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Annual Report and Accounts 2008-09

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HM Inspectorate of Education

Denholm House
Almondvale Business Park
Almondvale Way
Livingston EH54 6GA
Tel: 01506 600 200
Fax: 01506 600 337
E-mail: enquiries@hmie.gsi.gov.uk

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Report by HM Senior Chief Inspector

In what was a year of significant challenge for HMIE, I am pleased to report that we met or exceeded all of our main targets for 2008-09. Against a backdrop of a significant programme of change to our core business of inspection and review, we carried out an increased number of inspections whilst also improving our efficiency and sustainability. This achievement could not have been realised without the professionalism and commitment of all those who work in and with HMIE, including the large number of Associate Assessors and Lay Members who work with us. I would like to record my sincere thanks to each of those involved.

The results of the Government's review of scrutiny following the publication of the Crerar Review were announced in November 2008. They reaffirmed HMIE's vital role as an executive agency of the Scottish Government in providing assurance, promoting improvement and self-evaluation to support the delivery of national and local outcomes. The Government's decisions about the

scrutiny landscape in Scotland also confirmed the continuation of our close work with health, social services and other agencies to support the development and wellbeing of all children in Scotland. HMIE continued to work with partners to assist in deliberations relating to the proposed two new scrutiny bodies covering health, social work and social care. Following the Government's announcement on the future of scrutiny, we finalised our three-year Corporate Plan which outlines how we aim to enhance further our approaches to bringing about improvements in standards and quality and building capacity across Scottish education.

During the year we carried out major re-engineering of almost all our models of inspection and review to develop more proportionate approaches. This took place at the same time as we continued with our extensive programme of inspections. Our new approaches continue to provide necessary assurance, have continuous improvement as a core principle, take as their starting point an establishment's or service's own self-evaluation and include more opportunities for open, professional discussion

between inspectors and staff. The new models are shorter and include the possibility of inspectors disengaging from formal inspection activities during the course of the week to work with staff on an agreed improvement agenda. Our secondary school inspection programme has been re-designed with, in most cases, an associated inspection of community learning and development (CLD) activities in the area around the school. In this way, we have moved from separate CLD inspections and now anchor the work of a school with its partners firmly within the local area it serves. In collaboration with the Scottish Funding Council (SFC), we also redeveloped our model of college review and related activity and commenced our new arrangements for external review of Scotland's colleges from September 2008.

Our first cycle of child protection inspections has been able to provide robust evaluation of the quality of services to protect children across Scotland. Scottish Ministers have asked HMIE to lead a second round of these inspections in the 2009-12 period. Evidence from the first round will allow us to adopt a shorter, more targeted approach while still providing necessary assurances.

During the course of the year we also developed our approaches to inspecting the education functions of local authorities (INEA). We trialled the greater involvement of authority staff in our INEA inspections, and developed and piloted a new partnership approach which validates an authority's own self-evaluation. The success of the pilot has allowed us to move from INEA to validated self-evaluation.

The speed and extent of the changes to inspection which we introduced during the year across almost all areas of our work was very significant and initial evaluations of their impact have been very encouraging. The aim of each of these inspections is to provide assurance and also stimulate further improvement. Evaluation of inspections provides encouraging evidence that this aim is being met.

We also achieved re-accreditation to the challenging Charter Mark standard during the year. This provided external recognition of our commitment to stakeholder engagement as, for example, illustrated through the consultation undertaken throughout the inspection development work.

HMIE has worked as a full and active partner in the national leadership of *Curriculum for Excellence* with the aim of ensuring that the programme makes a positive contribution to raising standards and improving the quality of learning for all young people in Scotland. I have seconded a number of inspectors to posts which support the implementation of *Curriculum for Excellence*. The inspection process itself contributes to ensuring that *Curriculum for Excellence* realises its potential to the benefit of all learners. We have also used our website to highlight, describe and disseminate good practice.

Over the year, we enhanced our resources and the examples of good practice on our website and on the *Journey to Excellence* website. In partnership with Learning and Teaching Scotland, we delivered a wide range of well-received good practice conferences.

In January 2009, we published *Improving Scottish Education 2005-2008*. Like its predecessor, which covered the period from 2002 to 2005, this report has proved highly influential. In particular, it has informed the Government's curriculum reform programme, and reinforced links to other initiatives such as *Getting it Right for Every Child* and the *Early Years Framework*.

I am pleased that our work during the year has again contributed directly to improving education and wider children's services in Scotland. The prevailing economic climate and public sector funding position mean that we undoubtedly face further challenges in the year to come. I am confident that we will rise successfully to these challenges.



Graham Donaldson
HM Senior Chief Inspector

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Section 1

Performance against targets 2008-09

Strategic priority 1

Giving assurance and bringing about improvement in standards and quality through inspection and review.

Our Targets	What we achieved
<p>1.1 We shall undertake a programme of inspections including:</p> <ul style="list-style-type: none"> • 340 pre-school centres in collaboration with the Care Commission; • 250 primary schools; • 50 secondary schools; • 26 centres including day special schools, residential special schools, secure units, outreach services and hospital services; and • ten inspections of child protection services in local authority areas. <p>We shall conduct five reviews of the educational functions of local authorities which will be a combination of inspection and assisted self-evaluation.</p>	<p>We inspected:</p> <p>341 pre-school centres;</p> <p>262 primary schools;</p> <p>55 secondary schools;</p> <p>34 special schools;</p> <p>ten child protection services; and</p> <p>six reviews of the education functions of local authorities.</p>
<p>1.2 We shall undertake a programme of follow-through inspections in pre-school centres, schools, residential special provision, secure units, CLD and child protection services in line with our commitment to stakeholders.</p> <p>Follow-through inspections will be proportionate, with resources targeted at those establishments and services most in need of support.</p>	<p>We carried out proportionate follow-through inspections and published reports as follows:</p> <ul style="list-style-type: none"> • seven on pre-school centres; • 106 on schools; • six on residential special school provision and secure units; • three on CLD; and • nine on child protection services.

Our Targets	What we achieved
<p>1.3 In conjunction with a range of other bodies, we shall also undertake programmes of inspections/reviews:</p> <ul style="list-style-type: none"> • colleges, in line with a new service level agreement with SFC, to be published in August 2008; • five voluntary sector organisations; • learning services in four prisons; and • independent schools seeking registration. 	<p>We carried out the final two college reviews from the 2004-08 review programme and the first four reviews under the service level agreement for 2008-09.</p> <p>We carried out six inspections of voluntary sector organisations.</p> <p>We carried out inspections of learning, skills and employability in three prisons. The inspection of the fourth prison was postponed by HM Inspectorate of Prisons for operational reasons.</p> <p>We carried out three pre-registration and seven post-registration inspections of new independent schools.</p>
<p>1.4 We shall issue 95% of all draft inspection/review reports within 12 working weeks of the end of the inspection/review for current inspection models and timescales agreed for new inspection models, where appropriate, as agreed with partner bodies.</p>	<p>We issued our draft inspection and review reports within agreed timescales.</p>
<p>1.5 We shall publish 95% of all inspection/review reports within 16 working weeks of the end of the inspection/review for current inspection models and timescales agreed for new inspection models, where appropriate, as agreed with partner bodies.</p>	<p>We published our inspection and review reports within agreed timescales.</p>
<p>1.6 We shall introduce a number of new approaches in school and pre-school inspections, some with effect from 1 April 2008 and the remainder from 1 September 2008 to enable us to report on National Performance Framework indicators for the proportion of pre-school centres, schools and child protection services that receive positive inspection reports.</p>	<p>We introduced adjustments to inspections from April 2008 and further developed and implemented new models of inspection from September 2008.</p> <p>We have gathered all of the data necessary to report on National Performance Framework Indicators by September 2009.</p>

Our Targets	What we achieved
<p>1.7 From April 2008, every school and pre-school inspection will incorporate a focus on services for children, based on a <i>Getting it Right for Every Child</i> approach to meeting children's learning needs.</p> <p>We shall pilot extended inspection and reporting on services for children, building out from a proportion of schools, focusing on how well services meet the needs of children in that catchment area.</p> <p>We shall explore whether these developments, taken together with the commencement of a second proportionate and intelligence-led programme of inspection of child protection in local authority areas, can form the basis for public reporting on children's services more broadly in these areas from 2009 onwards as part of a revised and streamlined system of scrutiny of local authorities and their partners.</p>	<p>We carried out an extended pilot inspection in June 2008 reporting on services for children, building out from a proportion of schools, focusing on how well services meet the needs of children in a catchment area in West Lothian. An independent evaluation report is available. This will now influence the next stages of development of services for children inspections as part of the transfer of HMIE's current responsibilities to Social Work and Social Care Improvement Scotland in 2011.</p>
<p>1.8 Every secondary school inspection will have complementary evaluation activity on CLD around its catchment area.</p>	<p>We carried out complementary activity on CLD around the catchment area of every secondary school inspected except in cases where overlapping catchment areas of denominational and non-denominational schools would have led to double inspection of the same provision.</p>
<p>1.9 We shall develop a more proportionate model of college review and associated activity through contracted arrangements with SFC deriving from the Council's statutory obligations. New arrangements will be implemented from August 2008 onwards.</p>	<p>We developed and published revised external quality arrangements for Scotland's colleges, and implemented them in September 2008.</p>
<p>1.10 We shall prepare for publication a range of reports on the impact of policy initiatives.</p>	<p>We published reports on a range of initiatives including: <i>Expanding Opportunities, A report on school-college partnership programmes in Scotland</i>.</p> <p>We are preparing a draft report on findings in relation to the implementation of the <i>Early Years Framework</i> to be published in Autumn 2009.</p>

Our Targets	What we achieved
<p>1.11 We shall prepare for publication a range of reports on aspects of education.</p>	<p>We published reports on a range of aspects including:</p> <p><i>Learning, Skills and Employability: A review of good practice in Scottish prisons;</i></p> <p><i>Assessing, Recording and Analysing Learner Progress and Outcomes;</i></p> <p><i>International activity in Scotland's colleges;</i></p> <p><i>Education for learners with dyslexia;</i></p> <p><i>Count Us In: We're still here, Successful Transitions from Secondary School;</i></p> <p><i>Count Us In: Improving the education of our looked after children;</i></p> <p><i>Improving the Odds: Improving Life Chances; and</i></p> <p><i>Analysis of HMIE Reviews of Quality and Standards in Scotland's Colleges Academic Years 2004/05 to 2007/08.</i></p>

Strategic Priority 2

Building capacity for improvement.

Our Targets	What we achieved
<p>2.1 We shall prepare for publication a range of advice on self-evaluation.</p>	<p>We published a range of advice on self-evaluation, including:</p> <p><i>Improving our curriculum through self-evaluation</i>, in September 2008;</p> <p><i>Improving outcomes for learners through self-evaluation</i>, in September 2008; and</p> <p><i>Improving: Services for Children, How good are our services for young carers and their families?</i>, in June 2008.</p> <p>We translated into Gaelic and published:</p> <p><i>How good is our school? The Journey to Excellence Part 1: Aiming for Excellence and Part 2: Exploring Excellence;</i></p> <p><i>Child at the Centre, Second Edition;</i></p>

Our Targets	What we achieved
	<p><i>How good is our school? The Journey to Excellence Part 3;</i></p> <p><i>How good is our school? The Journey to Excellence Part 4: Planning for Excellence;</i> and</p> <p>A series of leaflets and posters about <i>The Journey to Excellence</i> series.</p>
<p>2.2 We shall continue to add 'portrait' publications to our website aimed at supporting provision in subjects, curriculum areas and cross-curricular aspects and developments in response to <i>Curriculum for Excellence</i>.</p>	<p>We published on our website portraits of current practice in Scottish schools on:</p> <p><i>Religious and Moral education, a portrait of current practice in Scottish secondary schools</i> in May 2008;</p> <p><i>Geography, a portrait of current practice in Scottish secondary schools</i> in June 2008;</p> <p><i>Business education, a portrait of current practice in Scottish schools</i> in August 2008;</p> <p><i>Technical education, a portrait of current practice in Scottish schools</i> in September 2008; and</p> <p><i>Science, a portrait of current practice in Scottish schools</i> in November 2008.</p> <p>We also published:</p> <p><i>Developing the four capacities through modern languages: focusing on successful learners in primary schools</i> in August 2008;</p> <p><i>Developing the four capacities through physical education: focusing on successful learners in primary schools</i> in August 2008; and</p> <p><i>Developing the four capacities through social subjects: focusing on successful learners in primary schools</i> in August 2008.</p>

Our Targets	What we achieved
<p>2.3 Through conferences, seminars, further development of our website and other media, we shall disseminate and encourage the uptake of good practice in key sectors and aspects of education.</p>	<p>We held good practice conferences on:</p> <p>Early years in April 2008;</p> <p>Curriculum flexibility in June 2008;</p> <p>Psychological services in June 2008;</p> <p>Healthy food in schools September 2008;</p> <p>Home economics in October 2008;</p> <p>Child protection in October 2008;</p> <p>Science in November 2008;</p> <p>Special schools in November 2008; and</p> <p>Residential special schools in December 2008.</p> <p>We held conferences that enabled the sharing of good practice:</p> <p>Launch conference for <i>Learning, skills and employability in Scottish prisons</i>, June 2008;</p> <p>Dynamic Learning and Practice Conference, April 2008;</p> <p>Improving Scotland's Schools Conference, September 2008;</p> <p>Education for Learners with Dyslexia, October 2008; and</p> <p><i>Improving Scottish Education 2005-08</i> launch event in January 2009.</p>
<p>2.4 Continue to develop and enhance <i>The Journey to Excellence</i> online digital resource, including extending it to encompass good practice examples in CLD.</p>	<p>We worked on the adaptation of <i>The Journey to Excellence</i> for CLD to encompass good practice examples and considered future development requirements.</p> <p>We have included examples from colleges and school-college partnership provision on <i>The Journey to Excellence</i> digital resource.</p>

Our Targets	What we achieved
	<p>The online digital resource has been enhanced considerably and contains some 400 short digital movies including some relating to CLD.</p> <p>We carried out additional filming in 130 establishments, and CLD initiatives.</p>

Strategic Priority 3

Giving professional, evidence-based advice.

Our Targets	What we achieved
<p>3.1 We shall provide high quality advice within agreed timescales to Scottish Ministers and relevant Directorates of the Scottish Government on a number of key programmes including <i>Curriculum for Excellence</i>, <i>Getting It Right For Every Child</i>, <i>The Early Years and Early Intervention Framework</i>, <i>Skills for Scotland</i> and <i>More Choices, More Chances</i>.</p>	<p>We provided a wide range of professional advice to Scottish Ministers and the Scottish Government on key priorities, including:</p> <ul style="list-style-type: none"> <i>Curriculum for Excellence</i> Schools of Ambition Child protection Education for pupils with Dyslexia Assessment and achievement Monitoring progress in physical education Safeguarding including Disqualified from Working with Children List Scottish Survey of Achievement Improving Scottish Education Examples of good practice in the implementation of the <i>Early Years Framework</i>, expansion of pre-school education and new qualifications for early years staff School-college partnership Skills development in education and training

Our Targets	What we achieved
<p>3.2 We shall continue to maintain and further develop our two-way links with education authorities.</p>	<p>We maintained and developed our liaison with education authorities through our district inspector and CLD network and early education national specialists.</p>
<p>3.3 We shall continue to work in close partnership with key organisations in Scotland to achieve our respective objectives and those of the Scottish Government.</p>	<p>We continued to work in close partnership with inspectorates and service delivery agencies to deliver our programmes of integrated and joint inspections and to develop models of inspecting children's services.</p> <p>As part of our inspection and review programmes, we worked in partnership with SFC and with HM Inspectorate of Prisons.</p> <p>We continued to work in close partnership with:</p> <ul style="list-style-type: none"> the Care Commission in integrated inspection work; Social Services Council in registration and qualifications of the early years workforce; Learning and Teaching Scotland; Social Work Inspection Agency; Audit Scotland; Office of the Scottish Charities Regulator; Scottish Council for Independent Schools; Consumer Focus Scotland; Teacher associations and trade unions; The Equality and Human Rights Commission (Scotland); Association of Directors of Education in Scotland; Convention of Scottish Local Authorities; and Community Learning and Development Managers (Scotland).

Our Targets	What we achieved
<p>3.4 We shall link with key organisations across the UK and abroad in order to promote Scotland by providing information and advice based on Scottish approaches to inspection and self-evaluation.</p>	<p>We have initiated links with representatives of provincial level education from Ontario in Canada.</p> <p>We provided information and advice on Scottish approaches to inspection and self-evaluation to Austria, China, Denmark, Japan, Slovakia, Macedonia and the Netherlands.</p> <p>We continued to participate in events held by the Standing International Conference of Inspectorates and continued our involvement in other international projects.</p> <p>We continued to have productive links with the other UK education and children's services inspectorates, for example, the British Isles inspection and regulation group for early education and childcare.</p> <p>We collaborated on a primary mathematics project and an information and communications technology (ICT) project with the Netherlands Inspectorate.</p> <p>We are collaborating with the Netherlands Inspectorate to carry out comparative evaluations of staffing in a sample of Dutch and Scottish colleges.</p> <p>We provided information and advice to Estyn, the Welsh Inspectorate of Education and Training, on college external review arrangements.</p> <p>We are involved in an international education task which will provide support and advice to schools in developing approaches to International Education.</p> <p>We provide advice and information to the European Network of Education Evaluators.</p>

Strategic Priority 4

Securing our own continuous improvement.

Our Targets	What we achieved
<p>4.1 We shall finalise and agree a Corporate Plan for 2008-2011.</p>	<p>We published our Corporate Plan for 2008-11.</p>
<p>4.2 We shall continue ensure Best Value by evaluating the quality of our work, both internally and externally, with the aim of improving the effectiveness of our inspections and reviews, our impact on Scottish education and the job satisfaction of our staff.</p>	<p>We achieved this target. Section 2 of the report details our performance in this area.</p>
<p>4.3 We shall continue to carry out surveys of our staff and take action to address the issues identified.</p>	<p>We took part in the Scottish Government staff survey from November-December 2008 and carried out a staff survey on our new inspection models in December 2008. We have drawn up action plans to address issues arising from these surveys.</p>
<p>4.4 We shall continue to consolidate the gains made in promoting the health and wellbeing of staff and further develop our action plans in line with the requirements of the Healthy Working Lives award scheme.</p>	<p>We have continued to take forward approaches for maintaining and improving the health of HMIE staff.</p> <p>We have prepared an action plan to progress towards Healthy Working Lives Gold Award.</p>
<p>4.5 We shall publish data on our performance against environmental targets agreed by our Management Board.</p>	<p>We achieved this target. Details of our performance are contained later in this report.</p>
<p>4.6 We shall continue to promote HMIE as a learning organisation through the continued provision of high quality training and continuing professional development for all our staff, in particular in relation to new approaches to inspection.</p>	<p>We have ensured that all our staff, including seconded Associate Assessors, have access to continuing training and development. All our staff including inspectors, assistant inspectors, Associate Assessors and Lay Members have undertaken professional development relevant to their work. Training has included a particular focus on communication and engagement with our stakeholders and on equalities.</p>

Our Targets	What we achieved
	We extended and modified our training programmes to ensure that our staff were fully prepared for the revised philosophy and methodology of the new inspection approaches which were developed during the year.
4.7 Building on successful developments in college reviews, we shall continue to explore how learners and participants can be more involved in inspections in other sectors.	We further explored the involvement of learners as participants in inspections and reviews, with particular reference to the deliberations and recommendations of the User Focus Action Group established to advise the Government on its response to the Crerar Review of scrutiny of public services in Scotland.
4.8 We shall make a further contribution to Efficient Government savings.	We achieved this target. Details of our contribution to Efficient Government savings are contained later in this report.

Section 2

Impact of our work on Scottish education and children's services

We are committed to evaluating the quality of the impact of our work to ensure continuous improvement. As in previous years, we have gathered evidence about the extent to which we address our strategic priorities.

HMIE and scrutiny reform

During the period from the publication of Professor Crerar's review of scrutiny in September 2007 to the announcement of the Government's response in November 2008, HMIE was actively involved with the work of three of the action groups that were set up in response to the Crerar Review. The Government's response in November 2008 reaffirmed that HMIE would maintain its focus on raising educational standards, stimulating improvement and promoting self-evaluation while continuing to ensure that education services work with other services to support the development and wellbeing of all children in Scotland.

Since the Government's announcement, HMIE has continued to be actively involved with Audit Scotland and the scrutiny bodies project group as the future shape of public scrutiny in Scotland is decided. Our inspection models have been adjusted to take account of the need for proportionality in scrutiny and stakeholder reaction to the change has been very positive.

Impact of our inspections and reviews

We use post-inspection questionnaires as a regular aspect of our inspection and review procedures to gather the views of stakeholders. Our website provides a full analysis of all post-inspection and review questionnaires. In summary:

Schools and pre-school centres

Almost all heads of pre-school centres and headteachers in schools rated the helpfulness of our inspections as 'very good' or 'good'. Most teachers in schools rated the helpfulness of our inspections as 'very good' or 'good'. Parents found our inspection reports helpful.

Colleges

Our post-inspection questionnaires show a positive view of the impact of our work. Almost all college staff rated our reviews 'very helpful' or 'helpful' for the college.

Child protection inspections

Our post-inspection questionnaires completed by Chief Officers showed a positive view of the impact of child protection inspections. Most Chief Officers evaluated the inspection as helpful. Most considered the inspection feedback as good or very good.

Follow-through inspections and reviews

In 2008-09 we carried out seven follow-through inspections in pre-school centres. We found evidence of improvements since the original inspections had taken place.

In 2008-09 we carried out a range of follow-through inspections including 79 primary schools, 18 secondary schools and nine special schools. We carried out one follow-through inspection of a mainstream school care accommodation service. We carried out six follow-through inspections of CLD.

Two interim follow-through and four follow-through inspections in residential special schools. We carried out follow-up reviews in two colleges. We have completed a task reviewing the impact of follow-through inspections on school improvement. A report based on these findings will be published in summer 2009.

Our new inspection models

After a period of piloting and consultation, we put in place new approaches to inspection and review from September 2008. The development of our new inspection models was influenced by our desire for more proportionality, greater user focus including more professional engagement during inspections, and our existing review of our inspection processes. It was also influenced by Scotland's new National Performance Framework (NPF) for public services and the Government's Concordat with local authorities, and by the Scottish Government's response to the Crerar Review of scrutiny.

Our new inspections take establishment self-evaluation as a starting point. The timescale of the new school inspection is limited to one week with the possibility of 'disengagement from evaluative activity'. Our new inspections have had a very positive reception from schools and local authorities. Establishments appreciate there has been a reduction in the amount of pre-inspection information and preparation that is required of them. Staff have commented positively on the increased level of professional engagement which is a key aspect of the new models.

Impact of child protection inspections

Ministers recently approved a second cycle of child protection inspections led by HMIE.

The final year of the current cycle of inspections continued to have a positive impact on the quality of services and the extent to which they shared information and worked together to protect children and meet their needs. In 2008/09, we carried out nine follow-through inspections of child protection services. These inspections provided evidence of continuous improvement, including significant improvement in some areas where provision and outcomes for vulnerable children had previously been weak and unsatisfactory. Increasingly, Child Protection Committees are

using published reports to review and improve their own practice and provision. Inspectors are working with stakeholders to ensure the lessons from child protection inspections are embedded in practice.

Impact of our work with local authorities

We have continued to work with local authorities to streamline our inspections and develop approaches to validated self-evaluation where we work in partnership with the local authority to bring about improvement. Overall, stakeholders have positive views of our inspections.

Our district inspectors have continued to liaise very effectively with education authorities to secure improvement. The annual information gathered by district inspectors provides intelligence which we use to plan proportionate inspection and share valuable information on good practice across Scotland.

Inspections of educational psychology services

We have now inspected half of all educational psychology services in Scotland. This year we held a symposium to share our inspection findings with services across Scotland. We distributed a DVD highlighting key issues and presentations from this symposium. Educational psychologists have welcomed our approach to sharing good practice. They view our inspections as productive and helpful.

Inspections of CLD

This year we radically changed our model for inspecting CLD. An HMI with a CLD background is involved in every secondary school inspection to add an additional perspective in evaluating approaches to meeting the needs of pupils and their wider achievement. This development also reflects the place of schools in their communities. Learning community inspections replace the previous separate inspection programme

that sampled CLD in selected local areas. This wider CLD area evaluation (youth work, adult learning, community capacity building) is associated with most secondary school inspections. Reports are web-published on the same date as the corresponding secondary school report.

Impact of our good practice conferences, website and publications

One of our ongoing priorities is to identify, disseminate and encourage the adoption of good practice. Throughout this year we have made improvements to our website (www.hmie.gov.uk). We have continued to make use of our website to provide easily accessible examples of good practice found in inspections. Our website now contains a number of 'Subject Portraits' as an aid to disseminate good practice in the education system, within the context of *Curriculum for Excellence*. The portraits which we added this year include religious and moral education, geography, business education, technical education and science. In addition, where we find good practice during our regular school and pre-school inspection programme, we now include brief snapshots of that good practice on the website along with the school inspection report. In this way, we hope to share and disseminate good practice more widely.

Our online digital resource *The Journey to Excellence*, Part 5 (www.journeytoexcellence.org.uk) has been expanded and further developed this year. It now contains some 400 short video clips (also available through iTunes U), together with professional development packs which enable individuals and promoted staff in school and authorities to make effective use of the wide range of materials on the website. Figures for those accessing the resource online continue to grow steadily. We have ensured that connections from CPD Find and CPD Reflect to *The Journey to Excellence* are strong and maximise synergy.

Over the past year, we have held a range of successful good practice conferences including early years, curriculum flexibility, psychological services, healthy food in schools, home economics, child protection, science, special schools, residential special schools, learning, skills and employability in Scottish prisons, education of our looked after children and successful transitions from secondary school. In September 2008 we held a major conference on approaches to self-evaluation. At this conference, we launched two documents to help schools and pre-school centres improve their approaches to self-evaluation and to improve outcomes for learners.

The first national good practice conference on child protection was held this year. In 2008/09, we introduced for the first time sections on good practice into inspection reports on child protection. These developments have provided a means of sharing good practice across Scotland.

Impact of our support for policy development

We continue to provide clear, independent professional advice to Scottish Ministers and to others. Throughout this year, we have worked with officials in Scottish Government, colleagues in Learning and Teaching Scotland, and on national groups to provide ongoing support for the development of *Curriculum for Excellence*. We provided a range of advice on the implementation of the *Early Years Framework* including a report with examples of good practice and advice on the expansion of pre-school education and new qualifications for early year's staff. Our report on the education of learners with dyslexia was very positively received by schools, Scottish Ministers and local authorities.

We have provided advice to Scottish Ministers on school-college partnerships and skills development in education and training.

The outcomes from the first cycle of joint inspection of services to protect children have continuously informed Scottish Government guidance and policy. HMIE is represented on the working group which is reviewing national child protection guidance. This will develop updated guidance on child protection procedures and processes. Evidence from inspection has informed the agenda of this working group and the development of national guidance.

In January 2009, we published our second *Improving Scottish Education* report. This report, based on evaluations from inspections and reviews in a range of areas and sectors from 2005-2008 provided information to Scottish Ministers and others about the quality of education in Scotland. The report gave an overview of improvement in Scottish education since our initial report in 2005 and the improvements that still need to take place.

Impact on our staff

A high proportion of our staff responded to the Scottish Government's 2008 employee survey. Staff in HMIE had high levels of job satisfaction when set against other groups with Scottish Government. They valued the training and development provided and felt that HMIE was well managed at all levels. Staff felt proud to work for HMIE and felt valued for their work. In what was a challenging year for HMIE, measures of commitment by staff to HMIE remained high and were amongst the highest of any group in the survey. Staff also felt that positive action was being taken to address any issues raised.

We promote a culture of continuing professional development CPD within HMIE. We have high quality induction programmes

for all inspectors and for members of our corporate services staff. The induction programmes are complemented by ongoing CPD. This year, professional development has had a specific focus training all inspectors on our new inspection procedures and providing seminars and training on *Curriculum for Excellence*.

We are committed to improving our inspections and continuing to develop inspectors' skills. Almost all inspectors have now been trained to adopt a coaching and mentoring approach in their work. A Best Practice Framework for inspectors has been developed and this is being used successfully now in inspections and reviews. This approach, which promotes continuous improvement through mentoring and coaching has a very important role to play in maximising the effectiveness of inspections and reviews and ensuring that we continue to improve stakeholders' satisfaction with our inspections. This training is being rolled out to other inspection team members, including Lay Members and Associate Assessors.

We continued to review and identify improvements in internal processes too, and all of our corporate service teams undertook a self-evaluation exercise using our overarching quality framework. This is part of a rolling programme of such activities across the Inspectorate.

Efficiency

As part of the Efficient Government initiative, we had a published target of achieving non-cash releasing savings of £341k through the introduction of our new school inspections. We exceeded this target by achieving savings of £376k. In addition to this we also achieved a cash releasing saving in excess of £170k through use of the Scottish Government's collaborative contracts for procurement.

External evaluation

To complement our own self-evaluation, we also remain committed to independent, external evaluations of our work to help inform development and improvements. This year we issued an Invitation to Tender through the European Journal to award a three-year contract with the aim of independently evaluating the impact of our new inspections. None of the bids we received met the challenging criteria we set out for the work and during the coming year we will investigate other options for achieving this important objective.

We did achieve external recognition of our commitment to stakeholder engagement through the award, for the third time, of the challenging Charter Mark standard. In his report, the external assessor remarked:

“In observation it was noted that a major strength of HMIE is in the way it works with other providers and stakeholders.”

“...the organisation is performing well in a challenging environment with a wide and growing range of demands.”

“This service is driven by a strong ethos of consulting and engaging with a very extensive set of stakeholders. This was evident throughout the assessment and it is a major strength.”

“One could not report on HMIE without promoting in the strongest possible terms the excellent practice that has resulted in How good is our school?. The product of a genuine Journey to Excellence in itself, it represents a long-term, innovative, consultative and impactful toolkit, shared language, improvement tool, inspection and support service that elicited the highest praise and commitment from everyone involved.”

As an organisation we take the standard and quality of all that we do very seriously indeed. The award of Charter Mark is further independent confirmation that we continue to perform very well in that regard.

Section 3

Looking ahead to 2009-10

The targets set out below for 2009-10 are organised under our strategic priorities.

Strategic Priority 1

Giving assurance and bringing about improvement in standards and quality through inspection and review

1.1 We will undertake programmes of inspection in pre-school centres, schools and child protection services to enable us to give assurance to parents, Ministers and the general public. Evaluations from these inspections will contribute to the Government's data for selected national indicators within the NPF.

1.2 We will carry out validated self-evaluation of the educational functions of local authorities in an agreed number of authorities.

1.3 We will inspect educational psychology services in those local authorities which have not yet had these services inspected.

1.4 We will undertake a programme of follow-through inspections in pre-school centres, schools, residential special provision, secure units, community learning and development and child protection services in line with our commitment to stakeholders.

1.5 In conjunction with a range of other bodies, we will undertake programmes of inspections/reviews of:

- colleges;
- voluntary sector organisations;
- learning, skills and employability provision in prisons; and
- independent schools seeking registration.

1.6 We will issue 95% of all draft inspection/review reports within six working weeks of

the end of the inspection/review or within timescales agreed with partner bodies.

1.7 We will publish 95% of all inspection/review reports within ten working weeks of the end of the inspection/review or within timescales agreed with partner bodies.

1.8 We will consolidate and further improve our approaches to inspection and review to make sure that they build on self-evaluation and are firmly focused on outcomes for children and young people.

1.9 We will continue to contribute to the development of approaches to inspecting services for children as agreed with other bodies within the new scrutiny arrangements.

1.10 We will continue to contribute to the streamlining of inspection at strategic level in local councils in partnership with other national agencies and inspectorates.

Strategic Priority 2

Building capacity for improvement

2.1 We will prepare for publication a range of advice on self-evaluation.

2.2 We will continue to add publications to our website aimed at supporting provision in curricular areas and cross-curricular aspects and developments in response to *Curriculum for Excellence*.

2.3 Through conferences, seminars and further development of our website we will disseminate and encourage the uptake of good practice.

2.4 We will continue to develop the *Journey to Excellence* online digital resource, building in new technology as this develops.

2.5 We will establish link inspectors with Child Protection Committees to support the development of self-evaluation.

Strategic Priority 3

Giving professional, evidence-based advice

3.1 We will provide high-quality advice within agreed timescales to Scottish Ministers and relevant Directorates of the Scottish Government on a number of key programmes including *Curriculum for Excellence*, *Getting it Right for Every Child*, *The Early Years Framework*, *Skills for Scotland* and *More Choices, More Chances*.

3.2 We will continue to maintain and further develop our two-way links with education authorities.

3.3 We will continue to work in close partnership with key organisations in Scotland to achieve our respective objectives and those of the Scottish Government.

3.4 We will link with key organisations across the UK and abroad in order to promote Scotland by providing information and advice based on Scottish approaches to inspection and self-evaluation.

Strategic Priority 4

Securing our own continuous improvement

4.1 We will continue to ensure Best Value by evaluating the quality of our work, both internally and externally, with the aim of improving the effectiveness of our inspections and reviews, our impact on Scottish education and the job satisfaction of our staff.

4.2 We will continue to carry out surveys of our staff and take action to address the issues identified.

4.3 We will continue to consolidate the gains made in promoting the health and wellbeing of staff and further develop our action plans in line with the requirements of the Healthy Working Lives award scheme.

4.4 We will publish data on our performance against environmental targets agreed by our Management Board.

4.5 We will continue to promote HMIE as a learning organisation through the continued provision of high quality training and CPD for all our staff, in particular in relation to new approaches to inspection.

4.6 We will continue to explore how learners and participants can be more involved in inspections and reviews.

4.7 We will make further contribution to Efficient Government savings.

4.8 We will further develop *HMIE Performs* as our public reporting system.

Section 4

Corporate activities

This section sets out our performance in a number of corporate activities.

General enquiries

During 2008-09 HMIE received a total of 878 written enquiries. Of those enquiries dealt by our centrally deployed staff, 192 were about the work of HMIE, 31 were about the role of lay members, 11 were about employment with HMIE, 305 were requests for reports and publications, 46 were requests for contact details and four enquiries were from overseas inspectorates. One hundred and fifty-two enquiries were passed to specialist areas within HMIE for response. One hundred and thirty-seven of the requests we received were classified as not being for HMIE. In addition to the written enquiries, we also received 226 media enquiries which were answered by HMIE's press officer. Our website provides a graphical representation of this information.

Freedom of Information (FOI) requests

We received 35 FOI requests during 2008-09. This was an increase of ten on the previous year. We fully disclosed information in 20 cases and applied exemptions in 15 cases. Three formal reviews were requested. In all of these we still applied exemptions. There was no intervention from the Office of the Scottish Information Commissioner (OSIC). All requests were answered within the 20-working-day target. Our website provides a graphical representation of this information.

Complaints

We received 108 complaints in 2008-09. This was a decrease of 41 on the previous year. Fifty-six of these complaints did not come under our areas of responsibility. Of the remaining 52 complaints, eight were about inspections, nine were about members of

inspection teams, 21 were about a published report, two about draft reports and 12 were other types of complaints. Other complaints covered a range of enquiries including a letter of complaint about a school with a request for HMIE to inspect the school, a letter complaining about the content of a school action plan following an inspection and a letter asking HMIE to become involved in a dispute concerning the appointment of a headteacher at a school. Our website provides a graphical representation of this information.

Compliments

We received 119 written compliments during 2008-09. They complimented us in a range of areas of our work. For example, we received 56 compliments about inspection staff and 59 about administration staff. Compliments on inspection teams included the following comments: the inspection was a positive experience; the inspection was open, transparent and truly honest; the inspection provided great value; and a supportive, approachable team that provided excellent professional dialogue. Administration teams were commended on their support, guidance, patience and good humour. In addition to these written compliments, we also received a high number of informal compliments in all areas of our work.

Performance against environmental targets 2008-09

We once again set a range of environmental targets for the 2008-09 financial year.

Review the effectiveness of HMIE's environmental management system and infrastructure and report on performance against agreed targets in HMIE's 2008-09 Annual Report.

We reviewed the effectiveness of the environmental management system as part of the agenda of our regular meetings of the HMIE Environmental Working Group (EWG).

Reduce electricity usage at Denholm House and Endeavour House to 2,500 kWh per person (approximately a 5% reduction).

Overall performance was 2,699 kWh per person across the two offices. This represents a very slight increase over last year's figure of 2,664 kWh per person but is still regarded as a very low figure against standards for commercial electricity consumption. The increase was related to difficulties during the year with the heating system within Denholm House. Discussions are under way with the Scottish Government over how to improve the heating system.

Publish figures for overall energy emissions in relation to Denholm House and Endeavour House.

The overall energy emissions for the two offices were 18,255 kg of CO₂, an increase over the figure of 17,065 kg of CO₂ in 2007-08. The increase is derived from the issue with the heating system that is described above.

Invest in a waste management system for Denholm House and increase the proportion of waste that is recycled

We identified that with the system we had in place, there was the risk of cross-contamination of waste. Therefore from January 2009 we introduced separate disposal for general waste from recycling waste, thus potentially increasing the amount of waste we recycle. This has also enabled us to reduce the frequency of uplifts for materials being recycled and reduce our carbon footprint.

Reduce paper usage at Denholm House to an average of 25 reams per person.

This is an aspect of our performance that has proven difficult to achieve in the past two years. Concerted efforts through a number of detailed actions have allowed us to exceed our target for the first time as 2008-09 usage was recorded at just under 19 reams per person.

Maintain water use below 5m³ per person for 2008-09.

Usage was reduced from 4.6m³ to 3.5m³ per person over the year, a reduction of just under 25% on 2007-08 and well below both the target set and the Government guideline.

Offset all carbon emissions from business mileage.

Business mileage is a significant issue for HMIE, with inspectors involved in considerable travel in the course of their duties. HMIE has joined the Scottish Government carbon offsetting scheme. Under the scheme all mileage, including mileage incurred using hire cars, is subject to a charge levied on an annual basis. The resulting total levy is invested in various initiatives, identified by the Scottish Government, to fully offset the carbon emissions.

Invest in further videoconferencing equipment to reduce business mileage by 50,000 miles during 2008-09.

An integral part of our transport plan is the promotion of videoconferencing as a way of reducing business mileage. During 2007-08 we increased the number of videoconferences and we reduced business mileage by 32,000 miles that would otherwise have been incurred. In the year 2008-09 we further increased the use of videoconferencing and reduced business mileage by 56,000 miles.

Section 5

Annual accounts 2008-09

Annual accounts authorised for issue 3 June 2009.

Management Commentary

History and Statutory Background

HM Inspectorate of Education (HMIE) in Scotland was established on 1 April 2001 as an Executive Agency of the Scottish Ministers under the terms of the Scotland Act 1998. Its operating framework, including financial delegations, is established in the Agency's formal Framework Document. Prior to gaining agency status, HMIE was known as HM Inspectors of Schools, and was part of the former Scottish Executive Education Department.

Principal Activity

HMIE's principal activity is to promote improvements in standards, quality and attainment in Scottish education through first-hand, independent evaluation.

Accounting Convention

The Annual Accounts and Notes have been prepared with the direction given by the Scottish Ministers in accordance with Section 19(4) of the Public Finance and Accountability (Scotland) Act 2000. The direction is reproduced at the end of the notes to the accounts. They have been prepared under the historical cost convention modified to reflect the changes in the value of fixed assets and in accordance with the Government Financial Reporting Manual (FReM).

The statement of accounting policies, which have been adopted, is shown at Note 1.

Employee Involvement

Employees are kept informed about the organisation, its people and business through a range of activities, which include regular face-to-face team briefings with managers and attending a range of events including our National Conference and relevant directorate events.

There is a Partnership Agreement and regular consultation with representatives of trade unions recognised by the Scottish Government. Staff take part in the Scottish Government Employee Survey and participate in task groups and project teams which contribute to the delivery of corporate initiatives.

HMIE has a training and development strategy for all staff. The strategy supports the delivery of HMIE's commitment to meeting the principles of Investors in People in maintaining and improving the effectiveness of its work. The strategy pays particular attention to HMIE's own priorities, as set out in the Corporate Plan, and to the development needs of individual members of staff.

Employment of Disabled People

HMIE ensure that all disabled applicants who meet the minimum advertised criteria for a job vacancy will be invited to interview. Disabled candidates are guaranteed the chance to be judged along with everyone else on their abilities. Opportunities are made available equally to disabled members of staff as to others to assist in their career development. Every effort will be made to retain people who have become disabled. This may be done through supplying appropriate equipment or offering different work patterns.

Equal Opportunities and Diversity

As an Executive Agency of the Scottish Government, HMIE adheres to the Scottish Government policy on equal opportunities.

All HMIE staff are treated equally irrespective of their sex, marital status, age, race, ethnic origin, sexual orientation, disability or religion. HMIE is committed to increasing the diversity of staff within the organisation to reflect the people of Scotland, and to valuing positively the different perspectives and skills of all staff and making full use of these in its work.

Pensions

Pension benefits are provided through the Civil Service pension arrangements. More details on the Principal Civil Service Pension Scheme and the treatment of liabilities in HMIE's financial statements can be found in the annual accounts notes 1.7 and 2.4 and the Remuneration Report.

Details of the pension entitlements of HMIE's Management Board are given in the Remuneration Report.

Payment to Suppliers

HMIE's policy is to pay all invoices not in dispute within 30 days from receipt of the invoice or the agreed contractual terms if otherwise specified. The Agency aims to pay 100% of invoices, including disputed invoices once the dispute has been settled, on time in these terms. The Agency has not paid any interest under the Late Payment of Commercial Debts (Interest) Act 1988.

HMIE is reliant upon the financial information and management system provided by the Scottish Government for all its financial functions. For the year ended 31 March 2009, the Agency paid 99.4% of all invoices received within the terms of this policy (2007-08: 98.5%).

In October 2008, the First Minister announced that the Scottish Government would aspire to a ten day payment target. During March 2009, HMIE paid 93% of invoices within 10 day payment terms.

Performance against key performance targets

HMIE met or exceeded all of the key performance targets agreed for 2008-09. Full details of the targets can be found in the annual report.

Environmental matters and social and community issues

HMIE's core work is to provide assurance and bring about improvement in standards, quality and achievement in Scottish education by means of inspection and review. This work covers all sectors of education in Scotland and makes a significant contribution in expanding opportunities for Scots to succeed.

HMIE sets itself challenging environmental targets each year and reports performance against these. Details are set out in section 4 of the annual report.

Sickness Absence data

For the twelve month period from 1 April 2008 to 31 March 2009, 2.7% of working days were lost as a result of sickness absence.

Personal Data related incidents

There were no personal data related incidents in 2008-09.

Future Developments

In the Strategic Spending Review 2007, HMIE was allocated funding of £15.82m for 2009-10 and £16.02m for 2010-11. In addition to this there will be extra budgetary provision to cover the salaries of three permanently employed health and nutrition inspectors.

A review of the scrutiny bodies within Scotland is currently in progress. It is planned that HMIE's current responsibilities relating to child protection inspection will transfer to one of the newly formed scrutiny bodies.

Board Membership

The Agency's Management Board consisted of the senior managers of the organisation and three Non-Executive Board Members. These were:

Graham Donaldson	HM Senior Chief Inspector
Kenneth Muir	HM Chief Inspector
Chris McIlroy	HM Chief Inspector
Frank Crawford	HM Chief Inspector
Wray Bodys	HM Chief Inspector
Annette Bruton	HM Chief Inspector
Neil McKechnie	HM Chief Inspector
Sir Andrew Cubie	Non-Executive Board Member
Gary Kildare	Non-Executive Board Member
Shirley Young	Non-Executive Board Member

HM Senior Chief Inspector was appointed following an open competition. He is a member of the Senior Civil Service and his terms and conditions are those set out in Section 5 and 6 of the Civil Service Management Code.

Other full-time Board Members', including Non-Executive Members', remuneration is determined under the Scottish Government's arrangements that are consistent with Government policy.

Board Members' Interests

None of the Board Members hold any company directorships or have any other significant interests that conflict or may conflict with their management responsibilities within this Agency.

Related Party Transactions

Details of related party transactions are given in Note 15.

Corporate Governance

The Board meets regularly during the year to progress the business of the Agency. The Board is provided with regular updates from other committees and groups, including the Audit and Risk Committee, providing it with any detailed information required.

Audit and Risk Committee

The Audit and Risk Committee has been set up in accordance with the principles set out in The Audit Committee Handbook as updated in March 2008. This document sets out and explains the purpose behind the Audit and Risk Committee and other details such as the membership of the Committee, the Terms of Reference and the use of Non-Executive Members. It is designed to be used as a good practice guide.

The Committee is chaired by Sir Andrew Cubie who is an independent Non-Executive Board Member. The Audit and Risk Committee comprises:

Sir Andrew Cubie	Non-Executive Board Member
Shirley Young	Non-Executive Board Member
David Morrison	Non-Executive Board Member (from November 2008)

Representatives from HMIE, the SG Internal Audit and Audit Scotland are also invited to attend on a regular basis. The Committee meets approximately three times per year to consider:

- the strategic processes for risk, control and governance;
- the accounting policies and the accounts of the organisation;
- the planned activity and results of both internal and external audit;
- adequacy of management response to issues identified by audit activity or by Parliamentary Committees, where they affect the organisation's overall performance;
- the impact of external matters affecting the organisation;

- assurances relating to the corporate governance requirements for the Agency; and
- any other developments in risk, control and governance which may be relevant to HMIE.

HMIE has identified a number of risks to the organisation. To manage these risks appropriately, they have been split into corporate, directorate and task level risks. These risks are then graded to low, medium or high priority allowing the correct level of attention to be directed at the risk.

Appointment of Auditors

The Public Finance and Accountability (Scotland) Act 2000 places personal responsibility on the Auditor General for Scotland to decide who is to undertake the audit of the Agency. For the financial years 2006-07 to 2010-11, the Auditor General appointed Audit Scotland to undertake our audit. The general duties of the auditors, including their statutory duties, are set out in the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General.

Auditors' remuneration is a notional charge, as notified to us by our auditors, in respect of audit work carried out during 2008-09. No other services were supplied by Audit Scotland during the period ended 31 March 2009.

Internal audit is covered by a service level agreement with the Scottish Government Audit Unit.

Disclosure of Relevant Audit Information

As Accountable Officer, I am not aware of any relevant audit information of which our auditors are unaware. I have taken all necessary steps to ensure that I myself am aware of any relevant audit information and to establish that the auditors are also aware of this information.

Financial Review

Results for the Year

HMIE's expenditure is funded from the Scottish Government Education and Lifelong Learning Portfolio's budget. The results for the year are reported in the attached accounts. Our net operating cost for 2008-09 was £15.7m (2007-08: £14.7m).

Movements in Fixed Assets

Expenditure on fixed assets during 2008-09 amounted to £0.056m (2007-08: £0.123m). Disposals amounted to a value of £0.001m (2007-08: £0.011m). Our total net book value of fixed assets at 31 March 2009 was £1.229m compared to £1.488m at the same time in 2008.

Resources

HMIE's original budget of £15.82m from the Education and Lifelong Learning Portfolio was increased by £183k and £13k respectively at the Autumn and Spring Budget Revisions to produce a final budget of £16.02m. Of this, £0.25m was returned to allow it to be utilised for other projects.

The financial results for the year are reported in the attached accounts. They record a net outturn for resource and capital expenditure of £15.75m compared to a budget of £15.77m yielding a net underspend of £20k.

Scottish Ministers have allocated funding of £15.8m to HMIE for the financial year 2009-10. This will be supplemented by a transfer of funding for three health and nutrition inspectors. We do not anticipate any further increases during the 2009-10 financial year unless Scottish Ministers require HMIE to undertake additional tasks on their behalf.



Graham Donaldson

HM Senior Chief Inspector

1 June 2009

Her Majesty's Inspectorate of Education Remuneration Report For the year ended 31 March 2009

Remuneration Policy

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries. In reaching its recommendations, the Review Body has regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- the funds available to departments as set out in the Government's departmental expenditure limits; and
- the Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the Review Body can be found at www.ome.uk.com

The remuneration of staff below senior civil service level is determined by the Scottish Government. In determining policy, account is taken of the need for pay to be set at a level which will ensure the recruitment, retention and motivation of staff. Also taken into account is the Government's policy on the Civil Service

and public sector pay and the need to observe public spending controls.

The remuneration of HMIE's Non-Executive Board Members is set by Scottish Ministers taking into account their roles and responsibilities and remuneration levels for comparable public appointments.

Service Contracts

Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code. The Code requires appointments to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made. These principles, set out by the Committee on Standards in Public Life (the Nolan Committee) are also applied when appointments are made to Non-Executive Board Member posts.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Sir Andrew Cubie was appointed on a two-year contract commencing 1 April 2002. His contract was extended until 31 March 2006 and subsequently until 30 April 2008. This has now been extended further until 30 April 2009.

Shirley Young and Gary Kildare were appointed on two-year contracts commencing on 1 May 2006. Shirley Young and Gary Kildare have had their contracts extended until 30 April 2009.

Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommissioners.gov.uk

Salary and Pension Entitlements

The following sections provide details of the remuneration and pension interests of the Management Board of HMIE. The information in this section of the Remuneration Report covering salary and pension entitlements is subject to audit.

Remuneration

	2008-09		2007-08	
	Salary £'000	Benefits in kind (to nearest £100) Salary	Salary £'000	£'000 Benefits in kind (to nearest £100)
Graham Donaldson HM Senior Chief Inspector	105-110	-	95-100	-
Kenneth Muir HM Chief Inspector	80-85	-	65-70	-
Chris McIlroy HM Chief Inspector	75-80	-	70-75	-
Frank Crawford HM Chief Inspector	80-85	-	75-80	-
Wray Bodys HM Chief Inspector	70-75	-	70-75	-
Annette Bruton HM Chief Inspector	75-80	-	70-75	-
Neil McKechnie HM Chief Inspector	70-75	-	75-80	-

	2008-09		2007-08	
	Salary £'000	Benefits in kind (to nearest £100) Salary	Salary £'000	£'000 Benefits in kind (to nearest £100)
Sir Andrew Cubie CBE* Non-Executive Board Member	0-5	-	0-5	-
Shirley Young* Non-Executive Board Member	0-5	-	0-5	-
Gary Kildare* Non-Executive Board Member	0-5	-	0-5	-

* Non-Executive Board Member positions are non-pensionable.

The actual figures for salaries and performance related pay fall within the bandings quoted above.

Salary

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by Her Majesty's Revenue and Customs as a taxable emolument.

Pension Benefits

	Accrued pension at pension age as at 31/03/09 and related lump sum Real increase in pension and related lump sum	Accrued pension at pension age as at 31/03/09 and related lump sum Real increase in pension and related lump sum at pension age	CETV at 31/3/09	CETV at 31/3/08*	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Graham Donaldson HM Senior Chief Inspector	45-50 plus lump sum of 140-145		1067	1046	0	-
Kenneth Muir HM Chief Inspector	25-30 plus lump sum of 80-85	0-2.5 plus lump sum increase of 0-2.5	567	524	1	-
Chris McIlroy HM Chief Inspector	35-40 plus lump sum of 90-95	0-2.5	857	830	6	-
Frank Crawford HM Chief Inspector	30-35 plus lump sum of 90-95	0-2.5 plus lump sum increase of 0-2.5	706	660	1	-
Wray Bodys HM Chief Inspector ¹						-
Annette Bruton HM Chief Inspector	20-25 plus lump sum of 70-75	0-2.5 plus lump sum increase of 0-2.5	463	433	1	-
Neil McKechnie HM Chief Inspector	0-5 plus lump sum of 0	0-2.5	88	71	10	-

Non-Executive Board Member positions are non-pensionable.

* The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

¹ Wray Bodys is now working part-time hours and drawing a proportion of his pension.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (classic, premium and classic plus) or a 'whole career' scheme (nuvos). These statutory 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. Members who joined from October 2002 could opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 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 automatic lump sum. Classic plus is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and immediately after the

scheme year end the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set up by the Finance Act 2004.

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 three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. 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 Values

A cash equivalent transfer value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's

pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

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 paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Compensation for Loss of Office

No employees left under compulsory early retirement in the year 2008-09.



Graham Donaldson

HM Inspectorate of Education 1 June 2009

Statement of Agency's and HM Senior Chief Inspector's Responsibilities

Under section 19 of the Public Finance and Accountability (Scotland) Act 2000, the Scottish Ministers have directed HMIE to prepare a statement of accounts for each financial year in conformity with the accounts direction included at the end of the notes to the accounts of these financial statements, detailing the resources required, held or disposed of during the year and the use of resources by the Agency during the year.

The accounts are prepared on an accruals basis and must give a true and fair view of the Agency's state of affairs at the year end and of its operating costs, recognised gains and losses, and cash flows for the financial year.

The Principal Accountable Officer of the Scottish Government appointed the HM Senior Chief Inspector of HMIE as the Accountable Officer. As Accountable Officer, HM Senior Chief Inspector is responsible to the Scottish Ministers.

In preparing the accounts, the Accountable Officer is required to comply with the Government Financial Reporting Manual (FReM), and in particular to:

- Observe the accounts direction issued by the Scottish Ministers, 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 FReM, have been followed, and disclose and explain any material departures in the financial statements; and
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Agency will continue in operation.

The responsibilities of the Accountable Officer, including responsibility for the propriety and regularity of the public finances for which the Accountable Officer is answerable, for keeping proper records and for safeguarding the Agency's assets, are set out in the Memorandum to Accountable Officers from the Principal Accountable Officer.

Statement on Internal Control

Scope of Responsibility

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives set by the Scottish Ministers, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me.

The Scottish Public Finance Manual (SPFM) is issued by the Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling and reporting of public funds. It sets out the relevant statutory, parliamentary and administrative requirements, emphasises the need for economy, efficiency and effectiveness, and promotes good practice and high standards of propriety.

Purpose of the System of Internal Control

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the organisation's policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of the organisation's policies, aims and objectives; to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

The process within the organisation accords with guidance from the Scottish Ministers provided in the SPFM and has been in place for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts.

Risk and Control Framework

All bodies to which the SPFM is directly applicable must operate a risk management strategy in accordance with relevant guidance issued by the Scottish Ministers. The general principles for a successful risk management strategy are set out in the SPFM.

HMIE has a risk analysis and management policy in place. A comprehensive HMIE Risk Register has been established, which identifies owners for all key risks that may affect the delivery of our business objectives, and categorises risks using a robust prioritisation methodology. The Audit and Risk Committee monitor performance in managing the risks contained in the register.

More generally, the organisation is committed to a process of continuous development and improvement: developing systems in response to any relevant reviews and developments in best practice in this area. In particular, in the period covering the year to 31 March and up to the signing of the accounts the organisation has:

- Reviewed and maintained a comprehensive Risk Register. The information from this is gathered from our business planning software. Regular reports are sent to both the Senior Management Group and the Audit and Risk Committee.
- HMIE has Directorate quality groups in place that cover internal evaluation of all aspects of control and delivery.
- The Continuous Improvement Group met regularly throughout the year to review performance and explore the opportunity for continuous improvement.
- There were a number of corporate and directorate level training events held during the year. These provided training and dissemination of good practice to our HM Inspectors, Associate Assessors, Lay Members, Corporate Service staff and the wider teaching community.

- Risks to information are being managed and controlled and HMIE is working towards meeting the mandatory requirements of the Security Policy Framework developed by Cabinet Office. Paperwork is secured in locked cabinets and confidential waste is shredded in all offices. Encrypted memory sticks are available through a Scottish Government selected supplier. Any sensitive information on laptops is encrypted.

Review of Effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by:

- The executive managers within the organisation who have responsibility for the development and maintenance of the internal control framework;
- The work of the internal auditors, who submit to the organisation's Audit and Risk Committee regular reports which include the Head of Internal Audit's independent and objective opinion on the adequacy and effectiveness of the organisation's systems of internal control together with recommendations for improvement; and
- Comments made by the external auditors in their management letters and other reports.

The following processes have been established.

- The HMIE Management Board sets and monitors the delivery of the HMIE Corporate and Business Plans. The Board comprises the Agency's Senior Management Group and three independent, external members. It meets four times a year and receives regular reports on progress against HMIE's published performance targets.
- The HMIE Audit and Risk Committee is chaired by one of the three external Board Members, who makes regular reports to the HMIE Management Board on matters concerning internal control. At least one external member must be present at each meeting of the Audit and Risk Committee.

- Through the Audit and Risk Committee, I receive regular reports from internal audit which include the Head of Internal Audit's opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement.
- I chair the HMIE Senior Management Group, which comprises the six senior staff at Director level who each manage one of HMIE's six directorates and the Corporate Services Director.
- The remit of each Director and the directorate structure are designed to make clear the responsibilities for delivering HMIE's business objectives.
- Through the regular and frequent meetings of the Senior Management Group and systematic business review meetings with each individual Director, I receive reports on the steps they are taking to manage the risks in their areas of responsibility, including progress reports on key priorities for HMIE. Improvements to our business planning system also support these reviews.
- The Risk Management Group meets at least twice a year to review the Risk Register and a summary of any changes is provided for each meeting of the Audit and Risk Committee. Task Managers are responsible for identifying and managing risks in their areas of responsibility.
- HMIE relies on the Scottish Government Financial and Management Information System for payments and other accounting, purchasing and reporting functions.
- Appropriate action is in place to address any weaknesses identified and to ensure the continuous improvement of the system.



Graham Donaldson

HM Senior Chief Inspector 1 June 2009

Independent auditor's report to Her Majesty's Inspectorate of Education, the Auditor General for Scotland and the Scottish Parliament

I have audited the financial statements of Her Majesty's Inspectorate of Education for the year ended 31 March 2009 under the Public Finance and Accountability (Scotland) Act 2000. These comprise the Operating Cost Statement and Statement of Recognised Gains and Losses, Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 123 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Agency, HM Senior Chief Inspector and auditor

The Agency and HM Senior Chief Inspector are responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers. The HM Senior Chief Inspector is also responsible for ensuring the regularity of expenditure and receipts. These responsibilities are set out in the Statement

of Agency's and HM Senior Chief Inspector's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and with International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland.

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers. I report to you whether in my opinion, the information which comprises the Management Commentary, included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects:

- the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers, the Budget (Scotland) Act covering the financial year and sections 4 to 7 of the Public Finance and Accountability (Scotland) Act 2000; and
- the sums paid out of the Scottish Consolidated Fund for the purpose of meeting the expenditure shown in the financial statements were applied in accordance with section 65 of the Scotland Act 1998.

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

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

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises section one to five and section seven of the Annual Report and the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Auditor General for Scotland. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of expenditure and receipts included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Agency and HM Senior Chief Inspector in the preparation of the financial statements, and of whether the accounting policies are appropriate to the agency's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinion

Financial statements

In my opinion:

- the financial statements give a true and fair view, in accordance with Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers, of the state of affairs of Her Majesty's Inspectorate of Education as at 31 March 2009 and of the net operating cost, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers; and
- information which comprises only the Management Commentary included in the Annual Report is consistent with the financial statements.

Regularity

In my opinion in all material respects:

- the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers, the Budget (Scotland) Act covering the financial year and sections 4 to 7 of the Public Finance and Accountability (Scotland) Act 2000; and
- the sums paid out of the Scottish Consolidated Fund for the purpose of meeting the expenditure shown in the financial statements were applied in accordance with section 65 of the Scotland Act 1998.

Signature R. W. Brown.

Date 3 June 2009

Ruth Brown
Senior Audit Manager
Audit Scotland
Osborne House
1/5 Osborne Terrace
Edinburgh
EH12 5HG

Operating Cost Statement for the year ended 31 March 2009

	Notes	2008-09 £'000	2007-08 £'000
Administration Costs			
Staff costs	2	12,005	11,153
Depreciation	5, 6	313	295
Other administration costs	3	<u>4,527</u>	<u>4,551</u>
Gross Administration Costs		16,845	15,999
Operating Income	4	1,156	1,312
Net Operating Costs for the Year		<u>15,689</u>	<u>14,687</u>

Statement of Recognised Gains and Losses for the year ended 31 March 2009

		2008-09 £'000	2007-08 £'000
Net gain on revaluation of assets	14	<u>0</u>	<u>23</u>

The notes on pages 48-54 form part of these accounts.

Balance Sheet

as at 31 March 2009

	Notes	2008-09 £'000	2007-08 £'000
Fixed Assets			
Tangible Fixed Assets	5	1,225	1,465
Intangible Fixed assets	6	4	23
Current Assets			
Debtors and Prepayments	8	148	146
Current Liabilities			
Creditors: amounts falling due within one year	9	(821)	(863)
Net Current Liabilities		(673)	(717)
Total assets less Current Liabilities		556	771
Creditors due more than one year	10	(141)	(158)
Net assets		415	613
Financed by:			
General Reserve	13	343	541
Revaluation Reserve	14	72	72
		<u>415</u>	<u>613</u>



Graham Donaldson
HM Senior Chief Inspector

1 June 2009

The notes on pages 48-54 form part of these accounts.

Cash Flow Statement

for the year ended 31 March 2009

	Notes	2008-09 £'000	2007-08 £'000
Net cash outflow from operating activities	(a)	(15,379)	(14,262)
Capital expenditure and financial investment	(b)	(56)	(86)
Funding	(c)	15,435	14,348
Increase/decrease in cash		0	0

Notes to the Cash Flow Statement

(a) Reconciliation of net operating costs for year to net cash outflow from operating activities

	Notes	2008-09 £'000	2007-08 £'000
Net Operating Cost		(15,689)	(14,687)
Adjustment for items not involving cash:			
Depreciation	5, 6	313	295
Loss on disposal of fixed assets		1	11
Audit fee		27	24
Capital charges		29	30
Adjustments for movements in working capital:			
(Increase)/Decrease in debtors		(2)	102
Increase/(Decrease) in creditors		(58)	(37)
Net cash outflow from operating activities		(15,379)	(14,262)

(b) Capital Expenditure and Financial Investment

Purchase of fixed assets	5, 6	(56)	(86)
		<u>(56)</u>	<u>(86)</u>

(c) Funding	13	15,435	14,348
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The notes on pages 48-54 form part of these accounts.

Notes to the Accounts

1. Accounting Policies

In accordance with the Accounts Direction issued by Scottish Ministers under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000, these accounts have been prepared in compliance with the Government Financial Reporting Manual (FReM), which follows generally accepted accounting policies in the UK to the extent that it is meaningful and appropriate in the public sector context. The particular accounting policies adopted by the Agency are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting Convention

The accounts have been prepared under the historic cost convention modified to account for the revaluation of fixed assets, at their value to HMIE by reference to their current costs.

1.2 Continuing Activities

The results of the HMIE Operating Statement derive from operating activities, all of which are continuing.

1.3 Fixed Assets

Fixed assets comprise furniture, fittings, computer equipment, computer software, plant and machinery and assets under construction. They are capitalised at their cost of acquisition and installation. Depreciated historic cost is used as a proxy for the current valuation of furniture, fittings, plant and equipment. Computer equipment and computer software are not revalued.

The threshold for capitalising tangible and intangible fixed assets is £1,000. Computer equipment, computer software, furniture and fittings include individual assets whose costs fall below the threshold, but as they are of a

similar nature, they are grouped together and capitalised.

HMIE does not own any land or buildings. Charges for the rental of accommodation are included in the expenditure account.

1.4 Depreciation

Provision for depreciation is made to write off the cost of fixed assets on a straight-line basis over the expected useful lives of the assets concerned. The expected useful lives are as follows:

Leasehold improvements	15 years
Furniture and fittings	10 years
Vehicles	5 years
Plant and equipment	5 years
Photocopiers	3 years
IT equipment	3 years

Software licences are amortised over the shorter of the term of the licence and the useful economic life.

1.5 Capital Charge

A charge reflecting the cost of capital utilised by HMIE is included in the operating statement. The charge is calculated on the average value of fixed assets and working capital held during the year at the real rate set by HM Treasury (currently 3.5% per annum).

1.6 Value Added Tax (VAT)

HMIE receives funding from the Scottish Government Education and Lifelong Learning Portfolio to meet expenditure incurred, inclusive of VAT. However, in order to comply with Government Accounting Regulations and normal commercial practice, operating costs are stated net of VAT where VAT is recoverable by the Agency.

HMIE is registered for VAT as part of the Scottish Government, which is responsible for recovering VAT from HM Revenue and Customs on behalf of the Agency.

1.7 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is a defined benefit scheme and is unfunded and non-contributory. The Agency recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Relevant disclosures are reported in Note 2. Liability for payment of future benefits is a charge on the PCSPS.

1.8 Operating Income

Operating income represents the income received in respect of the service level agreements held with the Scottish Further and Higher Education Funding Council (SFC) and costs recovered in relation to capacity building conferences held during the year.

1.9 Foreign Currency Exchange

Transactions which are denominated in a foreign currency and which are covered by a related forward contract are translated into sterling at the exchange rate specified in the contract. Transactions which are not covered by a related forward contract are translated into sterling at the exchange rate ruling on the date of each transaction, except where rates do not fluctuate significantly, in which case an average rate for the period is used. Monetary assets and liabilities denominated in a foreign currency at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the Operating Cost Statement.

1.10 Leases

HMIE leases a number of buildings across Scotland. All of these leases are operating leases and the rentals are charged to the Operating Cost Statement on a straight-line basis over the term of the lease.

1.11 Realised element of depreciation from the Revaluation Reserve

Depreciation is charged to expenditure on the revalued amount of assets. An element of the depreciation therefore arises due to the increase in valuation and is in excess of the depreciation that would be charged on the historical cost of assets. The amount relating to this excess is a realised gain on revaluation and is transferred from the Revaluation Reserve to the General Fund.

2. Staff Costs and Numbers

2.1 Staff costs during the year were:

	2008-09	2007-08
	£'000	£'000
Wages and salaries	8,498	7,905
Social security costs	747	708
Other pension costs	1,677	1,594
Agency staff costs	86	139
Associate Assessors	997	807
	12,005	11,153

2.2 The average number of persons employed during the year was:

	2008-09	2007-08
Senior Management	7	7
Other permanent staff	199	197
Agency/temporary staff	5	9
	211	213

2.3 Salary costs have increased in 2008-09.

There has been an increase in the number of permanent staff together with increased use of associate inspectors and seconded associate assessors. Salary costs for 2008-09 also include a provision for a recruitment and retention allowance for HMIs. Agency staff costs have reduced as permanent administrative posts have been filled.

2.4 Pensions

The PCSPS is an unfunded multi-employer defined benefit scheme but HMIE is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2007. Details can be found in the separate scheme statement of the PCSPS Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2008-09, employer's contributions of £1,673,951 were payable (2007-08 - £1,593,758) to the PCSPS at one of four rates in the range 17.1 to 25.5 per cent (2007-08 – 17.1 to 25.5 per cent) of pensionable pay, based on salary bands. Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and they reflect past experience of the scheme.

3. Other Administration Costs

	2008-09 £'000	2007-08 £'000
3.1 Costs		
Consultancy costs	62	22
Associate members costs	291	314
Lay member costs	31	64
Travel costs	1097	963
Training costs	272	193
Equipment	34	12
Reports and inspections	893	1,108
Rent, rates, utilities and maintenance	883	790
Advertising costs (including recruitment)	32	40
Telecommunications costs	98	91
Loss on disposal of fixed assets	1	11
Other office costs	777	889
	4,471	4,497

3.2 Notional costs

Audit fee	27	24
Capital charges	29	30
	56	54
Total (3.1 and 3.2)	4,527	4,551

4. Income

	Income Received 2008-09 £'000	Income Received 2007-08 £'000
Fees and charges	1,126	1,172
Other income	30	140
Total	1,156	1,312

5. Tangible Fixed Assets

	Leasehold Improvements £'000	Furniture and fittings £'000	Plant and equipment '000	Vehicles £'000	IT Systems £'000	Total £'000
Cost						
At 1 April 2008	789	698	292	13	905	2,697
Additions	-	1	-	-	53	54
Transfers	-	-	-	-	-	-
Disposals	-	-	-	-	(89)	(89)
Revaluation	-	-	-	-	-	-
At 31 March 2009	789	699	292	13	869	2,662

Depreciation

1 April 2008	165	352	198	6	511	1,232
Charge for year	57	68	34	3	131	293
Transfers	-	-	-	-	-	-
Disposals	-	-	-	-	(88)	(88)
Revaluation	-	-	-	-	-	-
At 31 March 2009	222	420	232	9	554	1,437

Net Book Value

At 31 March 2009	567	279	60	4	315	1,225
At 31 March 2008	624	346	94	7	394	1,465

6. Intangible Fixed Assets

	Software Licences £'000	Total £'000
Cost		
At 1 April 2008	129	129
Additions	2	2
Transfers		
Disposals	(14)	(14)
Revaluation	-	-
At 31 March 2009	117	117
Depreciation		
At 1 April 2008	106	106
Charge for year	21	21
Transfers	-	-
Disposals	(14)	(14)
Revaluation	-	-
At 31 March 2009	113	113
Net Book Value		
At 31 March 2009	4	4
At 31 March 2008	23	23

7. Financial Instruments

As the cash requirements of HMIE are met through the Estimate process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with HMIE's expected purchase and usage requirements and HMIE is therefore exposed to little credit, liquidity or market risk.

8. Debtors

	2008-09 £'000	2007-08 £'000
Debtors and accrued income	3	16
Prepayments	99	107
Scottish Government debtors and accrued income	46	23
	148	146

9. Creditors

	2008-09 £'000	2007-08 £'000
Creditors due within one year		
Trade creditors	334	544
Other creditors	17	17
Accruals	144	17
	495	578
Local Authority	213	217
NHS	27	7
Other government creditors	86	61
	821	863

10. Creditors due after more than one year

	2008-09 £'000	2007-08 £'000
Creditors due after more than one year	141	158

11. Operating Costs by Strategic Priority

For the Year ended 31 March 2009

	2008-09			2007-08		
	Gross £'000	Income £'000	Net £'000	Gross £'000	Income £'000	Net £'000
Strategic Priority One	7,664	(1,126)	6,538	8,143	(1162)	6981
Through inspection and reporting, promote public accountability for the delivery of high quality education to all learners in Scotland.						
Strategic Priority Two	2,975	(25)	2,950	1,130	(22)	1,108
Work with other organisations to build capacity to provide education and services for children of the highest quality for all users.						
Strategic Priority Three	1,991		1,991	2,730	(52)	2,678
Support informed policy development by providing high quality, independent, professional advice drawn from inspection and review evidence and knowledge of the system.						
Strategic Priority Four	4,215	(5)	4,210	3,996	(76)	3,920
Develop and manage HMIE as a best value organisation.						
Net operating costs	16,845	(1,156)	15,689	15,999	(1,312)	14,687

12. Leasing commitments

At 31 March 2009, HMIE was committed to making the following payments in respect of operating leases:

	200809	200708
	£ 000	£ 000
In over five years	466	462
	466	462

13. Movements in the General Fund

	200809	200708
	£ 000	£ 000
Balance at 1 April 2008	541	822
Net funding	15,435	14,348
Non cash funding	56	54
Net operating costs for year	(15,689)	(14,687)
Transfer from Revaluation Reserve		4
Balance at 31 March 2009	343	541

14. Movement in Revaluation Reserve

	200809	200708
	£ 000	£ 000
Balance at 1 April 2008	72	53
Surplus arising on revaluation in year	0	23
Realised element released to General Fund	0	(4)
Balance at 31 March 2009	72	72

15. Related Party Transactions

Her Majesty's Inspectorate of Education is an Executive Agency of the Scottish Government Education and Lifelong Learning Portfolio, which is therefore regarded as a related party. During the year, HMIE had a number of material transactions with the Scottish Government. In addition, HMIE has had a number of other material transactions with

other Government Departments and other central Government bodies, mostly with the Scottish Further and Higher Education Funding Council (SFC). During the year, the managerial staff and Board Members have not undertaken any material transactions with HMIE.

16. Capital Commitments and Contingent Liabilities

There were no capital commitments or contingent liabilities existing at 31 March 2009 (31 March 2008: nil).

17. Losses and Special Payments

There were no losses or special payments made during the year.

18. Post Balance Sheet Events

There are no material post balance sheet events that require to be adjusted in the accounts or to be disclosed.



HM INSPECTORATE OF EDUCATION DIRECTION BY THE SCOTTISH MINISTERS

in accordance with section 19(4) of the Public Finance and Accountability (Scotland) Act 2000

The statement of accounts for the financial year ended 31 March 2006 and subsequent years shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FRoM) which is in force for the year for which the statement of accounts are prepared.

The accounts shall be prepared so as to give a true and fair view of the income and expenditure, recognised gains and losses, and cash flows for the financial year, and of the state of affairs as at the end of the financial year.

This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 10 April 2002 is hereby revoked.

Signed by the authority of the Scottish Ministers

Dated 17 January 2006

Section 6

Appendix

• Staffing and structure

• HMIE publications April 2008-March 2009

This section provides some information about our staffing and structure and publications during 2008-09. Further information is available on our website at www.hmie.gov.uk.

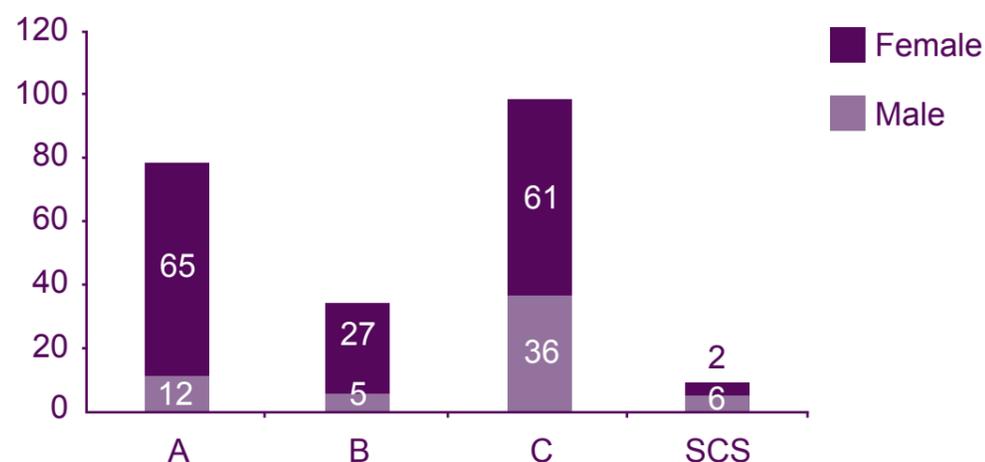
Staffing and structure

HMIE has six functional directorates, each headed by a Chief Inspector supported by either one or two assistant Chief Inspectors. HMIE is managed by the Senior Management Group, comprising the Senior Chief Inspector, six Chief Inspectors and the Corporate Services Director. Responsibility for day-to-day management lies with the Assistant Chief Inspectors and the Corporate Services Director.

Our staff comprises HM Inspectors of Education, inspectors of services for children, assistant inspectors, Associate Assessors, corporate services staff, Lay Members, student team members and secondees from partner organisations.

Staff by gender and grade

The table below shows the gender balance of staff in HMIE. Band A and B staff in this chart



are corporate services staff and almost all Band C staff are inspectors. HMSCI and Chief Inspectors are members of the Senior Civil Service.

The web version of this report provides information on the profile of staff by gender and grade from 1999 to 2009.

Independent external members of our management board

Sir Andrew Cubie CBE, FRSE is a consultant (previously chairman and senior partner) with the long-established law firm Fyfe Ireland LLP. He holds a number of non-executive and executive directorships in public and private companies. He is the Chair of Quality Scotland, the Royal National Lifeboat Institution (Scotland), the SCQF Partnership Company and the Centre for Healthy Working Lives. He is Chair of Voluntary Service Overseas (VSO) in the UK. He is the Chairman of the Northern Lighthouse Board. He is a former Chairman of CBI Scotland, was Convenor of the Independent Committee of Inquiry into Student Finance in Scotland (The Cubie Committee) and was both the Chair of Napier University and the Committee of University Chairs (for the UK).

Gary Kildare is Vice President of Human Resources for IBM Corporation. He is a Fellow of the Royal Society of Arts and a Fellow of the Chartered Institute of Personnel and Development, a non-executive director of the National Skills Academy (Financial Services), a Governor of the board of Napier University and a GlobalScot. He has over 25 years experience working as a member of executive management boards at UK, European and global level. He is married with three children and lives in Edinburgh.

Shirley Young is a freelance consultant and trainer working in the field of childhood disability. She brings with her experience of a number of diverse boards and committees. She currently chairs the Board of the Family Fund, a UK-wide Trust for families of severely disabled children and is a member of the Scotland Committee of the Big Lottery Fund. Shirley's personal experiences of having been a young carer and parenting two disabled sons also inform her contribution to the Board of HMIE.

David Morrison is Tax Partner with EQ, Chartered Accountants in Dundee. David is a qualified Chartered Accountant and Chartered Tax Adviser and is currently a Council member of the Institute of Chartered Accountants of Scotland where he also serves on the Qualifications Board, dealing with education matters. David is a regular speaker on tax matters and has a wide portfolio of clients particularly in healthcare and professional practices. David is married and lives with his wife and two children in Broughty Ferry.

HMIE publications April 2008-March 2009

The following were published between 1 April 2008 and 31 March 2009.

HMIE organisational reports

- *HMIE Annual Report and Accounts 2007-08*
- *HMIE Corporate Plan 2008-2011*

Reports on aspects of education

- *Religious and Moral Education - a portrait of current practice in Scottish secondary schools**
- *Count Us In: We're still here: Successful Transitions from Secondary School*
- *Count Us In: Improving the education of our looked after children*
- *Geography - A portrait of current practice in Scottish secondary schools**
- *Learning, Skills and Employability: A review of good practice in Scottish prisons*
- *Improving the Odds: Improving Life Chances*
- *Business Education: A portrait of current practice Developing the four capacities through social subjects: focusing on successful learners in primary schools**
- *Developing the four capacities through physical education: focusing on successful learners in primary schools**
- *Developing the four capacities through modern languages: focusing on successful learners in primary schools**
- *Expanding Opportunities, A report on school-college partnership programmes in Scotland**
- *External quality arrangements for Scotland's colleges*
- *Technical Education: a portrait of current practice in Scottish schools**
- *Assessing, Recording and Analysing Learner Progress and Outcomes**
- *Literature review of current approaches to the provision of education for children with dyslexia**
- *Education for learners with dyslexia*
- *Science - A portrait of current practice in Scottish schools**

- *International activity in Scotland's Colleges**
- *Analysis of HMIE Reviews of Quality and Standards in Scotland's Colleges Academic Years 2004/05 to 2007/08**
- *Improving Scottish Education 2005-2008*

* web publication

Support for self-evaluation

- *Improving: Services for Children. How good are our services for young carers and their families?*
- *Improving outcomes for learners through self-evaluation*
- *Improving our curriculum through self-evaluation*
- *How good is our school? The Journey to Excellence Part 1: Aiming for Excellence and Part 2: Exploring Excellence (Gaelic version)*
- *How good is our school? The Journey to Excellence: Part 3 (Gaelic version)*
- *The Child at the Centre 2 (Gaelic version)*
- *How good is our school? The Journey to Excellence Part 4: Planning for Excellence (Gaelic version)*