain them and adjustments made to work and or facilities where reasonably practicable and as appropriate in order that their employment with the company can continue.

It is the policy of the company that training, career development and promotion opportunities should be available to all employees.

Charitable Donations

During the year the company made no charitable donations (2008-09 nil).

Health and Safety

PfS ensures that systems of work, premises and the working environment are safe and do not present any risks to the health and safety of any employee. In this regard, we comply with the provisions of the Health and Safety at Work Act 1974 and associated legislation. The past year has seen a significant improvement in the management and implementation of health and safety at PfS. With the move to the new London office at Greycoat Street the number of health and safety issues that needed to be considered has increased. Our health and safety policies are incorporated into the staff handbook distributed to all new staff and practices are regularly reviewed to ensure consistence with overreaching principles. An office Health and Safety Audit has been carried out and the recommendations are being implemented.

Creditor Payment Policy

The organisation aims to pay suppliers within 30 days of receipt of invoice or in accordance with agreed terms and conditions. This target has been achieved in the period under review.

Corporate Governance

During the financial year 2009-10, as an Executive NDPB, the company's control framework was set out in the Management Statement and Financial Memorandum.

The Chairman and the non-executive directors of the PfS Board are appointed by the Secretary of State in accordance with the requirements of the Code on Ministerial Appointments. The Secretary of State has also appointed the Chief Executive of PfS to the PfS Board. The duties and responsibilities of the Board are set out in the Board Code of Practice, which is based on the Cabinet Office's model code of practice for board members of public bodies.

As defined within Managing Public Money, the Accounting Officer is charged, in the Accounting Officer Memorandum, with maintaining a sound system of internal control that supports the achievement of the company's aims and objectives and regularly reviewing the effectiveness of that system.

The Accounting Officer's Statement on Internal Control for the year ended 31 March 2010 is provided on pages 58 to 62.

PfS Board

The main roles of the PfS Board are to:

- set the strategic direction of the company within the policy and resources framework agreed with the responsible Minister and approve the corporate plan and annual Business Plan
- make decisions and take steps for the achievement of the company's objectives which will be set out in a Remit Letter and an annual Business Plan, taking into account any guidance issued by the Department
- oversee the activities of PfS in discharging its functions to meet the objectives set out in the annual Business Plan
- ensure that the Board operates within the limits of its statutory authority and any delegated authority agreed with the Department, and in accordance with any other conditions relating to the use of public funds and
- ensure the company meets Companies Act statutory and regulatory responsibilities, including those for corporate governance. The Board should ensure that the highest standards of corporate governance are observed.

Remuneration Committee

The Remuneration Committee is a sub-committee of the Board appointed by the Board. Its members are non-executive directors of PfS and any PUK ex-officio director that has been appointed (currently James Stewart). The members of the Remuneration Committee are independent of management and free of any business or other relationships which could interfere with the exercise of their independent judgement. The duties of the Remuneration Committee are to:

- consider for approval on behalf of the Board the broad policy for executive remuneration. The Committee shall review at least annually the individual remuneration packages (including pension entitlements) for the Chief Executive and other senior executives;
- review the recommendations by the Chief Executive, HR manager and the Department for annual reviews of salary and performance of senior executives and the objective criteria to be used in granting discretionary and performance related benefits;
- determine how the company's bonus plan(s) should be operated and the criteria to be applied from time to time;
- produce an annual remuneration report to the Board; and
- review the process of succession planning and its working in practice.

Audit Committee

The Audit Committee is a sub-committee of the Board appointed by the Board. Its members are non-executive directors of PfS. The members of the Audit Committee are independent of management and free of any business or other relationships which could interfere with the exercise of their independent judgement. The Audit Committee will advise the Accounting Officer and the Board on:

- the strategic processes for risk, control and governance, including the supporting assurance framework;
- the accounting policies, the accounts and the annual report of the company, including the process for review of the accounts before submission to the Board;
- the Statement on Internal Control prior to endorsement by the Board (the Accounting Officer remains personally responsible for forming his view on the effectiveness of internal controls);
- the planned activity and results of both internal and external audit and for ensuring that audit is conducted in a timely, thorough, efficient and effective manner;
- the adequacy of management responses to issues identified by audit activity, including external audit's management letter;
- assurances relating to the company's corporate governance requirements, including compliance with the Financial Memorandum and Managing Public Money;

- the effectiveness of systems for the assessment and management of risk within the company and monitor their maintenance and development
- the external auditors' selection, appointment, performance and remuneration and
- fraud management policies and practices and whistle-blowing processes.

The Audit Committee regularly reviews its own effectiveness and reports the results of reviews to the Board.

Throughout the period, both external and internal audit had the right of independent access to the Chairman and members of the Committee.

Results for the Period

The company's main income is Grant-in-Aid from the Department. Funding received from the Department during the year ended 31 March 2010 was £5,228,193,947 (2009: £3,337,790,128).

The net expenditure for the period was £5,195,347,120 (2009: £3,350,951,498).

The Statement of Financial Position at 31 March 2010 shows net liabilities of £3,438,125 (2009: £36,391,261). This reflects the inclusion of liabilities falling due in future years that, to the extent that they are not met from PFS's other sources of income, may only be met by future Grants-in-Aid from PFS's sponsor, the Department. This is because, under the normal conventions applying to Parliamentary control over income and expenditure, such grants may not be issued in advance of need. Taking into account the amounts required to meet PFS's liabilities falling due in that year, Grant-in-Aid for 2010-11 has already been included in the Department's estimates for that year, which have been approved by Parliament and there is no reason to believe the Department's future sponsorship and future Parliamentary approval will not be forthcoming. The Directors have therefore considered it appropriate to adopt a going concern basis for the preparation of these financial statements.

Statement of Disclosure of Information to Auditors

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the reasonable steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

The Comptroller and Auditor General are newly appointed auditors to PFS and replace PKF (UK) LLP. The audit fee for the year ended 31 March 2010 was £45,500 (2009: PKF £31,712). The value of non audit services provided during the year was £nil (2009: PKF £25,547).

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and the Comptroller and Auditor General will therefore continue in office.

By order of the Board

On behalf of the Directors



Tim Byles, CBE

Director and Accounting Officer

Date 28.06.10

Statement of Directors' responsibilities in respect of the Directors' Report and Financial Statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for that period. PfS is also required to prepare its accounts in the form and on the basis directed by the Secretary of State. In preparing those financial statements, the Directors are required to:

- observe the Accounts Direction issued by the Secretary of State, including the relevant accounting policies and disclosure requirements;
- make judgements and estimates that are reasonable and prudent;
- select suitable accounting policies and then apply them consistently; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in operation.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Acts. 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.

Statement of Accounting Officer's responsibilities with regard to the preparation of the Financial Statements

The Secretary of State has directed Partnerships for Schools to prepare for each financial year accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the organisation during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Partnerships for Schools and of its net expenditure, financial position, changes in reserves and cash flows for the financial year.

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

- Observe the Accounts Direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- Prepare the financial statements on a going concern basis.

The Department Principal Accounting Officer has appointed Tim Byles, the Chief Executive, as Accounting Officer of Partnerships for Schools. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding Partnerships for School's assets, are set out in Financial Memorandum and Management Statement agreed with the Department for Children Families and Schools

Statement on Internal Control

Scope of responsibility

As Accounting Officer and Chief Executive I have the responsibility for maintaining a sound system of internal control that supports the achievement of the policies, aims and objectives of Partnerships for Schools (PfS) and furthermore seeks to safeguard the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

I sit on the Board of PfS and attend the Audit and Remuneration Committees. There are non executive directors on the Board and representatives from the Department and Partnerships UK (PUK) are official observers to the Board. The Board is responsible for ensuring compliance with the requirements of the PfS Management Statement and Financial Memorandum.

Significant event during the year

In October 2009, the Department extended PfS's remit beyond Building Schools for the Future and Academies construction procurement and took responsibility for the delivery of the majority of schools capital programmes from the Department.

PfS undertook a due diligence exercise with independent advisors to review all the financial processes before the transfer to understand where risks and controls were. This informed the design of new processes to mitigate risk and the design for the implementation of new financial systems to provide effective financial management of the schools capital programme. For the first six months of the year however PfS relied on the Department systems of internal control and assurance processes over the schools capital programmes, which were transferred on 1 October 2009. PfS and the Department's internal auditors reviewed and reconciled the opening balances transferred from the Department.

The transfer was enacted under a change programme jointly managed by the Department and PfS which directed and implemented transferred responsibilities, including organisational vision and culture, the integration of the schools capital programmes, new financial systems, people and accommodation. There was an externally monitored Gateway review of this process which awarded amber/green rating, acknowledging the effective control and delivery of the programme to date. It recommended that further work be done to identify the benefits that would be realised by the programme, and that lessons learned continue to be captured throughout its life. Its final recommendation was that the control systems applied to the programme, in particular how issues would be escalated to the relevant stakeholders, be made more formal, although it was acknowledged that they operated effectively to date. All recommendations were accepted and acted upon within the suggested timescales. The Programme Board remains in place to allow any further transfer or development to be jointly managed.

Following the transfer of the schools capital programmes, our external auditors have highlighted concerns over the level of assurance received from local authorities that grants are spent on the purposes for which they were intended. PfS has relied on the section 151 returns obtained by the Department for 2008-09. The current process, inherited from the Department, is consistent with the wider regulatory framework applied to other sources of local authority funding. Whilst the auditors accept that the section 151 officer annual returns

constitute an effective regulatory framework, PfS has agreed that it will look at ways of strengthening the assurance process with greater control and review of the section 151 returns for 2009-10.

The purpose of the system of internal control

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

Together, the PfS internal control system and the Department's control system over schools capital programmes for the first six months have been effective in identifying areas of potential risk and then managing these in such a way that appropriate and timely action has been taken as and when required.

Capacity to handle risk

The PfS Executive Management Team has identified a number of strategic risks which could affect the delivery of PfS's policies, aims and objectives and need to be actively managed on a continued basis. The risk management arrangements in place require senior management to be personally responsible for the management of these risks.

PfS previously used the Department payroll services, however due to internal reorganisations at the Department, PfS was required to source its own payroll provider; this was in place for the whole year.

There were internal audit reviews to confirm robust controls. Specifically this included the embedding of risk management, the main financial systems, payroll, the payments of funding and grants and a review of expenses. All internal audits provided "Reasonable" or "Substantial" assurance over the operation of internal controls. There were 41 recommendations made, of which one, to have an updated timetable for the conduct of a business impact analysis, was considered urgent and needed immediate action. A business impact analysis for the enlarged PfS operation has now been undertaken.

Training and guidance has been provided to senior management and other relevant staff on managing risks. In addition there is continued leadership and development available for managers to enable them to excel in this area. Specific training undertaken at PfS during the year included PRINCE2 and Managing Successful Programmes.

The risk control framework

PfS produces an annual Business Plan that is approved by the Board. This demonstrates how PfS plans to meet the overall objectives set by the Secretary of State, in the annual remit letter. During 2009-10 it has been necessary for PfS to produce a supplementary Business Plan to reflect what PfS aimed to achieve in the second half of the 2009-10 financial year when it took responsibility for the delivery of the schools capital programmes.

The PfS risk management policy was endorsed by the Board and seeks to embed the identification and management of risk within its strategic and operational plans. The approach adopted meets the requirements of the HM Treasury guidance on Management of Risk – A strategic overview ('the Orange Book') and is enhanced with best practice from other organisations as opportunities arise.

Risks are assessed against estimation criteria approved by the Board and reviewed on a regular basis. These criteria cover the potential impact of the risk and the likelihood of its occurrence. The identified risk is considered for its effect on the achievement of strategic, operational, financial or reputational objectives and whether it is external or internal.

Risks are managed in accordance with an agreed approach decided for each risk ranging from terminating the risk, through possible reduction measures, acceptance and ongoing monitoring.

Risks are reviewed by:

- the Board at each meetings for major risks
- the Audit Committee at each of its meetings for all risks;
- the Executive Management Team on a monthly basis
- Directorate Management teams for their own subset of risks

At the end of the financial year each member of the Executive Management team completes a declaration that they have reviewed and are managing all identified risks within their directorate.

The internal auditors reviewed the Risk Management processes twice during the year, firstly to assess our planning for new activities and secondly, following the transfer of functions from the Department, to assess the embedding of risk management in new activities. The risk register was refined to make issues clearer and easier to manage.

The top risks under review are highlighted under the Risk Management section of the Management Commentary on page 29.

PfS's Scheme of Delegation has been updated and refreshed following the organisational changes. It was approved by the Board on 10 February 2010 and includes governance arrangements.

Information Risk

During 2009-10 there were no personal data related incidents at PfS that were reportable to the Information Commissioner's Office.

PfS does not have access to, or need to keep, personal details other than those of its employees and day to day business contacts. Having reviewed our processes, we believe that they are sound. Internal audit have also carried out a Data Assurance review. We have implemented the relevant sections of the Security Policy Framework – this has been the focus of our data security work in 2009-10 and is one of our business plan targets. PfS continues to monitor the security of information that we hold and to address any shortcomings as a matter of priority.

All IT and information staff have had specific training on the data protection standards expected by Government. All PfS computers, laptops and mobile communication devices have been encrypted.

There is an Information Assurance Maturity Model to review capability in information assurance matters. PfS has achieved Level 1, which is an appropriate level for an organisation of PfS's size, complexity and risk exposure.

Review of effectiveness

As Accounting Officer, I have the 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 PfS who have responsibility for the development and maintenance of the internal control framework.

The effectiveness of the system of internal control was maintained and reviewed in the following ways:

Internal Audit: An internal audit programme is drawn from the three year programme which has been developed based on the risk register. The annual internal audit report confirms the effective operation of the systems of internal control.

External Audit: Our review of the effectiveness of the system of internal control is also informed by comments and recommendations made by the National Audit Office in their management letters and other reports.

Board: The Board is responsible for confirming that the risk management approach will aid the achievement of policy aims and for advice and guidance on proposals.

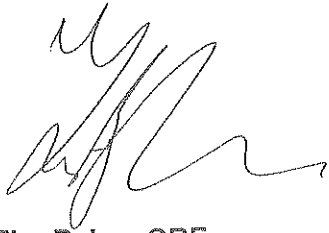
Audit Committee: The Audit Committee comprises non-executive members of the Board, including a non-executive Chairman, and is attended by external audit and internal audit. The Audit Committee met four times during the year and the Chairman reported to the Board on the:

- strategic processes for risk, control and governance
- accounting policies and the accounts of the organisation
- planned activity and results of both internal and external audit and
- adequacy of management response to issues identified by audit activity.

PfS has taken steps during the year to ensure that its internal processes are compliant with the high level control requirements set out in the Management Statement and the Financial Memorandum.

Significant internal control issues

I am able to report that there were no significant weaknesses in PfS's system of internal control in 2009-10 that affected the achievement of PfS's key policies aims and objectives.



Tim Byles, CBE
Chief Executive and Accounting Officer

Date: 28.06.10

Independent Auditors' Report to the Sole Member of Partnerships for Schools Limited

I have audited the financial statements of Partnerships for Schools Limited ("PfS") for the period ended 31 March 2010, which comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Cash Flow Statement, the Statement of Changes in Reserves and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practice Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its net expenditure for the period then ended;
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- the financial statements have been prepared in accordance with the Companies Act 2006.

Opinion on Regularity

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

Opinion on other matter prescribed by the Companies Act 2006

In my opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

The Companies Act 2006 requires me to report to you if, in my opinion:

- adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Amanda Measures

Amanda Measures (Senior Statutory Auditor)

Date 1 July 2010

for and on behalf of the
Comptroller and Auditor General (Statutory Auditor)
National Audit Office
157-197 Buckingham Palace Road
London
SW1W 9SP

Statement of Comprehensive Net Expenditure

For the year to 31 March 2010

		31 March 2010	Restated 31 March 2009
	Notes	£	£
Expenditure			
Capital Grant Payments	3	5,157,042,484	3,318,517,126
Revenue Grant Payments	4	12,615,171	11,448,472
Staff Costs	2	15,792,526	13,267,076
Depreciation & Amortisation	8&9	670,755	413,843
Other Expenditure	5	10,473,142	8,200,210
		5,196,594,078	3,351,846,727
Income			
	6	1,246,958	895,229
		1,246,958	895,229
Net Expenditure			
		(5,195,347,120)	(3,350,951,498)

All income and expenditure relates to continuing operations.

The notes on pages 69 to 81 form part of these financial statements. Figures for 2008-09 are restated to take into account the changes brought about by the introduction of International Financial Reporting Standards and the effect of transferring the Schools Capital Programme from the Department, which is treated as a business combination under merger accounting rules.

Statement of Financial Position as at 31 March 2010

		31 March 2010	Restated 31 March 2009	Restated 31 March 2008
	Notes	£	£	£
Non-Current Assets:				
Property, Plant & Equipment	8	532,582	238,126	288,325
Intangible Assets	9	857,883	1,082,519	1,189,978
Total Non-Current Assets		1,390,465	1,320,645	1,478,303
Current Assets:				
Other Current Assets	12	1,378,544	1,925,539	1,342,815
Cash and Cash Equivalents	13	21,052,362	285,437	286,199
Total Current Assets		22,430,906	2,210,976	1,629,014
Total Assets		23,821,371	3,531,621	3,107,317
Current Liabilities				
Trade and Other Payables	14	(1,869,022)	(4,254,170)	(2,323,329)
Other Liabilities	14	(24,863,867)	(35,380,144)	(23,486,366)
Total Current Liabilities		(26,732,889)	(39,634,314)	(25,809,695)
Non-current assets less net current liabilities		(2,911,518)	(36,102,693)	(22,702,378)
Non-current Liabilities				
Provisions for Liabilities and Charges	15	(526,607)	(182,259)	(428,255)
Deferred Capital Grant	16	0	(106,309)	(188,125)
Total non-current liabilities		(526,607)	(288,568)	(616,380)
Assets less Liabilities		(3,438,125)	(36,391,261)	(23,318,758)
Reserves				
Issued Share Capital	19	(1)	(1)	(1)
General Reserve		3,452,884	36,406,020	23,329,876
Revaluation Reserve		(14,758)	(14,758)	(11,117)
		3,438,125	36,391,261	23,318,758

The notes on pages 69 to 81 form part of these financial statements. Figures for 2008-09 are restated to take into account the changes brought about by the introduction of International Financial Reporting Standards and the effect of transferring the Schools Capital Programme from the Department, which is treated as a business combination under merger accounting rules.

The financial statements on pages 65-68 were approved by the board on June 16th 2010 and were signed on its behalf by



Tim Byles, CBE
Director and Accounting Officer

Date: 23.06.10

Cash Flow Statement

	Notes	31 March 2010 £	Restated 31 March 2009 £
Cash Flows from Operating Activities			
Net Expenditure		(5,195,347,120)	(3,350,951,498)
Decrease/(Increase) in Trade and other Receivables	12	546,995	(582,724)
Depreciation & Amortisation	8&9	670,755	417,253
Net Impairment of Property, Plant & Equipment	11	0	78,798
(Decrease)/Increase in Trade and other Payables	14	(12,901,425)	13,824,619
(Decrease)/Increase in Provisions	15	344,347	(245,997)
Net Cash Outflow from Operating Activities		(5,206,686,448)	(3,337,459,549)
Cash Flows from Investing Activities			
Purchase of Property, Plant & Equipment	8	(615,756)	(86,937)
Purchase of Intangible Assets	9	(124,818)	(244,404)
Net Cash Outflow from Investing Activities		(740,574)	(331,341)
Cash Flows from Financing Activities			
Grant in Aid - cash		2,596,854,743	16,362,915
Grant in Aid – merger adjustment		2,631,339,204	3,321,427,213
Net Financing		5,228,193,947	3,337,790,128
Net (Decrease) / Increase in Cash and Cash Equivalents for the Period	13	20,766,925	(762)
Cash and Cash Equivalents at the Beginning of the Period	13	285,437	286,199
Cash and Cash Equivalents at the End of the Period	13	21,052,362	285,437

The notes on pages 69 to 81 form part of these financial statements. Figures for 2008-09 are restated to take into account the changes brought about by the introduction of International Financial Reporting Standards and the effect of transferring the Schools Capital Programme from the Department, which is treated as a business combination under merger accounting rules.

Statement of Changes in Reserves

	General Reserve	Revaluation Reserve	Share Capital	Total Reserves
	£	£	£	£
Balance at 31 March 2008	1,212,588	(11,117)	(1)	1,201,470
Change in Accounting Policy: unused leave	117,288	-	-	117,288
Merger adjustment: Accrual for VA schools	22,000,000	-	-	22,000,000
Balance at 1 April 2008 Restated	23,329,876	(11,117)	(1)	23,318,758
Changes in Reserves 2008/2009				
Deficit for the Year	3,350,951,498	-	-	3,350,951,498
Merger adjustment	(3,321,427,213)	-	-	(3,321,427,213)
Revaluation of Property, Plant & Equipment	(3,410)	(3,641)	-	(7,051)
Financing				
Grant In Aid Cash	(16,362,915)	-	-	(16,362,915)
Deferred Capital Grant Utilised	(81,816)	-	-	(81,816)
Balance at 30 March 2009 Restated	36,406,020	(14,758)	(1)	36,391,261
Changes in Reserves 2009/2010				
Deficit for the Year	5,195,347,120	-	-	5,195,347,120
Merger Adjustment	(2,631,339,204)	-	-	(2,631,339,204)
Write off of Deferred Capital Grant	(106,309)	-	-	(106,309)
Financing				
Grant In Aid from DCSF	(2,596,854,743)	-	-	(2,596,854,743)
	-	-	-	0
Balance at 31 March 2010	3,452,884	(14,758)	(1)	3,438,125

The notes on pages 69 to 81 form part of these financial statements

Notes to the Accounts

STATEMENT OF ACCOUNTING POLICIES

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) in accordance with s397 of the Companies Act 2006, and contain such disclosures as are required under the Act. These statements also apply the adaptations, interpretations and modified disclosure requirements of HM Treasury's Financial Reporting Manual (FRM) insofar as they do not conflict with the Act. Where a choice of accounting policy is allowed under this combined framework, the accounting policy which is judged to be most appropriate to the particular circumstances of Partnerships for Schools for the purpose of giving a true and fair view has been selected. The particular policies adopted by Partnerships for Schools are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

Basis of Accounting

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant & equipment and intangible assets.

Going Concern

The Statement of Financial Position at 31 March 2010 shows net liabilities of £3,438,125 (2009 restated £36,391,261). This reflects the inclusion of liabilities falling due in future years which, to the extent that they are not met from PFS's other sources of income, may only be met by future grants-in-aid from the Department. This is because under the normal conventions applying to Parliamentary control over income and expenditure, such grants may not be issued in advance of need.

Grant-in-Aid for 2010-11, taking into account the amounts required to meet PFS's liabilities falling due in that year, have already been included in the Department's estimates for that year, which have been approved by Parliament and there is no reason to believe the Department's future sponsorship and future Parliamentary approval will not be forthcoming. The directors have therefore considered it appropriate to adopt a going concern basis for the preparation of these financial statements.

Income

PFS has elected to account for grants-in-aid received for revenue purposes as financing and accordingly to credit receipts directly to reserves. This is because such receipts are regarded as contributions from a controlling party which gives rise to a financial interest in the residual interest of NDPBs.

All other income represents the total amount receivable for goods supplied and services provided. Such income is recognised in accordance with the principles of IAS 18 *Revenue Recognition*.

Merger Accounting

These accounts have been prepared in accordance with IFRS3. The objective of IFRS3 is to account for business combinations. The transfer of the Schools Capital Programme from the Department to PFS falls under this standard. The transfer took place on 1 October 2009. For the purposes of these accounts, the accounting standard prescribes that the effect of the transfer would be shown in the accounts as at the beginning of the financial year with comparative figures reflecting the change also. Where adjustments have been made to items on the Statement of Comprehensive Net Expenditure and the Statement of Financial Position in order to record such comparative changes, equal and opposite effects have been recognised directly in the General Reserve, as reflected in the restated grant in aid figures within the Statement of Changes in Reserves.

Capital Grants

The responsibility for the management of the Schools Capital Programme was transferred from the Department to PFS on 1 October 2009. This transfer is accounted for under the rules for merger accounting, which means that the accounts show the effect of the transfer as if it had happened at the beginning of the reporting period. For the Net Expenditure and Cash Flow Statements the Schools Capital Programme is reflected in the results for 2008-09 and 2009-10. For the Financial Position statement, the programme is reflected in the results for 2007-08, 2008-09 and 2009-10. The financial statements for the Department have been reduced accordingly.

Payments to local authorities are made generally four times a year: June, September, December and March. Local authorities are allowed to spend the money up to the end of August, following the end of the financial year, although in the case of Devolved Formula Capital, local authorities have up to three years and five months to spend the money. Local authorities account for their expenditure through an annual statement, which PfS collates in November. However, around a quarter of the value of grants are awarded as part of the 'Single Capital Pot', which authorities are not required to account for. If the local authority spends more than the grant given then the local authority has to finance the extra cost. If the local authority has not spent the money then PfS can 'clawback' the funds.

Because local authorities have a further five months following the March 31st to spend PfS grant money, the existence of any future economic benefit cannot be deemed probable at the balance sheet date; neither can its extent be measured reliably. The right of clawback does not therefore give rise to an asset eligible for balance sheet recognition as defined by the IASB Framework for the Preparation and Presentation of Financial Statements. Any related receipts are therefore offset against grant expenditure as they are received.

Property, Plant and Equipment

Expenditure on property, plant and equipment includes the purchase of office furniture and equipment and computer equipment over £1,000. These assets are included at current replacement cost less an allowance for depreciation.

Intangible Assets

PfS has developed a corporate database, the Benchmarking and Performance Management System, which is classed as an intangible asset. PfS implemented a new accounting system during the year which has also been classed as an intangible asset. Intangible assets are depreciated over their useful life, subject to an annual impairment review.

Depreciation and Amortisation

Depreciation and amortisation are charged on all property, plant and equipment at rates calculated to write off the cost of each asset over its estimated useful economic life on a straight line basis over the following periods: Information Technology and related software development assets over 3 years; Furniture and Fittings over 5 years and Leasehold improvements over the life of the lease. The Benchmarking and Performance Management System is amortised over 5 years. Depreciation and amortisation is charged for a full year in the month of acquisition.

VAT

Partnerships for Schools became registered for VAT on 6 January 2010 with effect from 1 June 2007. Having previously received advice that we did not need to register for VAT, we subsequently received advice from the Department and HMRC that we did need to register. We have estimated that penalties and interest are due for late registration, which we have provided for (2009-10 £52,258; 2008-09 £52,258).

PfS is currently trying to establish with HMRC a methodology for calculating the amount of input VAT that can be offset against any output VAT liability arising from the recharges made to BSF1. As a decision to the above has not yet been arrived at, all costs are currently shown inclusive of VAT incurred.

Operating Leases

Payments made under operating leases are charged to the Net Expenditure account on a straight line basis over the term of the lease.

Provision for Liabilities and Charges

Provisions are recognised when the company has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Financial Assets and Liabilities

PfS classifies its non derivative financial assets as loans and receivables. Financial assets and liabilities are recognised at fair value (the transaction price plus any directly attributable transaction costs).

Derivative Financial Instruments and Hedging

PfS does not use derivative instruments such as interest rate swaps or any other hedging facilities.

Pensions

Past and present employees are, with certain exceptions, covered by the provisions of the Civil Service Pension Scheme which is described at Note 2. The defined benefit element of the scheme is unfunded and is non-contributory except in respect of dependants' benefits. PfS recognises the expected cost of this element on a systematic and rational basis over the period during which it benefits from employees' services by payment to the Principal Civil Service Pension Scheme (PSCPS) of the amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS.

Where an employee opts to receive payments in respect of pension contribution to his/her personal pension plan, these are charged as they fall due and are in accordance with relevant employee's terms and conditions of employment.

1. FIRST-TIME ADOPTION OF IFRS

	Share Capital	General Fund	Revaluation Reserve	Total
	£	£	£	£
Taxpayers Equity at 31 March 2008 under UK GAAP	(1)	1,212,588	(11,117)	1,201,470
Adjustment:				
Accrual for Untaken Leave	-	117,288	-	117,288
Taxpayers Equity at 1 April 2008 under IFRS	(1)	1,329,876	(11,117)	1,318,758

PfS is adopting the use of International Financial Reporting Standards for the first time. The standards dictate that comparative figures should be restated, which includes therefore the opening balances from 2008-09. This table shows the nature of the adjustment, which was the accrual for unused holiday. This is also the main adjustment in 2008-09 and 2009-10. PfS employees are able to carry-forward up to 5 days unused holiday, with more in exceptional circumstances. Employees are encouraged to use this surplus as early as possible in the following year.

2. STAFF NUMBERS AND RELATED COSTS

Average Number of Persons Employed:

The average number of persons employed by PfS during the year was as follows:

	2010	Restated 2009
Directors	7	8
Direct Employees	166	139
Seconded, Loan and Temporary Staff	16	11
Total	<u>189</u>	<u>158</u>

The numbers above include 32 people transferred from the Department during the year, together with the effect of the transfer in the previous year (33).

Related costs

	2010	Restated 2009
	£	£
Staff costs during the period were as follows		
Wages and Salaries	11,452,860	9,634,489
Social Security Costs	1,124,403	952,038
Other Pension Costs	2,171,628	1,989,748
Provision for Restructuring Costs	300,000	-
Seconded, Loan and Temporary Staff	743,635	690,801
	<u>15,792,526</u>	<u>13,267,076</u>

The numbers above include the full-year cost of people transferred from the Department, which amounts to £1,918,744 (2009 restated £2,081,860).

The increases in staff numbers and related costs are due mainly to:

- greater workload caused by the acceleration of the BSF programme in order to ensure that every local authority is engaged in the programme by 2011.
- the creation and transfer of programmes in addition to the transfer of the schools capital programme
- a provision for restructuring costs to rationalise roles following the transfer of functions from the Department

Pension Contributions

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but PfS is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out on 31 March 2007. Details can be found in the resource accounts section to the Cabinet Office Civil Superannuation (www.civilservice-pensions.gov.uk).

For the period ended 31 March 2010, employer's contributions of £2,171,628 were payable to the PCSPS (2009: £1,643,161) at one of the four rates in the range from 16.7 to 24.3% of pensionable pay, based on salary bands. The scheme actuary reviews employer's contributions every four years following a full valuation of the scheme. From 2010-11, the salary bands were revised with the rates maintained. The contribution rates are set to meet the cost of the benefits accruing during the year, which are to be paid when the member retires and not the benefits paid during this period to existing pensioners.

3. CAPITAL GRANT PAYMENTS

During the year, £5,157,042,484 was paid to local authorities, diocese and voluntary-aided schools in the form of capital grants. The table below shows how this money was spent.

	2009-10	Restated 2008-9
	£	£
Strategic Programmes		
Building Schools for the Future	940,045,820	629,671,374
National Framework Academies	307,346,340	101,411,000
Primary Capital Programme	681,702,527	143,500,000
Co-location Programme	31,055,029	0
Other	1,688,450	0
Total	1,961,838,166	874,582,374
Devolved Programmes		
Paid to local authorities	1,726,475,702	1,131,192,894
Paid to voluntary-aided schools and diocese	523,290,198	399,872,261
Total	2,249,765,900	1,531,065,155
Targeted Programmes		
Standards and Diversity Programme	48,321,434	38,784,397
Basic Need (new pupil places)	18,632,185	22,662,825
BSF One School Pathfinder Programme	256,819,581	408,098,363
Voluntary-aided schools	96,447,706	224,664,119
14-19 Diploma and Special Education Needs	302,335,089	0
School kitchens	69,283,307	8,275,000
Other	153,599,116	210,384,893
Total	945,438,418	912,869,597
Total capital grants	5,157,042,484	3,318,517,126

The main reasons for the increases in expenditure between years are as follows:

- An increase in the pace of the BSF and Academies Programmes.
- The impact of the first full year of the Primary Capital and Co-Location programmes.
- Accelerated capital spending as a result of the government's fiscal stimulus exercise, which brought-forward funding from 2010-11 into 2009-10.

The amount of grants paid to each local authority by programme is published on Teachernet <http://www.teachernet.gov.uk/>

4. REVENUE GRANT PAYMENTS

These payments cover expenditure of a recurring nature. Details of the grant payments are shown below:

	2010	Restated 2009
	£	£
Payments to voluntary-aided schools for the reimbursement of PFI fees	12,615,171	11,448,472

5. OTHER EXPENDITURE

	2010	Restated 2009
	£	£
Managing the Programmes	2,929,200	2,593,886
Supporting the Programmes	4,534,193	3,896,511
Change Programme	524,231	0
Support costs	2,346,169	1,860,555
VAT Provision	139,349	(150,742)
Total	10,473,142	8,200,210

During the year PfS purchased no non-audit services from its auditor, the National Audit Office (NAO). Other expenditure for 2009 has been restated to include £979,755 relating to non-capital contracts which transferred from the Department to PfS on 1 October 2009.

Notes:

- a) **Managing the Programmes:** includes the costs incurred by PfS which are related to the delivery of the programmes, e.g. legal and professional costs; travel costs, etc
- b) **Supporting the Programmes:** these are recurring costs invested in projects that underpin the strategic programmes, e.g. design of schools; sustainability; engagement of pupils, etc. These projects were transferred from the Department.
- c) **Change Programme:** These are the one-off costs of transferring the schools capital programme from the Department and include: office move and fit-out costs; due diligence; new finance system, etc
- d) **Support costs:** These are the overheads of the business and include accommodation, IT, office costs, etc. **This includes the external audit fee paid to NAO £45,500 (2009 to PKF £31,712).** The increase in support costs is mainly due to the transfer of the Schools Capital Programme, e.g. acquired a second office in Darlington and larger offices in London, etc.
- e) **VAT Provision:** These are shown separately as they are non-recurring adjustments. Please see note 15 for further details.

6. INCOME

	2010	2009
	£	£
Sport and Arts Advisor Grants	205,633	130,000
BSFI Re-Charges	837,958	761,397
The Transformation Trust Re-Charges	61,849	0
Other	141,518	3,832
	1,246,958	895,229

Income arises as follows:

- a) **Sports and Arts advisor grants:** these funds contribute to the cost of people employed by PfS where the roles help achieve the common objectives of the Youth Sport Trust and Sport England for Sports Advisors and Arts Council for a Cultural Advisor.
- b) **BSFI:** BSFI LLP invests in local education partnerships to support the BSF programme. BSFI is jointly owned by Partnerships UK and BSFI Ltd, a wholly owned subsidiary of the Department. PfS has seconded staff and provide accommodation and shared services which are recharged to BSF LLP.
- c) **The Transformation Trust:** The Trust is an independent charity that offers opportunities to disadvantaged children. PfS seconds staff to the Trust which PfS recharges to the Trust.
- d) **Other Income:** this includes miscellaneous items of a non-recurring nature.

7. JOINT VENTURE INCOME AND EXPENDITURE

Up to March 31 2009, Pfs was funded through a private venture between Partnerships UK and the Department. Under the terms of the joint venture both partners invested in the management of the programme. They received returns on their investment based on a pre-agreed formula and on achieving key milestones. Pfs's role was to report on the achievement of the milestones and to initiate the payment of the returns. The returns were funded by the Department and Pfs would make the payments to the partners. The effect of this process was to show the funding for the returns as joint venture income and the corresponding payment of the returns as joint venture expenditure. The joint venture was terminated on March 31 2009; the Department funded the termination costs. As the joint venture was terminated and the income and expenditure equalled each other we have netted-off the results and shown them below:

	2010	2009
Joint Venture Income	-	13,183,700
Joint Venture Expenditure	-	13,183,700
Net Expenditure	-	-

8. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Investment £	Information Technology £	Furniture & Fittings £	Total £
Cost				
At 01 April 2008	256,947	330,350	111,732	699,029
Additions	-	73,680	13,258	86,938
Revaluation	2,544	1,233	3,274	7,051
Impairment	-	(18,525)	-	(18,525)
At 01 April 2009	259,491	386,738	128,264	774,493
Additions	195,373	275,404	144,979	615,756
Disposal	(259,491)	-	-	(259,491)
Revaluation	-	-	-	0
Impairment	-	-	-	0
Balance C/fwd as at 31 March 2010	195,373	662,142	273,243	1,130,758
Depreciation				
At 01 April 2008	133,697	225,879	51,128	410,704
Charge for the year	49,883	65,061	20,352	135,296
Revaluation	1,324	588	1,498	3,410
Impairment	-	(13,044)	-	(13,044)
At 01 April 2009	184,904	278,484	72,978	536,366
Charge for the year	113,662	152,991	54,648	321,301
Disposal	(259,491)	-	-	(259,491)
Revaluation	-	-	-	0
Impairment	-	-	-	0
Balance C/fwd as at 31 March 2010	39,075	431,475	127,626	598,176
Net Book Value at 31 March 2010	156,298	230,667	145,617	532,582
Net Book Value at 31 March 2009	74,587	108,254	55,285	238,126
Net Book Value at 31 March 2008	123,250	104,471	60,604	288,325

All recognised assets are owned outright. Disposals in year relate to the move out of offices in Great George Street, London.

9. INTANGIBLE ASSETS

Intangible assets comprise of our Benchmarking and Performance Management System: an internally generated database that became operational in March 2007 and our new finance system, which became operational during September 2009

	Benchmarking System £	Finance System £	Total £
Cost			
At 01 April 2008	1,468,523	0	1,468,523
Additions	244,404	-	244,404
Revaluation	-	-	0
Impairment	(90,478)	-	(90,478)
At 01 April 2009	1,622,449	0	1,622,449
Additions	-	124,818	124,818
Revaluation	-	-	0
Impairment	-	-	0
Balance C/fwd as at 31 March 2010	1,622,449	124,818	1,747,267
Amortisation			
At 01 April 2008	278,544	0	278,544
Charge for the year	278,547	-	278,547
Revaluation	-	-	-
Impairment	(17,161)	-	(17,161)
At 01 April 2009	539,930	0	539,930
Charge for the year	324,490	24,964	349,454
Revaluation	-	-	0
Impairment	-	-	0
Balance C/fwd as at 31 March 2010	864,420	24,964	889,384
Net Book Value at 31 March 2010	758,029	99,854	857,883
Net Book Value at 31 March 2009	1,082,519	0	1,082,519
Net Book Value at 31 March 2008	1,189,978	0	1,189,978

10. FINANCIAL INSTRUMENTS

PfS does not face the degree of exposure to financial risk that commercial businesses do. In addition financial assets and liabilities generated by day-to-day operational activities are not held in order to change the risks facing the organisation in undertaking its activities. PfS relies upon the Department for its cash requirements, having no power itself to borrow or invest surplus funds and the organisation's main financial assets and liabilities have either a nil or a fixed rate of interest related to the cost of capital (currently 3.5%). The short term liquidity and interest risks are therefore slight and there is no foreign currency risk as all income and expenditure, and material assets and liabilities, are denominated in sterling.

Financial Assets by Category :

	2010	2009
	£	£
Cash	21,055,472	1,114,586
Trade Receivables	1,250,068	1,734,588
Other Receivables	-	-
	<u>22,305,540</u>	<u>2,849,174</u>

The above figures exclude statutory receivables which relate to VAT due from HM Revenue and Customs, and prepayments which are not financial instruments.

Financial Liabilities by Category:

	2010	2009
	£	£
Trade Payables	1,016,479	4,173,077
Other Payables	482,704	81,093
Accruals	23,860,067	35,380,144
Bank	3,110	829,149
	<u>25,362,360</u>	<u>40,463,463</u>

The above figures exclude statutory payables which relate to Tax and Social Security due to HM Revenue and Customs. All financial liabilities are payable within one year

Credit Risk

PfS's principle financial assets are bank balances and trade and other receivables. These represent PfS's maximum exposure to credit risk in relation to financial assets. The credit risk is primarily attributable to its trade receivables. The amounts presented in the Statement of Financial Position are net of provisions for doubtful receivables estimated by the PfS's management based on prior experience and their assessment of current economic value.

Hedging

PfS does not involve itself in any hedging transactions.

11. IMPAIRMENTS

The total impairment charge for the year, charged to the Net Expenditure Account is as follows:

	2010	2009	2008
	£	£	£
Property, Plant and Equipment	0	5,481	817
Intangible Assets	0	73,317	49,469
	0	78,798	50,286

12. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

	2010	2009	2008
	£	£	£
Amounts falling due within one year			
Trade Receivables	1,250,068	1,734,588	1,234,600
Prepayments	128,476	190,951	108,215
	1,378,544	1,925,539	1,342,815

Included in the above are:

Amounts owed by other Government Departments	30,000	-	795,992
Amounts owed by Local Authorities	-	-	-

The bulk of the trade receivables relates to monies due from BSFI LLP for the recharge of shared services.

13. CASH AND CASH EQUIVALENTS

	2010	2009	2008
	£	£	£
Balance at 1 April	285,437	286,199	53,597
Net change in cash and cash equivalent balances	20,766,925	(762)	232,602
Balance at 31 March	21,052,362	285,437	286,199

The following balances at 31 March were held at:

	2010	2009	2008
	£	£	£
Government Banking Service	21,055,472	1,114,586	193,450
Commercial Banks	(3,110)	(829,149)	92,749
	21,052,362	285,437	286,199

An overdraft of £3,110 is included in cash equivalents for 31 March 2010 (2009 £829,149). The higher cash levels in 2009-10 are due to the increase in cash required to support the Schools Capital Programme.

14. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	2010	Restated 2009	Restated 2008
	£	£	£
Amounts falling due within one year			
Trade Payables	1,016,479	4,173,077	2,258,047
Other Payables	852,543	81,093	65,282
Accruals	24,863,867	35,380,144	23,486,366
	26,732,889	39,634,314	25,809,695

Included in the above are:

Amounts owed to other Government Departments	747,478	862,927	885,364
Amounts owed to Local Authorities	29,977	-	25,957

The accruals for 2008-09 and 2007-08 have been restated to include the effect of the transfer of the Schools Capital Programme. The merger adjustment for 2008-09 is £33,600,000 (2007-08 £22,000,000). The accrual for 2009-10 is £21,645,000. The movement in the accruals between years is the main cause of the increase in creditors and other payables.

15. PROVISIONS FOR LIABILITIES AND CHARGES

	Academies Framework	Academies VAT	HMRC VAT Penalties	BPMS Development	BSFI VAT	Restructuring	Total
Balance at 1 April 2008	50,000	50,000	203,000	125,255	-	-	428,255
Provided in Year	-	30,000	-	-	-	-	30,000
Not required (written back)	-	-	(150,741)	-	-	-	(150,741)
Utilised in the Year	-	-	-	(125,225)	-	-	(125,225)
Balance at 1 April 2009	50,000	80,000	52,259	0	0	0	182,259
Provided in Year	-	-	-	-	139,349	300,000	439,349
Not required (written back)	-	-	-	-	-	-	-
Utilised in the Year	(15,001)	(80,000)	-	-	-	-	(95,001)
Balance at 1 April 2010	34,999	0	52,259	0	139,349	300,000	526,607

Provisions include:

- Academies Framework:** In order to procure Academy buildings through our national programme we have a conventional design and build framework, which became operational from October 2009 with a four year term. Given the nature of the contractual structure of the framework and the continuing challenges to the Academies process nationally it is advisable to provide for advice we may require.
- HMRC VAT Penalties:** Following original advice that PfS did not need to be registered for VAT, subsequent advice suggested the contrary. PfS has registered for VAT and is in ongoing discussions with HMRC to determine any penalties and interest accruing from late registration.
- BSFI VAT:** a consequence of VAT registration has resulted in PfS charging VAT retrospectively on its recharges for shared services. Due to ambiguities in the contract with BSFI, PfS has agreed to absorb the VAT for 2007-08 and 2008-09 in exchange for BSFI accepting the VAT liability for 2009-10 onwards.
- Restructuring:** following the transfer of roles from the Department, PfS is seeking to rationalise roles across the enlarged organisation. Consultation commenced in March 2010. The provision is an estimate of the potential costs of restructuring.

16. DEFERRED CAPITAL GRANT

	2010 £	2009 £	2008 £
Department Grant-in-Aid	106,309	188,125	267,985
Utilised during the year	(106,309)	(81,816)	(79,860)
Balance at 31 March 2010	0	106,309	188,125

No Grant-in-Aid for fixed assets has been deferred during the period under review (2009: Nil).

17. COMMITMENTS UNDER LEASES

Operating Leases:

PfS entered into a five year lease in May 2005 with a break clause at year three for the fifth floor of 8 -10 Great George Street, London at an annual rent of £216,510 per annum rising to £231,975 per annum in April 2008. This lease was terminated on 30 September 2009 with agreement to pay lease charges until 31 January 2010. PfS moved to new Government-owned premises situated at 33 Greycoat Street London on 1 October 2009 taking out a five year lease at an annual rent of £545,000 per annum, the first 6 months being rent free.

	2010 £	2009 £
Liabilities		
Within 1 Year	545,000	231,975
2-5 Years	1,907,500	19,331
After 5 Years	-	-
	2,452,500	251,306

Other Commitments

PfS is not a party to any contracts for capital expenditure funded from capital or revenue grants: it is the grant recipient that enters into contracts. However there are certain grants where PfS has a significant influence over the nature of the contracts that local authorities or schools enter into. Therefore there could be a perception of implied guarantees of future funding that supports these contracts. At 31 March 2010, PfS estimates that the following contractual commitments existed:

	In the next year £	In 2-5 years £	Beyond 5 years £
BSF programme	1,306,433,981	2,809,713,859	
National Framework Academies	527,980,744	379,548,406	
Voluntary-aided Schools	12,211,765	50,583,635	233,814,364

Notes:

- a) For BSF, this represents the funding approved for local authorities that have reached financial close and includes all school projects within a wave.
- b) For National Framework Academies, this represents the funding approved in respect of contracts which have been signed.
- c) For Voluntary-aided Schools, this represents the estimated grant contributions to schools in order that they can meet their PFI payments for the duration of the contracts.
- d) These figures are not discounted.
- e) Taking into account the amounts required to meet PfS's liabilities falling due in the next year, Grant-in-Aid for 2010-11 has already been included in the Department's estimates for that year, which have been approved by Parliament and there is no reason to believe the Department's future sponsorship and future Parliamentary approval will not be forthcoming.

18. CONTINGENT LIABILITIES

PfS has no contingent liabilities as at 31 March 2010 (31 March 2009 None)

19. SHARE CAPITAL

The authorised share capital at 31 March 2010 is 100 ordinary shares of £1 each. At the statement of financial position date and at the date that these accounts were issued, the called up and paid share capital of the company was one ordinary share of £1 (2009: £1).

20. INSURANCE

Under the terms of the Financial Memorandum, with the exception of the third party insurance required by the Road Traffic Acts and any other which are statutory obligations, the company follows the usual rules for public bodies on non insurance. PfS is indemnified by the Department for Children Schools and Families in respect of the Employer's Liability Insurance.

21. TRANSACTIONS WITH RELATED PARTIES

The transactions with the Department consisted of the receipt of Grant-in-Aid Funding.

The principal activity of Building Schools for the Future Investments LLP (BSFI) is to invest in Building Schools for the Future (BSF) projects. The capital for such investments is provided by the Department and Partnerships UK. The transactions between PfS and BSFI were re-charges that consisted of salaries, on-costs and running costs totalling £837,958 (2009: £1,110,563).

The Transformation Trust (TTT) is a new charity that funds extra-curricular activities in schools across the country. The transactions between PfS and TTT consisted of salary recharges and the recovery of initial costs incurred by PfS on behalf of TTT totalling £61,849 (2009: Nil). The Chief Executive of PfS is a trustee of the Trust.

At the end of the period the balances of monies owing to/(from) related parties as at 31 March 2010 were:

	2010	2009
	£	£
Department	0	862,927
Partnerships UK	0	1,626,956
BSFI LLP	(837,958)	(1,110,563)
The Transformation Trust	(61,849)	0

No board member, senior manager or other related parties has undertaken any material transactions with PfS during the year.

22. PARENT UNDERTAKING AND ULTIMATE CONTROLLING PARTY

The Secretary of State is the sole shareholder in the company and the Directors consider the Department were the ultimate controlling party in PfS during 2009-10.

23. PERFORMANCE TARGETS

Performance targets and achievement are shown in detail in the section on Corporate Objectives, which includes a summary of the balanced scorecard. The detailed balance scorecard targets and results can be found in Annex B.

24. EVENTS AFTER THE REPORTING PERIOD

PfS's annual report and accounts are placed in the libraries of the Houses of Parliament by the Secretary of State. As required by IAS 10 Events after the Reporting Period, the date on which the accounts were authorised for issue is disclosed on the Statement of Financial Position. However, events after the reporting period have been considered up to the date of signature on the audit report. This is the date on which the certified accounts are despatched by PfS.

Annexes

Annex A: Schools benefitting from investment in 2009-10*

Local Authority	Schools benefitting from investment in 2009-10
Darlington	St Aidan's CoE Academy
Durham	Durham Johnston
Gloucestershire	Rednock
Hackney	Mossbourne Academy Stoke Newington School Clapton Girls Technology College
Haringey	John Loughborough Highgate Wood Secondary School Alexandra Park School Gladesmore Community School Hornsey School for Girls Park View Academy Northumberland Park Community School
Islington	Holloway School Highbury Grove and New Sixth Form Samuel Rhodes SEN School
Kent	Dane Court School The Community College Whitstable Northfleet School for Girls (phase 1) St George's Church of England Foundation School
Kingston-upon-Thames	Chessington Community College
Knowsley	All Saints Centre for Learning St Edmunds Arrowsmith Centre for Learning Huyton Arts & Sports Centre for Learning Knowsley Park Centre for Learning Kirkby Sports College Halewood Centre for Learning
Lambeth	Stockwell Park
Lancashire	Ridgewood Community High School (SEN) Sir John Thursby Community College
Leeds	Primrose City of Leeds Crawshaw Swallow Hill Community College Allerton Grange Cardinal Heenan John Smeaton Community College Ralph Thoresby High South Leeds High
Leicester	Soar Valley College

Local Authority	Schools benefitting from investment in 2009-10
	Judgemeadow Community College Beaumont Leys
Lewisham	Catford
Liverpool	Lower Lee SEN School
Manchester	Piper Hill Meade Hill (Part of Higher Blackley Education Village) Buglawton Hall Enterprise Academy Health Academy Buglawton Residential
Milton Keynes	Milton Keynes Academy
Newcastle	Heaton Manor Brunton First School (primary)
Newham	Brampton Manor School
North Somerset	Nailsea School
North Yorkshire	Richmond School (sixth form)
Nottingham	Big Wood Hadden Park High School
Nottingham City	Oak Field School & Sports College
Solihull	Smith's Wood
South Tyneside	Jarrow School Mortimer Community College
Southwark	Walworth Academy
St Helens	Cowley
Sunderland	Sandhill View Red House Academy Castle View Enterprise Academy Academy 360 Washington School
Torbay	Torquay Community College
Tower Hamlets	Wessex Centre (sixth form)
Waltham Forest	Walthamstow School for Girls Willowbrook Primary School
Westminster	Westminster City Boys St Marylebone CE Pimlico
York	Joseph Rowntree School St. Augustine CofE School

*A small number of schools listed above are currently benefitting from a new sports hall, teaching block or ICT facilities but are also the subject of planned or current building works yet to be completed.

Annex B Balanced Scorecard 2009-10

*Measure linked to PFS's non-consolidated performance pay scheme

Balanced Scorecard Measure	Target for 2009-10	Actual	Achieved
Number of schools that have been built, refurbished / remodelled or have received ICT investment.*	76	78	✓
Number of Local Authority or Academy Outline Business Cases or equivalent that have been approved.*	58	66	✓
Number of schools for which a construction contract or an ICT-only contract has been awarded.*	139	164	✓
Average time in months between remit meeting and business case approval.	17	21	x
Average time in months between OJEU and Financial Close.	22	23	x
Carbon emissions reduction – the percentage of new build schools whose business cases demonstrate a 60% reduction from 2004 baselines.	100%	100%	✓
Minimum Design Standard (MDS) piloted in financial year 2009-10 and measures identified in order to develop a target in 2010/11.	Achieved	Achieved	✓
Percentage of new and refurbished BSF schools which have received a BREEAM post-occupation review in financial year 2009-10 that have achieved "very good" or above.	90%	100%	✓
BSF capital grant paid to local authorities by the end of financial year 2009-10.*	Grant paid within 10% of start of year estimate and 5% of mid-year forecast.	Grant paid within 7.9% of start of year estimate and 4.2% of mid-year forecast.	✓
BSF PFI credits allocated to projects reaching Outline Business Case stage with an approved Strategy for Change 2.	Credits allocated within 10% of start of year estimate and 5% of mid-year forecast.	Achieved	✓

Balanced Scorecard Measure	Target for 2009-10	Actual	Achieved
Variance between Pfs budget and forecast spend in financial year 2009-10.	Between 0% overspend and 5% under-spend.	Less than 1% variance	✓
Agreed Efficiency Savings achieved during financial year 2009-10.	£180,000	£239,000 of efficiency savings have been achieved	✓
Staff sickness absence rate for financial year 2009-10.	Less than 8 days	5 days	✓
Percentage of Pfs staff that believe the training and development they receive is helping them to develop skills that are useful for their future career development as shown by the Summer 2009 staff survey.	55%	68%	✓
Number of apprenticeships offered at Pfs during financial year 2009-10.	2	3	✓
Percentage of Pfs staff satisfied with their present job overall as shown by the Summer 2009 staff survey.	90%	90%	✓
Percentage of working hours (9am-6pm, Monday to Friday) when ICT systems have been available.	99%	99%	✓
New finance, payroll and HR systems implemented to time, budget, and quality specifications.	Achieved	Partially Achieved	✓
Development of Equalities and Diversity Action Plan.	Achieved	Achieved	✓
Number of applicable security policy framework requirements fulfilled to date.	50	50	✓
Development of a Sustainable Development Action Plan	Achieved	Achieved	✓
Stakeholder satisfaction score as measured by an independent survey in financial year 2009-10 (data from the question: "How favourable or unfavourable is your overall opinion or impression of Pfs?")*	74%	81%	✓
Media evaluation - national / trade / specialist press - percentage of	65%	93%	✓

Balanced Scorecard Measure	Target for 2009-10	Actual	Achieved
favourable and neutral coverage.			
Pilot the Post Occupation Evaluation methodology during financial year 2009-10; and agree a definition and target for a measure of how far school designs have achieved the overall objectives of the BSF programme for 2010/11.*	Achieved	Achieved	✓
Average percentage point change in number of students attaining 5 A*-C including English and Maths in BSF schools from the August preceding 'Term Open' to the August following one school year from 'Term Open'.	7%	3% (greater than the national average)	✗
Average change in overall absence rates in all BSF schools from the August preceding 'Term Open' to the August following one school year from 'Term Open'.	-2%	Negligible change in line with the national average	✗
PwC third year evaluation shows signs that BSF capital investment is leading to positive educational outcomes.	Achieved	Achieved	✓
Develop a quality assessment for Strategies for Change.	Achieved	Achieved	✓
Number of Strategies for Change approved.	22	24	✓
In conjunction with BSFI, facilitate the reporting of national policy KPIs (including the Construction Excellence Defects Scale) as required in the Strategic Partnering Agreement for each LEP.	Achieved	Achieved	✓
Percentage of schemes reaching phase 2 dialogue with at least two bidders in financial year 2009-10.	100%	100%	✓
PFI credits allocated in promissory notes for PFI projects reaching financial close in 09/10 as a % of PFI credits forecast to be allocated to those projects at Outline Business Case stage.	90%	103%	✓
Capital programme efficiencies are realised ¹	£116m	£116m	✓

¹ Target revised following a review of the methodology for calculating programme efficiencies

Balanced Scorecard Measure	Target for 2009-10	Actual	Achieved
Number of LEPs established in financial year 2009-10.	10	12 LEPs established: Barnsley, Birmingham, Blackburn, Derbyshire, Durham, Hull, Luton, North Lincolnshire, Rochdale, Salford, Sandwell, Southwark.	✓
Agree in conjunction with BSFI, the processes and procedures that are to be put in place between the LEP and the LA regarding agreement on the benchmarking/continuous improvement requirements relating to new projects.	Achieved	Achieved	✓
By December 2009, new arrangements for PCP programme governance and risk management agreed and fully implemented.	Achieved (March)	Achieved	✓
By March 2010, PFS will have developed and implemented agreed proposals for evaluating the PCP pathfinder phase in terms of overall quality and impact.	Achieved	Achieved	✓
The percentage of milestones set out by co-location projects that have been successfully delivered in financial year 2009-10.	75%	76%	✓
The quality of PFS support for co-location projects based on a the Department survey of a sample of projects and all available evidence about the projects in the sample.	Good or Better	Achieved	✓
The quality of PFS input into the policy making process as judged by the Co-location Steering Group.	Good or Better	Achieved	✓
All capital programme payments to LAs and schools are made in a timely manner and initially in accordance with normal payment schedules.	Achieved	Partially Achieved	✓
All data collection and analysis, calculations and other preparations for the Department decisions on allocations, completed by end of December 2009.	Achieved (January)	Achieved	✓
2010-11 allocations are notified to recipients accurately and at the same time as ministerial announcements	Achieved	Achieved	✓

Balanced Scorecard Measure	Target for 2009-10	Actual	Achieved
are made, and with web pages updated in a timely manner.			
Provision of accurate and timely financial information covering budgets, in year spend, and forecast outturn, and across the spending period, in the form specified by the Department for Departmental management reports, by the 6th of each month; and for HM Treasury's fiscal stimulus reports, timing and format as prescribed by HMT.	Achieved	Partially Achieved	✓
Percentage of playing field applications processed within 16 weeks of receipt of application.	100%	100%	✓
Percentage of Treat Official correspondence replied to within 15 days; and Private Office Correspondence replied to within 10 days.	95%	98%	✓