

Charity number: 1113456  
Company number: 5728105

**LEARNING AND SKILLS NETWORK  
ANNUAL REPORT  
AND FINANCIAL STATEMENTS  
YEAR ENDED 31 MARCH 2009**

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**LEARNING AND SKILLS NETWORK**  
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**YEAR ENDED 31 MARCH 2009**

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**LEARNING AND SKILLS NETWORK  
LEGAL AND ADMINISTRATIVE INFORMATION  
YEAR ENDED 31 MARCH 2009**

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**BOARD OF TRUSTEES**

	DATE APPOINTED SINCE LAST REPORT	DATE RESIGNED SINCE LAST REPORT
Chris Hughes CBE (Chair)		
Chris Blythe		
Kate Griffin		
Bill Stokoe		
Professor Mike Thorne		
Sharon White		8 <sup>th</sup> September 2009
Christine Whatford CBE		
Tom Bewick	7 <sup>th</sup> October 2008	
Geoff Hall	7 <sup>th</sup> October 2008	
Stella Mbubaegbu CBE	7 <sup>th</sup> October 2008	
Dr Ursula Howard		21 <sup>st</sup> June 2008

**AUDIT COMMITTEE**

Kate Griffin (Chair)	
Chris Blythe	
Bill Stokoe	
David Marshall ( External Member)	24 <sup>th</sup> March 2009

**REMUNERATION  
COMMITTEE**

Chris Blythe (Chair)		
Sharon White		8 <sup>th</sup> September 2009
Professor Mike Thorne	7 <sup>th</sup> October 2008	
Dr Ursula Howard		21 <sup>st</sup> June 2008

**LEARNING AND SKILLS NETWORK**  
**LEGAL AND ADMINISTRATIVE INFORMATION (CONTINUED)**  
**YEAR ENDED 31 MARCH 2009**

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<b>EXECUTIVE TEAM:</b>	John Stone (Chief Executive) Stephen Bartle (Business Development Director) Trevor Carson (Northern Ireland Director) Dean Cassar (Finance Director) to 26 <sup>th</sup> Sept 2008 Tim Read (Interim Director of Finance) to 20 <sup>th</sup> March 2009 Colin Kerr (Chief Operating Officer) appointed 23 <sup>rd</sup> March 2009 Justin Edwards (Information Services Director) to 12 <sup>th</sup> Sept 2008 Chris Reynolds (Interim Commercial Director ) appointed 15 <sup>th</sup> September 2008 Jill Lanning (Operations Director) to 17 <sup>th</sup> July 2009 Shaun Lincoln (Associate Director, Leadership & Management Unit) to 31 <sup>st</sup> March 2009 Martin Spencer (Commercial Director) from 3 <sup>rd</sup> August 2009 Richard Mills (Marketing Director) from 3 <sup>rd</sup> August 2009 Sarah Lane (Assistant Director (Organisational Development) from 17 <sup>th</sup> August 2009 Alan Goulbourne (Assistant Director People and Services) from 11 <sup>th</sup> August 2009
<b>BANKERS:</b>	Lloyds TSB PLC 24 Broad Street Reading RG1 2BT
<b>REGISTERED AUDITORS:</b>	Horwath Clark Whitehill LLP St Bride's House 10 Salisbury Square London EC4Y 8EH
<b>REGISTERED OFFICE:</b>	Fifth Floor, Holborn Centre 120 Holborn London EC1N 2AD
<b>CHARITY NUMBER:</b>	1113456
<b>COMPANY NUMBER:</b>	5728105

# **LEARNING AND SKILLS NETWORK**

## **TRUSTEES' ANNUAL REPORT**

### **YEAR ENDED 31 MARCH 2009**

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#### **Structure, Governance and Management**

The Trustees, who are also directors of the company for the purposes of the Companies Act, submit their annual report and the audited Financial Statements for the year ended 31<sup>st</sup> March 2009.

LSN is a company limited by guarantee, with charitable status, established in 2006. It is governed by Memorandum and Articles of Association which were last amended in June 2007. The mission of LSN is to promote excellence in learning and skills through the provision of research, development and training services. It aims to maximise public benefit through developing expertise with partners.

Trustees are appointed who have the skills and knowledge to complement and contribute to the overall skills of the board to meet all identified needs. All new trustees have an induction with the Executive team, to understand LSN and are given external training as appropriate.

#### **Review of Activities and Future Developments**

The Statement of Financial Activities for the year is set out on page 11 of the Financial Statements. A summary of the financial results and the work of LSN is set out below.

LSN has a wholly owned subsidiary, LSN Ltd, which is dormant and has not traded in the year.

#### **Financial Review**

##### **Income Generation**

The income of LSN increased from £40.5M to £42.5M in 2008/9. Of this income £35.2M was from LSIS, £2.2M from DCSF, £2.2M from DEL (Northern Ireland), £1.9M came from Research and £1.5M from investment income.

The new financial strategy in 2008/09 was evidenced by £1.0M in new Leadership work and this is forecast to grow strongly in 2009/10 along with the new target area of Local Authorities, Other Public Sector, International and Further Education (including Work Based Learning).

##### **Financial Surplus**

LSN trustees have continued the development of the organisation with continued investment in the diversification seen in prior years, whilst maintaining control of costs. This has resulted in a surplus in the year of £9.7M in comparison with £5.5M surplus in 2008, with explanations and information contained elsewhere in these accounts. The education sector continues to experience significant change and this factor is expressed in our risk review as well as our future strategy.

##### **Reserves**

The Reserve Policy was reviewed by the Trustees in the year and has been updated to reflect current risks. The current Reserves Policy is to hold free reserves of £12M to £19M. "Free reserves" are defined as unrestricted funds less Designated funds and fixed assets. The free reserves net of the pension deficit as at 31<sup>st</sup> March 2009 are £16.2M, which is within the prescribed range.

The Trustees continue to review and actively manage the reserves of LSN. The Trustees have asked for a revised reserves policy to be brought to the Board later in 2009 as part of their continual review of this key aspect of LSN's financial policies.

LSN invests in a policy 'Think Tank' which was created by the Research team in 2009 and will be operated by senior managers and selected external representatives to examine future education issues and policies. This unfunded research will be met by setting aside £1M into a designated reserve to provide funding for this work for up to 4 years work.

**LEARNING AND SKILLS NETWORK  
TRUSTEES' ANNUAL REPORT (CONTINUED)  
YEAR ENDED 31 MARCH 2009**

**Investment Powers and Policy**

The trustees recognise the need to maximise the long-term return on LSN's funds subject to an acceptable level of risk, whilst also needing to retain sufficient liquid assets to meet the charity's short term obligations. The trustees consider it appropriate to invest any surplus funds in cash deposits and low risk interest bearing accounts which have competitive market rates of return. The average return on the invested cash balances throughout the year was 5.00% which the trustees regarded as satisfactory. This policy will be reviewed by the Audit Committee on a regular basis.

**Achievements and Performance**

In accordance with SORP 2005, LSN reports here a summary of the key strategic performance indicators used to assess LSN's achievements and performance.

Performance Indicator	Target	2009 Actual	2008 Actual
Major programmes on target			
-Diploma Support	Yes	Yes	N/A
-Triple Science	Yes	Yes	Yes
Internal Customer Satisfaction Survey	75%	65%	N/A
Associates Survey	75%	62%	69%
Complaints	Nil	7	5
Income variance against budget	Nil	(£7.3M)	N/A
Surplus variance against budget	Nil	+£0.3M	N/A
Cash balances held	£30M	£31.1M	£29.3M
Employee Engagement	75%	70%	78%
% Success rates on tenders submitted (by volume)	34%	44%	47%
New business generated	-	£3.0M	N/A
Ethnic diversity of workforce	18%	23.6%	24.3%
Funded establishment growth	-	+1	+3
Staff training days/person	2	4.8	N/A
Vacancies (at March 31st)	30	35	N/A
Staff turnover %	15%	24.5%	15.0%
Staff sickness %	2%	1.5%	1.3%
N/A means not available			

Major programmes delivered successfully in 2008/9 included:

**14-19 Diplomas (with SSAT): Income £5.8M**

- LSN's training and consultancy support reached 14,000 delegates;
- Delegates consistently rated the support very highly - 1.4 on average on scale of 100 to 5;
- LSN successfully ran 89 regional line of learning networks involving wide range of organisations;
- Diploma networks attracted almost 4,000 members and developed 180 high quality outputs

**LEARNING AND SKILLS NETWORK  
TRUSTEES' ANNUAL REPORT (CONTINUED)  
YEAR ENDED 31 MARCH 2009**

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**Triple Science: Income £2.2M**

- LSN's training and consultancy was delivered to 1,500 teachers in almost 500 schools
- 9 out of 10 delegates rated the training and consultancy very highly
- 80% of users said they would recommend TS publications to others
- TS networks reached 800 teachers in 500 schools and developed 80 high quality science related outputs;
- 30,000 visits were made to the TS website and 75% of users said they would recommend it to others

**Citizenship: Income £1.2M**

- To disseminate benefits of post 16 citizenship across the sector, including; Work Based Learning, Colleges, Schools and Youth and community. Activity included: development of two curriculum packs, including resources for A levels and reprints of DVD Citizenship Uncovered;
- delivery of 2 National training events; production of DVD and hard copy on learner voice
- 3 Linking projects; 3 Magazines 15,000 copies of each; 6 e bulletins;
- 24 regional events (550 attendees); 6 training packages;
- 100 centre based training sessions and task force to meet twice; 25 participants on CPD course; 19 CBT sessions (285 attendees).
- Variation specific to Pastoral work in addition to the above. To carry out updates and amendments to on line pastoral toolkit including two designed leaflet including one expert seminar.

Additional work completed by Citizenship team.

- Deliver 3 young people's events
- Deliver competition to celebrate 10 years of Crick including one winner's event

**Functional Skills: Income £4.7M**

- To deliver 32 launch events with 2,704 delegates from Functional Skills pilot centres.
- To deliver 1,650 in house training sessions to these centres.
- To facilitate 18 regional network events supported by 9 regional support coordinators.
- To publish 12 new publications to support practitioners of Functional Skills.
- To carry out research into CPD and produce final report.

**QRSP: Income £1.7M**

- The Qualification Reform Support Programme ran from 1<sup>st</sup> September 2007 – 31<sup>st</sup> March 2009.
- During the programme a total of 1,068 unique organisations participated in QRSP, with 3,773 separate instances of individual participation.
- Overall satisfaction level for activities was 97.6%
  - o Delivered 65 in house events
  - o 25 stakeholder events, 58 resources
  - o 37 development projects and 4 consultancies
  - o 30 training events/conferences
  - o Built a website which received 25,758 website hits

**Subject Learning Coaches: Income £2.7M**

- Programme is now winding down, and coaches now preparing their portfolio and academic assignments to achieve certification at 4 different levels
- Support for 548 Subject Learning Coaches
- Programme will terminate next year

**LEARNING AND SKILLS NETWORK  
TRUSTEES' ANNUAL REPORT (CONTINUED)  
YEAR ENDED 31 MARCH 2009**

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**Northern Ireland: Income £2.3M**

- 282 events involving 4,197 attendees
- The contract includes: leadership and management, lecturers into industry, essential skills quality improvement, vocational qualification reform programme, merger support and curriculum development.
- Event satisfaction
  - o content and delivery 98.1%
  - o impact 94.7% stated it was good use of their time
  - o 78.7% said it would help inform their work and practice in their organisation
  - o 93.5% agreed it would help develop their own work or practice
- The annual conference continues to be the major event for the post-16 education and training sector in Northern Ireland, attracting around 300 delegates from the UK, Republic of Ireland, Europe and USA

**Other developments**

New innovation has come with the Molenet programme (income £0.5M) and the Leadership work (total Income £1.0M).

LSN's 'Big Debate' was the most successful yet: the event at the British Museum featured a keynote speech from Baroness Helena Kennedy on Widening Participation.

**Plans for Future Periods**

The current strategic plan for 2008 to 2011 laid down the themes within which LSN will continue to work towards its objectives. The current strategic aims are:

1. Creating Public Value for Customers, Clients and Stakeholders
2. Growth and Development
3. Efficient and Effective Internal Processes
4. Sound Finance

LSN's main business acquisition model will continue to be competitive tendering to government departments and related agencies such as LSIS, LSC, DCSF, TDA and LLUK for large to medium sized projects. LSN will also aim to develop business with new clients in the education and skills market such as NCSL, RDA's and UKCES to reduce its dependence on a small group of funders.

Through sector plans, LSN will target new market segments in other parts of the public sector and further diversify its customer base by winning business with local authorities, police service and NHS Trusts. LSN will use leadership and management development work as a means of establishing its credentials and track record in new sectors. LSN will also build its sales and marketing capabilities and deploy new resources such as Sales Managers to establish relationships with target funders, for example for framework contracts.

The LSN Research team competes effectively in the market for commissioned research and has a broad client base. LSN will seek to align the work of the Research team with the rest of the organisation so that research informs its delivery work where possible and helps to build its reputation in priority sectors. The LSN Think Tank will also help to position LSN as thought leaders in areas of potential business growth and provide a strong platform to enhance stakeholder relationships.

LSN will build new partnerships and strategic alliances with organisations with complementary skills where appropriate to enable it to target markets. This may include partners with particular functional capabilities such as web development, types of expertise or presence in new sectors.



**LEARNING AND SKILLS NETWORK  
TRUSTEES' ANNUAL REPORT (CONTINUED)  
YEAR ENDED 31 MARCH 2009**

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**Plans for Future Periods (continued)**

LSN will continue to develop the skills of its bid teams through training in tender writing and tender presentations, enabling it to compete with the commercial sector in all aspects of new business acquisition. Specialist tender writers and designers will be employed on major tenders to ensure that LSN produces bid documents to the highest standard of clarity and presentation.

Working with heads of sector and subject experts, LSN will continually refine its tender process so that it captures innovative thinking and new approaches and delivery models, formulating a 'win strategy' for each project.

The Business Development team will review continually its sources of information and search techniques for new business to ensure that it identifies filters and selects tender opportunities according to agreed criteria, e.g. alignment with LSN strategic objectives or fit with LSN competences.

LSN will continue to measure its success through tender success rates by volume and value and analyse its performance by market sector. Feedback will be requested from clients on all tenders submitted whether successful or not, and will be analysed on a regular basis to enable LSN to identify trends to key messages.

**Risk Management**

The Corporate risk register was revised during the year and approved by the Audit Committee, which continues to monitor risk on behalf of the Board. The ten key risks identified for LSN are:

- Failure to maintain public profile
- Constraints on public spending
- Failure to secure existing contracts at re-tender
- Failure to achieve new market targets
- Inadequate marketing
- Inadequate governance and finance systems
- Inadequate project management and business development processes
- Information systems not fit for purpose
- Failure to generate income targets
- Maintenance of appropriate cash reserves

For each risk, a range of mitigating actions is in place, which is monitored monthly by the executive team. Risk is delegated by the trustees to the Audit Committee, who are advised by a professional internal audit team. The Trustees are satisfied adequate controls exist and that these are constantly reviewed to manage, and mitigate, risk.

**Public Benefit**

The Trustees confirm that they have complied with the duty of section 4 of the Charities Act 2006 relating to public benefit and have considered the Charities Commission specific public benefit guidance on education, which forms the basis of the following review.

LSN's charitable objectives include "To promote the improvement, development and opportunities for development of the performance and skills of members of the teaching, management and other staff of the education, learning skills and children's services sectors in such a way that they are better able to be more effective and efficient in the development of the education, learning and skills of their pupils, students and other learners".

**LEARNING AND SKILLS NETWORK  
TRUSTEES' ANNUAL REPORT (CONTINUED)  
YEAR ENDED 31 MARCH 2009**

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**Public Benefit (continued)**

The Charities Act 2006 (Section 2:2) identifies "the advancement of education" as a public benefit and this has to be in a planned manner as identified in our objectives. One of the guidance notes states that to advance education "means to promote, sustain and increase individual and collective knowledge and understanding of specific areas of study, skills and expertise". There is a clear match in LSN objectives and the Charities Act 2006 definitions. The trustees ensure that this identified purpose is carried out in LSN by delivering Government led and funded initiatives. These ensure that staff in the educational establishments such as colleges and schools, the teaching profession in general, and sometimes individual students specifically, are trained with the specific skills, knowledge and personal development that enables these people, as well as the schools, colleges, organisations and these Government initiatives, to be successful.

Additionally LSN undertakes original research into education and one other definition of education is "to increase public learning and knowledge about a particular subject". Often research activity creates new curriculums and training materials in new subjects to increase public knowledge in new areas, often resulting in new examination structures and school subjects - another example of the public benefit in education as part of LSN activity.

The structure of the Trustees' report above identifies our success in delivering the advancement of education in the major contracts we have operated in the year. This analysis identifies how many students or members of the teaching profession have taken part in training and/or study, with relevant statistical and quantitative results. In many contracts, we have created websites that are generally available for review and education by the public and teaching profession generally.

**LEARNING AND SKILLS NETWORK  
TRUSTEES' ANNUAL REPORT (CONTINUED)  
YEAR ENDED 31 MARCH 2009**

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**Trustees' responsibilities for the accounts**

The trustees are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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

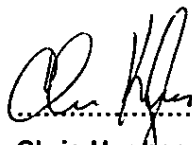
- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue to operate.

The trustees 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 Act 1985. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Insofar as each of the trustees of the company at the date of approval of this report is aware there is no relevant audit information (information needed by the company's auditors in connection with preparing the audit report) of which the company's auditors are unaware. Each trustee has taken all of the steps that he/she should have taken as a trustee in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Approved by the Trustees on 7/10/2009 and signed on their behalf by:

  
.....  
**Chris Hughes CBE**  
Chairman

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LEARNING AND SKILLS NETWORK**

We have audited the financial statements of Learning and Skills Network for the year ended 31 March 2009 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

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

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

The responsibilities of the directors, who are also the charity trustees for the purposes of charity law, for preparing the Directors' / Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Trustees' Annual Report is not consistent with the financial statements, if the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the charitable company is not disclosed.

We read other information contained in the Trustees' Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the charitable company as at 31 March 2009 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Trustees' Report is consistent with the financial statements.

*Horwath Clark Whitehill LLP*

**Horwath Clark Whitehill LLP**  
Chartered Accountants and Registered Auditors

St Bride's House  
10 Salisbury Square  
London EC4Y 8EH

13 October 2009

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**LEARNING AND SKILLS NETWORK  
STATEMENT OF FINANCIAL ACTIVITIES  
FOR THE YEAR ENDED 31 MARCH 2009**

		Unrestricted 2009	Designated 2009	Total 2009	Unrestricted Funds 2008
<b>Income and expenditure</b>	<b>Notes</b>	<b>£'000</b>			<b>£'000</b>
<b>INCOMING RESOURCES</b>					
Incoming resources from generated funds					
investment income		1,481		1,481	1,342
Incoming resources from charitable activities					
Educational Research		1,863		1,863	2,129
Educational Programmes	18	39,059		39,059	36,826
Other income		152		152	219
<b>Total incoming resources</b>		<b>42,555</b>		<b>42,555</b>	<b>40,516</b>
<b>RESOURCES EXPENDED</b>					
<b>Charitable activities:</b>					
Educational Research	2	2,741	115	2,856	2,381
Educational Programmes	2,18	29,905	-	29,905	32,531
<b>Governance</b>		<b>103</b>	<b>-</b>	<b>103</b>	<b>77</b>
<b>Total resources expended</b>	<b>3</b>	<b>32,749</b>	<b>115</b>	<b>32,864</b>	<b>34,989</b>
<b>Net incoming resources before transfers</b>		<b>9,806</b>	<b>(115)</b>	<b>9,691</b>	<b>5,527</b>
Creation of Designated Fund	17	(1,000)	1,000	-	-
<b>Net incoming resources before recognised gains and losses</b>		<b>8,806</b>	<b>885</b>	<b>9,691</b>	<b>5,527</b>
<b>Other recognised gains/(losses)</b>					
Pension scheme gain on basis change	16	835		835	
Pension scheme actuarial (loss)/gain	16	(1,653)		(1,653)	548
<b>Net movement in funds</b>		<b>7,988</b>	<b>885</b>	<b>8,873</b>	<b>6,075</b>
<b>Fund balances brought forward at 1 April 2008</b>		<b>9,328</b>	<b>-</b>	<b>9,328</b>	<b>3,253</b>
<b>Fund balances carried forward at 31 March 2009</b>		<b>17,316</b>	<b>885</b>	<b>18,201</b>	<b>9,328</b>

The notes on pages 14 to 24 form part of these financial statements

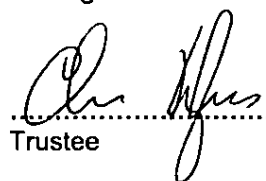
**LEARNING AND SKILLS NETWORK**  
**BALANCE SHEET**  
**31 MARCH 2009**

Company No: 5728105

	Notes	2009 £'000	2009 £'000	2008 £'000	2008 £'000
<b>FIXED ASSETS</b>					
Tangible assets	8		<u>1,137</u>		<u>1,052</u>
<b>CURRENT ASSETS</b>					
Debtors	9	8,133		8,500	
Cash at bank and in hand		<u>31,051</u>		<u>29,283</u>	
		39,184		37,783	
<b>CREDITORS – Amounts falling due within one year</b>	10	<u>(14,438)</u>		<u>(22,458)</u>	
<b>NET CURRENT ASSETS</b>			<u>24,746</u>		<u>15,325</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			25,883		16,377
<b>CREDITORS – Amounts falling due after more than one year</b>	11		(396)		(315)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	12		<u>(2,061)</u>		<u>(2,784)</u>
<b>NET ASSETS excluding pension fund deficit</b>			23,426		13,278
Pension fund deficit	16		<u>(5,225)</u>		<u>(3,950)</u>
<b>NET ASSETS</b>			<u>18,201</u>		<u>9,328</u>
<b>FUNDS</b>					
<b>Unrestricted funds:</b>					
General			22,541		13,278
Designated Funds (Think Tank)	17		885		-
Pension Deficit	16		<u>(5,225)</u>		<u>(3,950)</u>
			<u>18,201</u>		<u>9,328</u>

Approved and authorised for issue by the Board of Trustees on  
and signed on its behalf by

7 October 2009

  
.....  
Trustee

The notes on pages 14 to 24 form part of these financial statements

**LEARNING AND SKILLS NETWORK  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2009**

	Notes	2009 £'000	2008 £'000
<b>Net cash inflow from operating activities</b>	14a	934	4,587
<b>Returns on investments and servicing of finance:</b>			
Interest received		<u>1,211</u>	<u>1,317</u>
Net cash inflow from returns on investments and servicing of finance		1,211	1,317
<b>Capital expenditure:</b>			
Purchase of tangible fixed assets		<u>(377)</u>	<u>(1,049)</u>
Net cash outflow from capital expenditure		(377)	(1,049)
<b>Increase in cash in year</b>	14b	<u>1,768</u>	<u>4,855</u>

The notes on pages 14 to 24 form part of these financial statements

**LEARNING AND SKILLS NETWORK**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 MARCH 2009**

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**1. ACCOUNTING POLICIES**

**(a) Basis of preparation of the accounts**

The accounts have been prepared in accordance with the Companies Act 1985, the Statement of Recommended Practice 2005 (SORP 2005) *Accounting and Reporting by Charities*, applicable accounting standards and the historic cost basis of accounting.

**(b) Recognition of income**

Income from educational programmes, commissioned research and other services rendered is included to the extent of the completion of the contract or the service rendered. Any amounts received in advance of work completed are treated as deferred income in creditors and any amounts to be invoiced for work completed are shown in debtors.

All investment income from short term deposits is credited to the income and expenditure account in the period which it is earned.

**(c) Tangible fixed assets**

Tangible fixed assets are stated at cost including any incidental expenses of acquisition and unrecovered VAT where appropriate. All assets costing more than £750 are capitalised.

Depreciation is calculated to write off the cost of fixed assets on a straight-line basis over their estimated useful lives. Depreciation is charged from the month of acquisition. The principal estimated useful lives for this purpose are:

Computer equipment	- 3 years
Fixtures and Fittings	- 5 years
Leasehold Improvements	- Over the life of the lease

**(d) Funds**

Funds which are expendable at the discretion of the Trustees in furtherance of the objectives or administration of the charity are classified as unrestricted funds.

**(e) Expenditure**

All expenditure has been recognised on the accruals basis.

Governance costs relate to costs of the governance arrangements of the charity and include the direct costs of Trustee committee meetings, audit fees and legal advice.

All other costs are the result of undertaking the work of the charity to meet its objectives and have been classified as resources expended on charitable activities.

To the extent that VAT is irrecoverable the cost is included and identified separately within the contract or functional area to which it relates.



**LEARNING AND SKILLS NETWORK**  
**NOTES TO THE ACCOUNTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2009**

**1. ACCOUNTING POLICIES (continued)**

**(f) Pension costs**

Retirement benefits to employees of LSN are provided by the Teachers Pension Agency (TPA) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pensions Scheme. Contributions to the schemes are charged to the Income and Expenditure account so as to spread the cost of pensions over employees' working lives in such a way that the pension cost is a substantially level percentage of present and future payroll. The contributions are determined by independent qualified actuaries on the basis of triennial valuations using the projected units basis.

Any surplus or deficit in the Local Government Pension Scheme is included on the balance sheet as an asset or liability within the unrestricted funds in accordance with FRS17 as revised in December 2006.

**(g) Taxation**

No taxation is payable due to the charitable status of the organisation. No deferred tax needs to be provided as there are no tax timing differences.

**(h) Operating leases**

Operating lease costs are charged on a straight line basis over the lease term.

**2. ALLOCATION OF SUPPORT COSTS**

	Educational Research £'000	Educational Programmes £'000	Total 2009 £'000
Human resources	204	997	1,201
IT	92	451	543
Facilities	341	1,665	2,006
Finance	83	403	486
Management	427	2,087	2,514
<b>Total</b>	<b>1,147</b>	<b>5,603</b>	<b>6,750</b>

**3. ALLOCATION OF TOTAL COSTS BY FUNCTION**

	Direct Costs £'000	Support Costs £'000	Total 2009 £'000
Educational Research	1,594	1,147	2,741
Educational Programmes	24,302	5,603	29,905
Governance	103		103
<b>Total</b>	<b>25,999</b>	<b>6,750</b>	<b>32,749</b>

**LEARNING AND SKILLS NETWORK**  
**NOTES TO THE ACCOUNTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2009**

**4. STAFF COSTS**

Total staff costs comprised:

	<b>2009</b>	<i>2008</i>
	<b>£'000</b>	<i>£'000</i>
Wages and salaries	<b>7,892</b>	<i>6,356</i>
Social security costs	<b>746</b>	<i>608</i>
Other pension costs	<b>896</b>	<i>778</i>
	<b><u>9,534</u></b>	<i><u>7,742</u></i>

The charity operates a final salary pension scheme as part of a larger entity called the Local Government Scheme. The assets of the scheme are held separately from those of the charity in an independently administered fund. The pension cost charge represents contributions payable by the charity to the fund.

The average number of employees during the year, calculated on a full-time equivalent basis was 204 (2008 - 169).

The number of employees who received emoluments greater than £60,000 in the following ranges was:

	<b>2009</b>	<i>2008</i>
	<b>Number</b>	<i>Number</i>
£60,001 - £70,000	<b>3</b>	<i>1</i>
£70,001 - £80,000	<b>-</b>	<i>1</i>
£80,001 - £90,000	<b>1</b>	<i>2</i>
£90,001 - £100,000	<b>2</b>	<i>1</i>
£140,001 - £150,000	<b>-</b>	<i>-</i>
£150,001 - £160,000	<b>1</b>	<i>1</i>

Pension contributions of £78,375 (2008 - £73,813) were made by the charity in respect of these higher paid employees.

**5. TRUSTEES' REMUNERATION AND EXPENSES**

During the year, none of the charity's trustees claimed expenses for reimbursement of non-private travel and subsistence costs compared to last year (2008 - 1 person £72).

The Chair of Trustees received remuneration of £25,000 (2008 - £10,002) during the year in respect of services provided to the charity.

**LEARNING AND SKILLS NETWORK**  
**NOTES TO THE ACCOUNTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2009**

**6. GOVERNANCE COSTS**

	2009 £'000	2008 £'000
Auditors' remuneration: Audit fees	12	14
Tax advice	4	6
Internal audit	47	38
Trustee, officer and staff related costs	38	10
Professional and legal fees	2	9
	<u>103</u>	<u>77</u>

**7. RELATED PARTY TRANSACTIONS**

During the year LSN contracted with Hughes Associates, of which the organisation's chairman is a partner, for specialist consultancy services in educational and research programmes. The work was part of LSN's normal operations and was carried out at normal commercial terms and rates. The amount paid to Hughes Associates during the year was £26,483 (2008 - £54,575) in fees and £285 (2008 - £1,299) in expenses.

There were no amounts outstanding at the year end in respect of fees and expenses. Whilst Chris Hughes is a partner in Hughes Associates, the work for LSN was undertaken by Maria Hughes, his wife and Chris Hughes was not directly involved.

**8. TANGIBLE FIXED ASSETS**

	Leasehold improvements £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
<b>Cost or book value</b>				
At 1 April 2008	579	146	672	1,397
Additions	-	7	370	377
Disposals	-	-	(22)	(22)
<b>At 31 March 2009</b>	<u>579</u>	<u>153</u>	<u>1,020</u>	<u>1,752</u>
<b>Accumulated depreciation</b>				
At 1 April 2008	50	8	287	345
Charge for the year	84	31	166	281
Disposals	-	-	(11)	(11)
<b>At 31 March 2009</b>	<u>134</u>	<u>39</u>	<u>442</u>	<u>615</u>
<b>Net Book Value at 31 March 2009</b>	<u>445</u>	<u>114</u>	<u>578</u>	<u>1,137</u>
<b>Net Book Value at 31 March 2008</b>	<u>529</u>	<u>138</u>	<u>385</u>	<u>1,052</u>

All of the tangible fixed assets are principally used for direct charitable purposes.

**LEARNING AND SKILLS NETWORK**  
**NOTES TO THE ACCOUNTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2009**

**9. DEBTORS – Due within one year**

	2009 £'000	2008 £'000
Trade debtors	5,226	4,952
Accrued income	1,887	2,725
Prepayments	285	52
Other debtors	735	771
	<u>8,133</u>	<u>8,500</u>

**10. CREDITORS – Amounts falling due within one year**

	2009 £'000	2008 £'000
Trade creditors	327	307
Other taxation and social security	822	980
Accruals	8,253	7,942
Deferred income	4,254	12,700
Other creditors	782	529
	<u>14,438</u>	<u>22,458</u>

**11. CREDITORS – Amounts falling due after more than one year**

	2009 £'000	2008 £'000
Accruals	<u>396</u>	<u>315</u>

**LEARNING AND SKILLS NETWORK**  
**NOTES TO THE ACCOUNTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2009**

**12. PROVISIONS FOR LIABILITIES AND CHARGES**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
<b>Amounts falling due within one year:</b>		
Accreditation provision	<u>828</u>	<u>1,217</u>
<b>Amounts falling due after more than one year:</b>		
Provision for Enhanced Pension benefits	733	561
Dilapidations provision	500	500
Accreditation provision	<u>-</u>	<u>506</u>
	<u>1,233</u>	<u>1,567</u>
	<u>2,061</u>	<u>2,784</u>

The provision for Enhanced Pension benefits relates to the future amounts payable to pensioners which are to be borne by LSN as the employer and not by the pension fund.

The Property provision is to provide for the dilapidation costs which LSN is liable to incur when the property lease expires.

The Accreditation provision is for the estimated liabilities of work which may still need to be carried out as a result of commitments which may fall due next year after the contract of service has ended.

**13. OTHER FINANCIAL COMMITMENTS**

Amounts payable over the next twelve months on operating leases:

<b>Land and buildings</b>	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Expiry date:		
In more than 5 years	<u>580</u>	<u>580</u>
<b>Other</b>		
Expiry date:		
Within 1 year	19	29
Between 2 and 5 years	<u>-</u>	<u>-</u>
	<u>19</u>	<u>29</u>

**LEARNING AND SKILLS NETWORK**  
**NOTES TO THE ACCOUNTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2009**

**14. CASH FLOW STATEMENT**

**(a) Reconciliation of net incoming resources to net cash inflow from operating activities**

	2009 £'000	2008 £'000
Net Incoming Resources	9,691	5,527
Loss on disposal of fixed assets	12	12
Depreciation charges	281	213
Interest receivable	(1,481)	(1,342)
Decrease/(Increase) in debtors	367	(1,155)
(Decrease)/Increase in creditors	(7,939)	161
FRS17 pension charge	818	683
Pension contributions paid	(92)	(562)
(Decrease)/Increase in provisions	(723)	1,050
Net cash inflow from operating activities	<u>934</u>	<u>4,587</u>

**(b) Reconciliation of net cash flow to movement in net funds**

	2009 £'000	2008 £'000
Increase in cash in the year	<u>1,768</u>	<u>4,855</u>
Increase in net funds	1,768	4,855
Net funds at 1 April 2008	<u>29,283</u>	<u>24,428</u>
Net funds at 31 March 2009	<u>31,051</u>	<u>29,283</u>

**(c) Analysis of changes in net funds**

	At 1 April 2008 £'000	Cashflow £'000	At 31 March 2009 £'000
Cash at bank and in hand	<u>29,283</u>	<u>1,768</u>	<u>31,051</u>

**15. SUBSIDIARY COMPANY**

At 31 March 2009, Learning and Skills Network had a dormant subsidiary, LSN Ltd, which has not traded during the year and has not been consolidated.

**LEARNING AND SKILLS NETWORK  
NOTES TO THE ACCOUNTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2009**

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**16. PENSION FUND**

**Government Teachers' Pension Defined Benefits Scheme**

The Charity participates in a multi-employer defined benefits pension scheme, the Teachers' Pension Scheme (England and Wales) ("the Scheme"), for some of its staff. This is a multi-employer defined benefits pension scheme and it is not possible or appropriate to identify the assets and liabilities of the Scheme which are attributable to the Charity.

The latest actuarial valuation of the Scheme by the Government Actuary issued in October 2006 relating to the period 1 April 2001 to 31 March 2004 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) exceeded the value of the Scheme's assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) by 2.0%.

From 1 January 2007, and as part of the cost-sharing agreement between employers' and teachers' representatives, the standard contribution has been assessed at 19.75%, with a supplementary contribution of 0.75% to balance the Scheme's assets and liabilities within 15 years as required by the regulations. This translates into an employer contribution rate of 14.1% and an employee contribution rate of 6.4%. The cost-sharing agreement has also introduced – which will be effective for the first time from the 2008 valuation – a 14% cap on employer contributions payable.

The superannuation charge represents contributions payable to the Scheme for the year ended 31 March 2009 of £54,471.

**The Local Government Pension Scheme**

The Charity participates in the Local Government Pension Scheme, which is a defined benefits scheme. The Scheme is a multi-employer scheme, but the assets and liabilities which are attributable to the Charity can be separately identified and the net deficit and movements thereon have therefore been included in these financial statements.

The assets of the Scheme are held separately from those of the Charity. The Scheme is funded by contributions from the employees and participating employers in accordance with the recommendations of independent qualified actuaries on the basis of triennial valuations. The most recent of these valuations was as at 31 March 2007.

The assumptions which had the most significant effect on the results of the valuation are those detailed in the tables shown below and on the following page.

Asset class	Allocation of fund assets	
	31 March 2009	31 March 2008
Equities	65.5%	68.9%
Gilts	9.7%	9.1%
Other bonds	12.3%	9.3%
Property	8.4%	8.2%
Cash	4.1%	4.6%

**LEARNING AND SKILLS NETWORK**  
**NOTES TO THE ACCOUNTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2009**

**16. PENSION FUND (Continued)**

The assets of the Scheme have been included at market value and the liabilities have been calculated using the following actuarial assumptions:

	<b>2009</b>	<b>2008</b>	<b>2007</b>
Rate of increase in salaries	<b>4.5%</b>	<b>5.2%</b>	<b>4.8%</b>
Pension increases	<b>3.0%</b>	<b>3.7%</b>	<b>3.3%</b>
Rate of discount	<b>6.7%</b>	<b>6.6%</b>	<b>5.4%</b>
Inflation	<b>3.0%</b>	<b>3.7%</b>	<b>3.3%</b>

The basis of the Pension valuation was changed in the year to eliminate the provision for early retirement under the Rule of 85 as LSN policy does not allow early retirement. This has reduced the opening FRS 17 deficit at the 1<sup>st</sup> April 2008 from £3,950,000 to £3,115,000 and this gain is reflected in the information on the Statement of Financial Activities.

The liabilities are determined using the projected unit method as required by FRS17, as distinct from the aggregate method used in the triennial actuarial valuation. Under the projected unit method, the current service costs will increase as the members of the Scheme approach retirement. On this basis, the balance sheet figures in respect of the Scheme at 31 March 2009 are as follows:

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Fair value of Scheme assets	<b>8,973</b>	<b>11,279</b>
Defined benefit obligation	<b>(14,198)</b>	<b>(15,229)</b>
Net liability	<b>(5,225)</b>	<b>(3,950)</b>

**Reconciliation of opening and closing Scheme liabilities**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Opening defined benefit obligation	<b>15,229</b>	<b>15,694</b>
Change in Basis (Note 16)	<b>(835)</b>	<b>-</b>
Service cost	<b>838</b>	<b>563</b>
Interest cost	<b>985</b>	<b>889</b>
Actuarial (gains)	<b>(2,220)</b>	<b>(2,622)</b>
Estimated benefits paid (net of transfers in)	<b>(256)</b>	<b>492</b>
Past Service cost	<b>47</b>	<b>-</b>
Contributions by Scheme participants	<b>318</b>	<b>213</b>
Unfunded pension payments	<b>92</b>	<b>-</b>
Closing defined benefit obligation	<b>14,198</b>	<b>15,229</b>



**LEARNING AND SKILLS NETWORK**  
**NOTES TO THE ACCOUNTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2009**

**16. PENSION FUND (Continued)**

**Reconciliation of opening and closing Scheme assets**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
<b>Opening fair value of Scheme assets</b>	<b>11,374</b>	<b>11,317</b>
Change in asset valuation	-	(226)
Expected return on Scheme assets	759	769
Actuarial (losses)/ gains	(3,873)	(1,848)
Contributions by employer	658	562
Contributions by Scheme participants	318	213
Estimated benefits paid (net of transfers in)	(263)	492
<b>Closing fair value of Scheme assets</b>	<b>8,973</b>	<b>11,279</b>

The charge to the Statement of Financial Activities over the financial year is as follows:

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
<b>Operating charge</b>		
Current service cost	838	563
Past service cost	47	-
Expected return on pension scheme assets	(758)	(769)
Interest on pension scheme liabilities	985	889
Losses on curtailments	3	-
<b>Total operating charge</b>	<b>1,115</b>	<b>683</b>
<b>Other gains and losses</b>		
Actuarial (losses)/gains	(1,653)	774
Change in asset valuation	-	(226)
<b>Total other recognised gains and losses</b>	<b>(1,653)</b>	<b>548</b>

**Amounts for current and previous periods**

	<b>31 March 2009</b>	<b>31 March 2008</b>	<b>31 March 2007</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Defined benefits obligation	(14,198)	(15,229)	(15,694)
Scheme assets	8,973	11,279	11,317
Deficit	(5,225)	(3,950)	(4,377)
Experience adjustments (net)	(107)	(349)	(1,816)

**LEARNING AND SKILLS NETWORK  
NOTES TO THE ACCOUNTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2009**

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**16. PENSION FUND (Continued)**

The actuary has confirmed that the valuation made above under the requirements of FRS 17 indicates that there is no immediate funding requirement.

The actuary has excluded from both assets and liabilities items which have neutral effect on the Scheme's financial position i.e. additional voluntary contributions, annuities secured in respect of pensions in payment and insurance contracts for death in service benefits.

Employer contributions for the year ended 31 March 2010 are estimated to be £538,000.

**17. DESIGNATED RESERVES**

LSN invests in a policy "Think Tank" which was created by the Research Team in 2009 and will be operated by senior Research Managers and selected external representatives to examine future education issues and policies. As this is unfunded research by LSN, it has been decided that £1M will be set aside into a Designated Reserve to provide funding for this work for approximately four years. This will be excluded from the free reserves used in our Reserves policy.

**18. CHANGE IN ESTIMATING TECHNIQUES**

During the year new systems were implemented and the estimation of costs to complete projects and the associated deferred income was reviewed. As a result of this some previous amounts of deferred income and cost accruals have been released. This has increased the surplus for the year by £8.5Million.