

# Education Scotland Annual Report

2011-2012

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## **An Executive Agency of the Scottish Government**

Laid before the Scottish Parliament by the Scottish Ministers June 2012

Annual accounts authorised for issue June 2012

SG/2012/89

Produced for Education Scotland by APS Group (Scotland) 219770 (06/12) Published by Education Scotland  
June 2012

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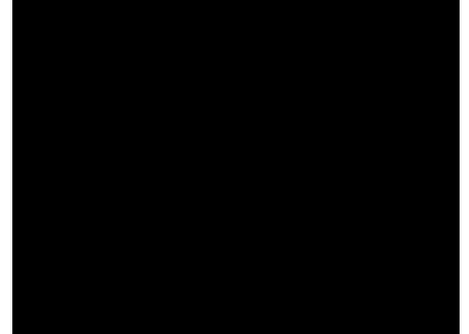
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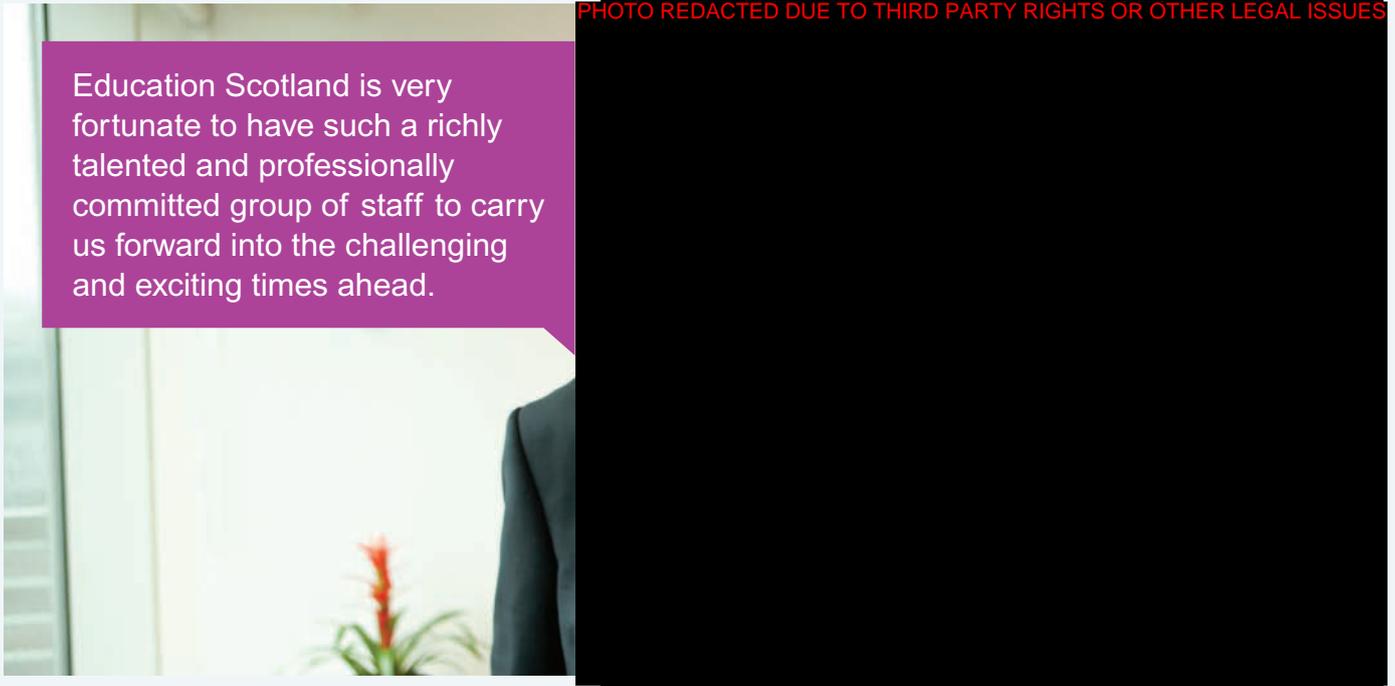
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Education Scotland is very fortunate to have such a richly talented and professionally committed group of staff to carry us forward into the challenging and exciting times ahead.

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## 1. Chief Executive's report

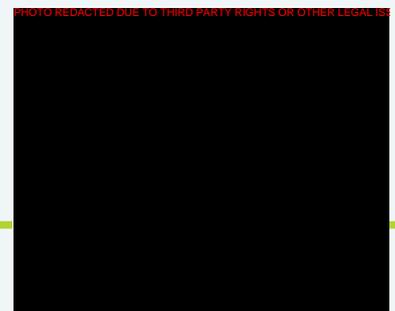
This report provides an overview of the strong progress made by Education Scotland in its first year. At the end of an exceptionally challenging period for all of us who came together in July 2011 to form Scotland's new national improvement agency, I am pleased to report on our success in delivering on our strategic objectives at this early stage in our development.

At the Scottish Learning Festival in September 2011, we launched Education Scotland into the public arena, demonstrating how we can play a key role in promoting progress and innovation in the education system. The pace has certainly not let up since then, both in terms of our work with external partners relating to Curriculum for Excellence and other key national policy priorities, and with regard our internal change programme.

We have made a great deal of progress to get us to a position in which we can fully integrate our predecessor bodies into a new organisational shape. This has included the transfer of staff onto Scottish Government terms and conditions, work on IT systems, business planning and future organisational design.

Education Scotland plays a key role in supporting and evaluating the implementation of key national policy initiatives.

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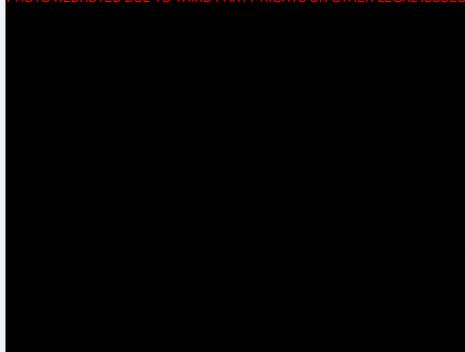
Our role in leading the implementation of Curriculum for Excellence has put us centre stage in the course of 2011-12. Staff across Education Scotland have provided skilled professional input and undertaken a huge amount of development work to ensure the programme is kept on track in a challenging environment. Following the Cabinet Secretary's announcement at the Scottish Learning Festival in September, we worked with the Scottish Qualifications Authority at events to promote understanding of new National Qualifications (NQs); provided support for curriculum planning in primary and secondary schools; and supported developments in profiling at P7. In March 2012, we undertook a progress audit to assess the extent of support needs in secondary schools as they move to implement the NQs. The outcomes of the audit will help inform the support we provide at the level of secondary subject department, school, education authority and nationally. We shall continue to evaluate progress and plan in partnership with local authorities and other partners how best to ensure the success of Curriculum for Excellence.

In January, we held the inaugural meeting of our new Curriculum for Excellence Implementation Group, with representatives from the Scottish Qualifications Authority (SQA), the Association of Directors of Education in Scotland (ADES), Scotland's Colleges and the Scottish Government. This marks a major shift of responsibility as we take on the lead role for ensuring coordination across the national partners in order to drive forward successful implementation. The group has been working on a Curriculum for Excellence Implementation Plan for 2012-13 to be communicated to all stakeholders along with an outline of the progress expected at a local level and the national support which is available.

We are leading and supporting the implementation of *Teaching Scotland's Future*. Education Scotland staff have taken an active role in contributing to the work of the National Partnership Group and sub-groups to improve all phases of teacher education. In addition, we are able to draw on the work of HM Inspectors to provide a report on progress with implementation at school, local authority and university level. Early indications suggest that this will offer a positive account of changes and improvements to learning and teaching in response to the recommendations and themes within *Teaching Scotland's Future*. It will also identify a range of priorities as we continue to work together to implement the recommendations contained in the report.

Following the Scottish elections in May 2011, we have supported priorities arising from manifesto commitments. Work has included input to the Ministerial groups on modern language education, 'Scottish Studies' and 'One Planet Schools'; the *Studying Scotland* resource referred to in section 3 (iv); and our work on anti-sectarian education.

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Following the completion of the second cycle of inspections of services to protect children, we are working with Scottish Government colleagues and the Care Inspectorate to develop approaches to the joint inspection of wider services for children. We have continued to work with Audit Scotland and partner scrutiny bodies to deliver the Assurance and Improvement Plan for each council, based on shared risk assessment, and are contributing to the development of a model for scrutiny of community planning partnerships. We have successfully completed the latest four-year cycle of college reviews and are finalising arrangements with the Scottish Funding Council on the future role of Education Scotland in delivering quality enhancement activities in a rapidly changing college landscape.

The inspection and review of individual establishments and services remain key elements of Education Scotland's work. Through inspection and review across all sectors of Scottish education, HM Inspectors have continued to: provide assurance of quality and standards; build capacity through professional dialogue and sharing good practice with practitioners; and gather evidence which informs our advice to Ministers. One of my newly-appointed Strategic Directors has been allocated specific responsibility for our inspection standards, ensuring stakeholder confidence in the impartiality and objectivity of published inspection reports.

Further to the Cabinet Secretary's announcement on ICT in education in September 2011, we have undertaken a considerable amount of work with the Scottish Government on the transition to the next generation of Glow.

### Looking ahead

Having recently appointed three of our four Strategic Directors and eight Assistant Directors, I now look forward to forming new teams across the organisation. Our aim is to have our new organisational structure in place by 1 July 2012, exactly one year after the creation of the new agency. Our Corporate Plan, to be published later this year, will make clear our role, our priorities and how we intend to make a positive impact on Scottish education, working in conjunction with our partners over the next three years. It will represent our statement of intent to the wider education community, in the context of our seven strategic objectives.

I consider myself hugely privileged to have been appointed as Chief Executive Officer of this new agency which has such an important role to play in building capacity for improvement in Scottish education and ensuring high-quality outcomes for all learners.

Education Scotland is very fortunate to have such a richly talented and professionally committed group of staff to carry us forward into the challenging and exciting times ahead.

I am proud of what the organisation has achieved in its first year, and I now look forward to consolidating our progress in 2012-13 and beyond.

**Dr Bill Maxwell**  
Chief Executive

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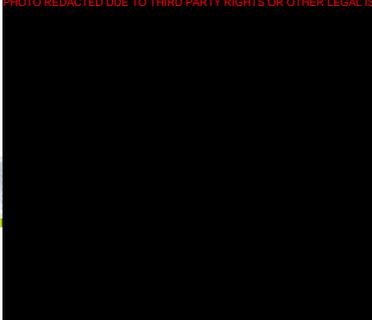
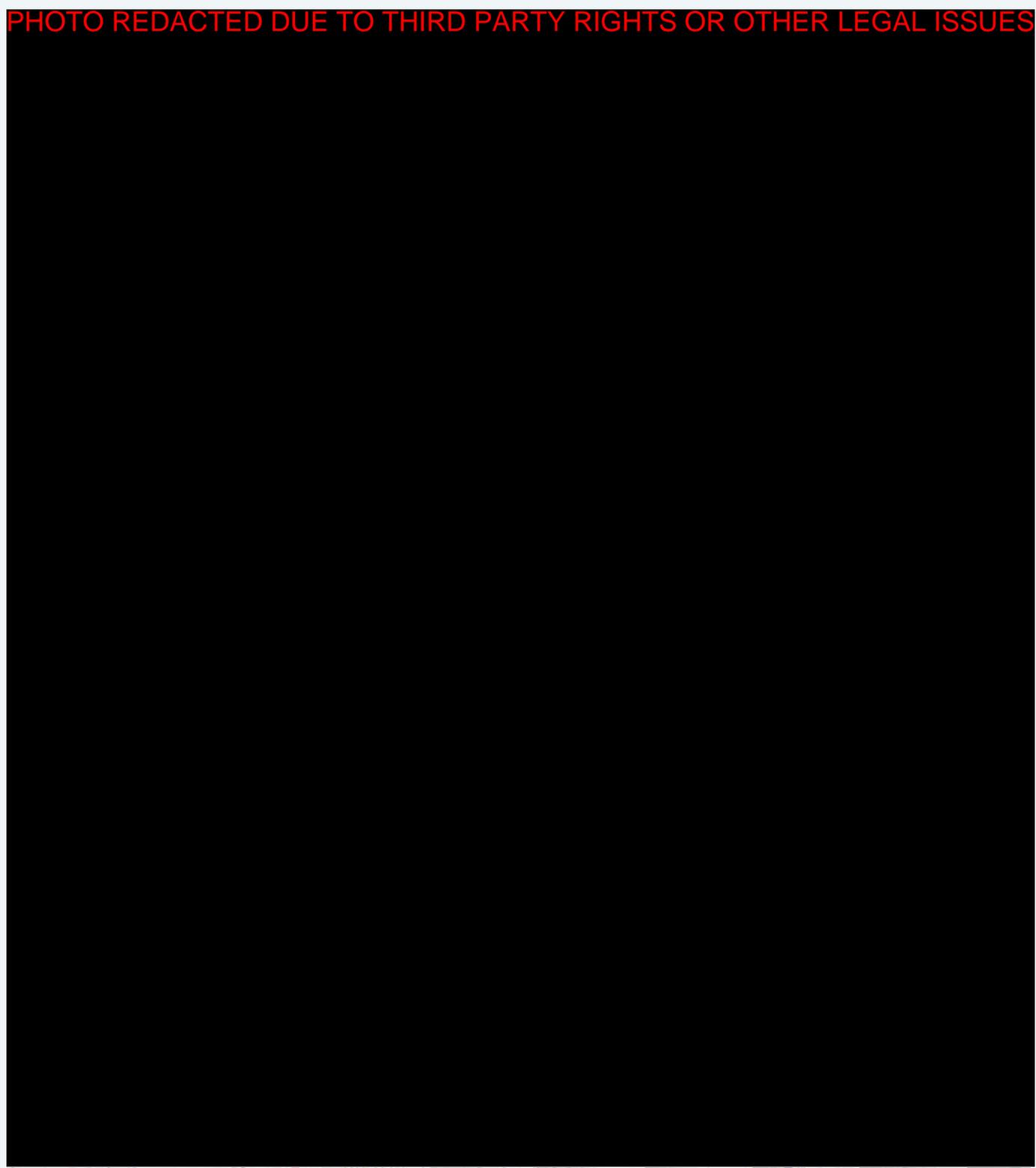


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### Establishing our core values

At Education Scotland's second all-staff conference in February 2012, staff worked together to establish a set of core values for the organisation. The jigsaw pieces on the pages of this report represent the individual commitments made by staff to the new agency.

## 2. About Education Scotland

Education Scotland was established on 1 July 2011 by the Cabinet Secretary for Education and Lifelong Learning as a key national body, supporting quality and improvement in Scottish Education, and the delivery of better outcomes for all learners in Scotland.

The organisation's status as an Executive Agency means that it operates independently and impartially, whilst remaining directly accountable to Scottish Ministers for the standards of its work. This status safeguards the independence of inspection, review and reporting within the overall context of the National Performance Framework. The agency is headed by a Chief Executive who is responsible to Scottish Ministers for its management, performance and future development.

### Predecessor organisations and teams

Education Scotland brought together the resources and the functions of Learning and Teaching Scotland, HM Inspectorate of Education (HMIE), the National Continuing Professional Development (CPD) Team and the Scottish Government's Positive Behaviour Team.

**Learning and Teaching Scotland** was the national body with responsibility for reviewing the curriculum; developing assessment to support learning; providing national guidance on the use of ICT to support education; and for policy implementation and practice development within community learning and development.

**HM Inspectorate of Education (HMIE)** promoted sustainable improvements in standards, quality and achievements for all learners in Scottish education through first-hand, independent evaluation.

**The National CPD Team** provided strategic support for continuing professional development and professional review and development throughout Scottish education.

**The Scottish Government's Positive Behaviour Team** supported schools and local authorities to introduce and embed approaches to promoting positive relationships and behaviour.

The work of the predecessor organisations and teams has continued within Education Scotland, with increasing collaboration and innovative joint-working across the constituent teams.

### Chief Executive

Dr Bill Maxwell, former HM Senior Chief Inspector of HM Inspectorate of Education, led the new agency on its inception and was confirmed as permanent Chief Executive in January 2012.

### Corporate Leadership<sup>1</sup>

An interim Corporate Management Group, made up of members of the management teams of the predecessor organisations, has supported the Chief Executive throughout 2011-12. This has provided stability in the early months of the new organisation. During the past year, the Corporate Management Group has been responsible for ensuring that Education Scotland has continued to deliver the commitments of the combined business plans of the predecessor organisations and teams.

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<sup>1</sup>See section 4.

## Management Board and Audit and Risk Committee<sup>2</sup>

The Chief Executive is supported by an advisory Management Board which he chairs. Membership includes a number of independent non-executive directors who provide advice and support to the Chief Executive and challenge constructively the way in which Education Scotland is run. In line with the requirements of the Education Scotland Framework Document, the Management Board exists to support the Chief Executive in discharging his responsibilities for the management of the agency, including reviewing its work and planning for future development.

In addition, an Audit and Risk Committee which is established by the Management Board, supports the Chief Executive with regard to the efficient and effective use of resources and the associated responsibilities for risk, control, governance and assurance. Members of the Audit and Risk Committee are all non-executive directors and the Committee is chaired by a non-executive director.

## CLD Standards Council

Education Scotland hosts the Standards Council for Community Learning and Development for Scotland. This is the body responsible for the registration of CLD practitioners, the approval of training courses, and the continuing professional development of the sector workforce. A recently-signed framework agreement set out the working relationship between the two organisations for the next three years.

## Confucius Institute and Confucius Classroom Hubs

Learning and Teaching Scotland (LTS) had responsibility for leading and coordinating the work on the development of Chinese language and culture in schools in Scotland, through the LTS Confucius Institute and the Confucius Classroom Hubs. On 1 April 2012, the Scottish Centre for Information on Language Teaching (SCILT), located within Strathclyde University, assumed responsibility for the Confucius Institute and Confucius Classroom Hubs, previously managed by Learning and Teaching Scotland. Education Scotland will continue to have a significant role supporting the development of Chinese language and culture working with the new Confucius Institute for Scotland's Schools and with other key stakeholders.

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<sup>2</sup>See section 4.

## 3. Delivering on the strategic objectives

### (i) To lead and support the successful implementation of the curriculum

Providing leadership and direction in support of the implementation of Curriculum for Excellence, working in close partnership with others, was a major part of the work of Education Scotland's predecessor organisations and has continued with increased vigour throughout 2011-12.

In the last year, we have:

- supported the development of the new National Qualifications, including partnership working with SQA colleagues to deliver a series of conferences for practitioners in late autumn 2011, and preparation of an extensive range of practical advice and guidance to support practitioners in the delivery of courses where there are aspects of significant change;
- helped practitioners develop their understanding of Curriculum for Excellence through professional discussion during inspections and other visits to schools, and at local and national learning events;
- provided support for reporting, recognising achievement and profiling;
- shared the innovative practice produced by practitioners through the National Assessment Resource (NAR) and at local and national events; and continued to provide support for quality assurance and moderation through helping practitioners develop a shared understanding of standards at national and local level;
- developed and supported the implementation of Scottish Survey of Literacy and Numeracy;
- provided continuing professional development and support to practitioners in understanding and embedding literacy, numeracy and health and wellbeing in learning and teaching;
- worked in close partnership with others to develop and implement the Creativity Action Plan and the Literacy Action Plan and the Science, Technologies, Engineering and Mathematics (STEM) programme;
- supported the implementation of subject areas; and skills for learning, life and work, including financial education;
- provided support for Gaelic and Scots language and culture; and for Chinese language and culture through the Confucius Classroom Hub network and through a wide range of activities including pupil and teacher study visits to China;
- provided ongoing support and advice on *Building the Curriculum 3*, including the Broad General Education and the Senior Phase, both locally and nationally;

- supported the development and embedding of global citizenship within the curriculum, highlighting its importance for interdisciplinary learning, and promoting Games Legacy as a highly relevant context;
- provided leadership and support for outdoor learning;
- supported schools and other learning providers to embed universal and targeted support;
- worked to ensure that relevant partners collaborate to deliver Curriculum for Excellence in all settings, informal as well as formal, communities as well as schools; and
- worked with the National Parent Forum Scotland and the Scottish Parent Teacher Council to raise awareness of Curriculum for Excellence amongst parents.



The networking and professional dialogue sessions were excellent; the presentations were delivered on a passionate and inspirational way. I was heartened to hear that practice in other schools that has been deemed excellent/very good, is being mirrored in our own school.

**Delegate, Meeting needs through Curriculum for Excellence – a conference for special schools, units and bases, November 2011**



I found it all very informative and learnt a lot which I hope will benefit my children.

**Delegate, National Parents as partners event 2012**



By 2014 I want to be involved in a cluster approach to the Commonwealth Games. I feel I am leaving with some great ideas and can't wait to get started! Great day!

**Delegate, Games Legacy Event, Glasgow 31 January 2012**



Several colleagues commented on the genuine effort made by the HMI team to engage in professional dialogue. No-one can say that they did not have the opportunity to talk with an HMI. At this time of change, nationally, this is a very important role for the HMI, and we appreciated it.

**Secondary school headteacher**

**(ii) To build the capacity of education providers and practitioners to improve their own performance**

We have ensured that building capacity for self-improvement amongst education providers has been an essential aspect of how we provide the support for Curriculum for Excellence referred to in the previous section. We have achieved this by: promoting high-quality professional dialogue during our engagements with practitioners; involving practitioners in creating and evaluating support materials, for example for the National Assessment Resource and for the new National Qualifications; and working in close partnership with local authorities to ensure that development work takes account of local contexts and practitioners' self-evaluation.

We have continued work to revise our quality frameworks in order to support practitioners in their self-evaluation for improvement. *How good is our school?* and *The Child at the Centre* have been particular areas of focus. We have asked a number of schools, pre-school centres, and local authorities to comment on materials produced so far. We have also involved community learning and development services.

We have continued to build capacity for improvement at local authority level through our District Inspector; Area Adviser; community learning and development; early years; and educational psychology services networks.

In the last year, a further four education authorities have volunteered to work with us in the process of validated self-evaluation. Through these engagements, we have continued to build capacity amongst education authority staff through supporting and challenging their improvement processes.

The new agency has given us the opportunity to enhance the support we provide following inspection. Drawing on the skills and expertise of staff from across Education Scotland, we now work with schools and education authorities to agree a range of continuing engagement activities, including focused work on areas identified for improvement. We are also carrying out an increasing number of post-inspection visits to capture and disseminate good practice.

The previous follow-through inspection programme, arising from schools and services inspected up to June 2011, has also continued into 2011-12. A total of 109 follow-through inspections have taken place in pre-school centres and schools in 2011/12.

We have continued to build capacity for improvement in the residential special sector through regular engagement with schools and services.

We have introduced new approaches to supporting quality improvement in independent schools through 'link inspectors', and a programme of visits to schools to look at their approaches to self-evaluation for improvement.

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We have supported education authorities, schools and other learning providers to provide opportunities for all young people to move into positive and sustained destinations.

We have supported schools, early years centres and other learning providers in strengthening their partnerships with parents in order to improve parental engagement and involvement in their children's learning. Our recently-published resource *Every Day's a Learning Day* consists of two books for parents and carers of children aged between birth and 3 years, and 3 to 6 years. The aim is to help parents support their child's development in the crucial areas of health and wellbeing, literacy and numeracy. 60,000 copies will be distributed over the course of the next year.

We have built capacity for improvement at international level through contributions to international events, and by running learning and development programmes for international visitors. There continues to be high levels of international interest in the Scottish approach to quality improvement. In the last year, we have raised awareness of excellence and innovation in Scottish education through working with colleagues from: Afghanistan; Armenia; Australia; Belgium; Canada; China; the northern part of Cyprus; Czech Republic; Eire; Estonia; France; Iceland; India; Kenya; Lithuania; Netherlands; Norway; Spain; Palestine; Poland; Portugal; Romania; Sweden; Switzerland; Uganda; and USA.

We have collaborated effectively with Scotland's Colleges to build capacity in the college sector.

We have agreed with the Deans of the Schools of Education in Scotland's Universities how we can be involved in helping to improve the consistency of the quality of the student teacher learning experience, a key theme within *Teaching Scotland's Future*. We are sharing our knowledge and expertise in the field of self-evaluation to build capacity in the sector. We are also actively exploring ways in which we can share knowledge, evidence and research between our staff and university lecturers and researchers.



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The whole programme was very informative and enjoyable. I returned to Uganda very impressed with the systems you have in place, and with the embedding of self-evaluation in Scottish schools. From my visit I gained some valuable insights into how we can improve the work of the Inspectorate here.

Chief Inspector from Uganda, November 2011



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Useful to see where your school's progress sits alongside the national picture.

Primary Headteacher at Curriculum for Excellence support event, February 2012

### **(iii) To promote high quality professional learning and leadership**

In the last year, we have provided an extensive range of high quality professional learning opportunities for practitioners relating to Curriculum for Excellence, and the other key priorities referred to in this report. These have included: inputs to initial teacher education; local and national learning events; professional discussion during inspections and other visits to schools; networks relating to key national policy priorities; online materials; action research projects; publications; Glow groups; Glow meets; facilitated national and local authority professional learning communities; and open-doors study visits.

The Scottish Learning Festival in September 2011 offered delegates the opportunity to attend Scotland's largest professional learning event of the year. This year's main theme was *Curriculum for Excellence: Learning, Teaching and Assessment, Making the Connections*. Over 4,500 delegates attended and gave very positive feedback on the conference programme, which included internationally renowned keynote speakers, a wide-ranging practitioner-led seminar programme and Scotland's largest educational exhibition. Every local authority in Scotland was represented, and a large number of international delegates were also present. A range of activities were also shared through Glow, including a schedule of Glow TV programmes which helped extend learning beyond the two-day event itself.

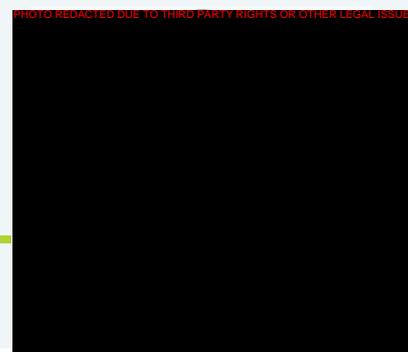
We have made a major contribution to promoting professional learning and leadership through our work on the National Partnership Group set up to take forward the recommendations of *Teaching Scotland's Future*.

We have worked with others on the group to develop a new National Leadership Framework which aims to ensure the systematic development of leadership skills from the outset and throughout a teacher's career. Working with our partners, we are supporting the development of the new Virtual Leadership Academy, which will be hosted within Glow.

We are leading several projects to take forward professional learning in relation to the implementation of *Teaching Scotland's Future*. Our link inspectors are working with universities to improve the consistency of the quality of initial teacher education, induction and probation induction across the country. We are developing resources to support the training of mentors and working with partners to improve online support for continuing professional learning and leadership. We now look at a number of themes from *Teaching Scotland's Future* during school inspections. We are working with partners to develop diagnostic assessment materials for aspiring teachers in the areas of literacy and numeracy.

Education Scotland continues to support professional learning and leadership through the development of CPD Central, and through working in partnership with local authorities on 'learning rounds', professional review and development and the *Flexible Routes to Headship* programme.

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Our Communities Team has facilitated a range of national practitioner networks covering areas such as specific learning difficulties, family learning, youth literacies, adult numeracy and English for speakers of other languages (ESOL).

Our Positive Behaviour Team has supported local authorities, schools and other establishments in creating a positive ethos of mutual respect, based upon shared values, where everyone can learn and work in a peaceful and safe environment.

During 2011-12, we organised five group study visits through the Scottish Continuing International Professional Development programme, enabling Scottish teachers and practitioners to explore aspects of excellent and innovative educational activity in other European countries, on themes relevant to Curriculum for Excellence.



Great to meet up with everyone – and just brilliant to have that opportunity once again to work together and to meet and talk to other SCIPDs. Following the webinar I now have lots of ideas jumpin' around in my head. Actually I tried using some of the facilitator techniques in a meeting I was in yesterday. It is really interesting to think about the group dynamics – especially when trying to move folk forward. I'll need to read these notes in more detail. It would be great to hear more about this.

It was a really good day yesterday. Good to see everyone and I really feel enthusiastic about the future.

**Delegates, Scottish Continuing International Professional Development (SCIPD) Santa Cruz, study visit recall day**



This was my first time at the Learning festival, which was fantastic. I wish I had allowed more time – I will next year. As well as the content, I thought the organisation was tremendous – plenty of helpers standing by to point us in the right direction.

**Delegate, Scottish Learning Festival 2011**



Just a quick note to thank you for arranging the training last Friday. Feedback from participants has been extremely positive. All welcomed the opportunity to meet colleagues from other organisations who are engaged in ESOL delivery. It also clarified for them what is expected in terms of delivery, curriculum development and the initial assessment tool.

**West Lothian Council**

### **(iv) To stimulate creativity and innovation**

*Opening Up Transformative Innovation* is an approach which brings a ‘futures’ perspective into the improvement planning cycle. *Implementing Transformative Innovation* is a change management tool which increases the likely success of innovative change projects. These two new resources have been developed in partnership with the International Futures Forum, Forth Road, and Scottish Government Learning Directorate and Lifelong Learning. They are designed to help establishments, services and education authorities transform their work to meet the needs of today’s learners. Education Scotland staff have worked successfully with practitioners to support them in the use of these resources.

We have continued to add to the *Journey to Excellence* online digital resource which contains movies and staff development materials which exemplify aspects of excellence across a wide range of education sectors and partner agencies. In the course of this year, we have published updated improvement guides illustrating excellence in assessment; and movie clips showing innovative approaches to promoting LGBT equality through the curriculum.

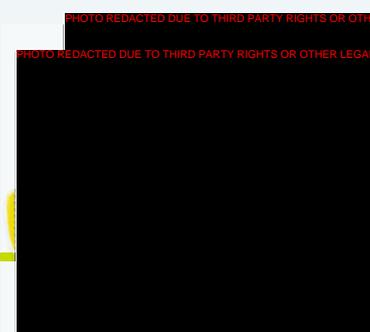
Launched in June 2011, the STEM Central website uses the focus of engineering to offer stimulating and challenging learning experiences for sciences, technologies, engineering and maths based around topical contexts such as electric transport and renewable energy.

The Scottish Learning Festival in September saw the launch of *Marks on the Landscape* is an online interdisciplinary learning resource which focuses on the ambitious land regeneration project, *Fife Earth*, the transformation of a former coalmine into an artwork and tourist attraction. The resource demonstrates possibilities for creative learning and teaching across the curriculum by raising questions, encouraging investigation and promoting challenges that will help young people to understand their capacity for creativity in all aspects of their lives.

We have continued work in partnership with Creative Scotland in support of the Scottish Government’s Education and the Arts, Culture and Creativity Action Plan. We have set up a number of creative learning networks, and have been working towards the launch of Phase 2 of our Creativity Portal.

We established a new partnership with Historic Scotland to develop the artists in residence programme started in Stirling Castle. The project has aimed to ensure that community learning and development practitioners and artists work together with a range of participants including young people, adults and community groups to offer a forum for personal artistic creation.

Education Scotland’s game-based learning initiative, the Consolarium, launched its loan scheme for schools to borrow games-based learning equipment via the CPD Consolarium community in Glow. This new community is designed to encourage the sharing of teachers’ experiences and insights into their use of a range of digital technologies.



In support of the Ministerial commitment to 'Scottish Studies', we have created the new *Studying Scotland* online resource. It hosts materials on history, arts and culture, to help ensure learning about Scotland is an integral part of learning for all our young people.

Working with the Resilience Division of Scottish Government, we have developed *Ready for Emergencies*. This innovative resource is designed to develop young people as responsible citizens by encouraging them to think how they can support their communities in case of emergency.

We have supported innovation through work to identify good practice in implementing *Getting it right for every child* (GIRFEC); and through closer working with the Scottish Prison Service and HM Inspectorate of Prisons to support the development of employability skills in prisons.



I have been catapulted forwards into excitement about promoting Scots language in school. It will be so affirming for children to see Scots words used around the building. The workshops have given me a great start on how to cascade this out among my colleagues, thank you.

[Delegate, Scots CPD Event, Edinburgh](#)



Very thought-provoking – challenging thinking about the future. Useful, practical tools to facilitate change.

[Association of Headteachers & Deputes in Scotland \(AHDS\) members commenting on Opening Up Transformative Innovation resources](#)

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**(v) To provide independent feedback on the quality of educational provision**

Details of our new approaches to inspecting schools and pre-school centres were published in August 2011 as *Arrangements for inspecting schools in Scotland*. These new approaches have been designed to take account of responses to our major consultation with stakeholders in autumn 2010, and our 'user focus' duties arising from the *Public Services Reform (Scotland) Act 2010*. They include: sharing inspection findings with parents in the form of a short, easy-to-read letter, and with schools, education authorities and Chairs of Parent Councils through a more detailed, professional report; taking even greater account of schools' and centres' self-evaluation as the starting point for inspection; even greater emphasis on professional discussion with practitioners as a means of capacity building and supporting improvement; involvement of school and pre-school centre staff in inspection activities; and more opportunities for parents to talk to the inspection team. Feedback on our new approaches, including from the professional associations, has been highly positive.

During the last year, we have worked with the Care Inspectorate to review approaches to inspecting residential special schools and piloted a new model. We have also begun a review of how we inspect learning communities.

In the context of significant changes in the college sector, we have begun work to update the quality framework for the next cycle of college reviews to be undertaken through a new service-level agreement with the Scottish Funding Council. Also in the post-16 area, we have recently been granted powers to charge for the inspection of private colleges and English Language schools and will embark on this new area of inspection shortly.

HM Inspectors have continued to contribute to the process of 'shared risk assessment' led by Audit Scotland. Local Area Networks (LANs) have been established for each council area and bring together representatives from relevant scrutiny bodies with the common aims of joint scrutiny scheduling and planning, shared risk assessment, and the delivery of a single corporate assessment. In the past year, HM Inspectors have continued to work both at a strategic level and also on each LAN to share information gathered from our establishment and service-level inspections, as well as other information we have about education provision, for example young people's achievements, thus making an important contribution to the creation of the annual National Scrutiny Plan.

Throughout 2011-12, we have been working on a report which will provide an overview of the quality of education in Scotland from 2008-2011, due for publication this summer. It will include evidence from inspections and reviews covering pre-school settings, schools, learning communities, colleges, teacher education and prison learning. The report will also evaluate progress in the areas highlighted as priorities for improvement in the second edition of *Improving Scottish Education*, published in 2009.

Since 2008, the findings of pre-school and school inspections have contributed to the National Performance Framework, with the aim of providing evidence of progress towards a 'smarter Scotland'. In 2011-12, we have continued to collate inspection evidence to allow us to publish a three-year summary benchmarking report in June 2012.

The table provides an overview of our inspections and reviews in 2011-12.

Sector	Total
Pre-school settings <sup>3</sup>	201
Primary schools	165
Secondary schools	43
All-through schools	10
Special schools	23
Independent schools <sup>4</sup>	11
Learning communities	29
Colleges	13
Prison education settings	4
Voluntary organisations	3
<b>Total</b>	<b>502</b>



Inspectors have made significant and progressive changes to their operations which we welcome.

Larry Flannigan, General Secretary Educational Institute of Scotland, June 2012



The Inspector in the focus group created a relaxed environment which enabled the individuals to speak freely and honestly. The Managing Inspector gave me the opportunity to observe a lesson with her and the follow-up dialogue we had was very useful and will inform my future practice. This was a very positive experience for me.

Primary school headteacher, May 2011



Staff and learners were very positive about the interactions they had with review team members. The review team were very professional and courteous throughout. My own meetings with the review team were interesting, positive and encouraging.

College Principal



The CLD staff, partners and learners/participants found the experience to be very worthwhile and motivating. It has provided validation of the quality and impact of the work that they are doing and has motivated them to improve further.

Community Learning and Development Manager

<sup>3</sup>Includes "stand-alone" centres and nursery classes in primary, all-through and special schools.

<sup>4</sup>Includes full inspections, registration inspections and other visits and activities on behalf of the Registrar of Independent Schools.

**(vi) To provide evidence-based advice to inform national policy**

We have continued to make a major contribution to the development and implementation of Curriculum for Excellence. As well as the support outlined in the Chief Executive's report and in section 3(i) above, we have provided reports, based on our engagement and development work and inspection findings, on progress with implementing key aspects of Curriculum for Excellence to the Curriculum for Excellence Management Board. We have responded to Scottish Government requests for examples of good practice in implementing aspects of Curriculum for Excellence.

We have carried out work leading to the publication of a report on the skills, competencies and qualifications of staff working in the pre-school sector, and the outcomes for children.

We have provided advice to Ministers on the role of education in combating sectarianism.

At the request of the Scottish Government, we carried out a thematic review of how the Curriculum for Excellence entitlements are being planned and delivered for young people who need more choices and more chances. Our report evaluated how well schools are meeting the needs of those young people in the Senior Phase who are most at risk of not finding a positive post-16 destination.

We are providing policy advice to Scottish Government colleagues in a number of ways in relation to the implementation of *Teaching Scotland's Future* and *Advancing Professionalism in Teaching* (the McCormac report). As requested by the Scottish Government, we provided a report exploring the initial teacher training programme *Teach First*. We have provided professional advice in relation to the use of external experts in schools, and on ways forward for professional learning, building on the successes of the Chartered Teacher programme. We are gathering evidence on the implementation of *Teaching Scotland's Future* at school, local authority and university level and will publish our findings in the summer of 2012.

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We led a highly successful national discussion on new strategic guidance for community learning and development in February, as a result of which a report has been made available to the Scottish Government. We have continued to support government colleagues to produce the guidance due for publication in June 2012, which will address strategic issues and will have clear links to the legislative framework for post-16 education, community empowerment and community planning.

We have continued to support the implementation of the Scottish Government's strategic guidance in *Adult Literacies in Scotland 2020*, which aims to promote equal access to and participation in literacies learning for all adults. We held four regional events in partnership with Jobcentre Plus. These well-received events aimed to promote sustainable partnership working between adult literacies providers, and to ensure that jobseekers are offered appropriate literacies support.

We have provided support to Local Authorities and learning establishments in developing new policies and practice based on the national guidance *Included, engaged and involved Part 2*.

We have provided advice to Scottish Government on: parental involvement; GIRFEC; the implementation of the *Education (Additional Support for Learning) (Scotland) Act 2009*; the Doran review of learning provision for children and young people with complex additional support needs; and made submissions to the Commission on the Delivery of Rural Education.

Under the *Schools (Consultation) (Scotland) Act 2010*, HM inspectors provide important advice to local authorities proposing a permanent change to any of their schools. In such circumstances, a formal consultation process must take place. As part of this process, each local authority sends the result of their consultation to Education Scotland, where HM Inspectors consider the proposal and write a report containing their advice. In 2011-12, HM Inspectors published reports on 39 council proposals.

### **(vii) To develop our people and improve our organisational capability**

When Education Scotland came into being on 1 July 2011, we set up a comprehensive programme of organisational development to enable us to deliver on our new remit.

Our work as part of the organisational development programme has included:

- work with Scottish Government HR colleagues and Trade Unions on the transfer of staff from Learning and Teaching Scotland and the National CPD Team into Scottish Government main terms and conditions;
- design of our new organisational structure;
- a review of our office accommodation and working practices;
- a strategy for establishing an appropriate ICT platform to enable us to deliver on our objectives;
- development of a learning and development strategy to ensure all our staff have the knowledge and skills to enable them to carry out their remits effectively;
- a new Education Scotland website and intranet;
- development of a knowledge transfer strategy;
- an equality impact assessment of the setting up of Education Scotland and work towards ensuring we exemplify good practice with regard to the *Equality Act 2010* and the associated specific duties for Scotland due to be published in May 2012;
- work towards Education Scotland's Corporate Plan for 2012-15; and
- development of a unified approach to business planning to ensure the skills and expertise of staff across the organisation are deployed efficiently to deliver on our objectives for 2012-13.

The second phase of our organisational development programme began on 1 April 2012.

Two all-staff conferences in August 2011 and February 2012 provided the opportunity for all staff to work together to develop our understanding of the new agency's core purpose, and to start to define our core values.

In autumn 2011, all staff took part in the UK-wide Civil Service Staff Survey. The survey provides a baseline against which we can monitor our progress in future years. The responses of Education Scotland staff showed many strengths. The survey also identified a number of areas for improvement which we are working to address.

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A successful 'Learning Week' in December 2011 drew on the skills and expertise of colleagues across the organisation to provide a rich and varied programme of learning and development for all staff. Other team learning events have focused on increasing our shared understanding of Curriculum for Excellence and GIRFEC. We have continued to draw on research to inform our own thinking.

We have continued to use feedback from stakeholders relating to inspection and review, and our extensive programme of development and other engagements with stakeholders to ensure continuing improvement.

The predecessor organisations were committed to improving performance in relation to sustainability, with HMIE in particular achieving substantial reductions in CO2 emissions in conjunction with the Carbon Trust. This year has seen Education Scotland gathering information to help establish a new baseline for the organisation going forward.

Over the course of the year we achieved just over £0.9m in non-cash releasing savings through continued support for Curriculum for Excellence, absorbing additional pressures from work associated with proposed school closures, providing support to the Care Inspectorate, combating sectarianism work and the commission on rural education. In addition, we declared savings of £0.25m and achieved almost £0.6m in cash savings through the use of Scottish Government collaborative contracts.

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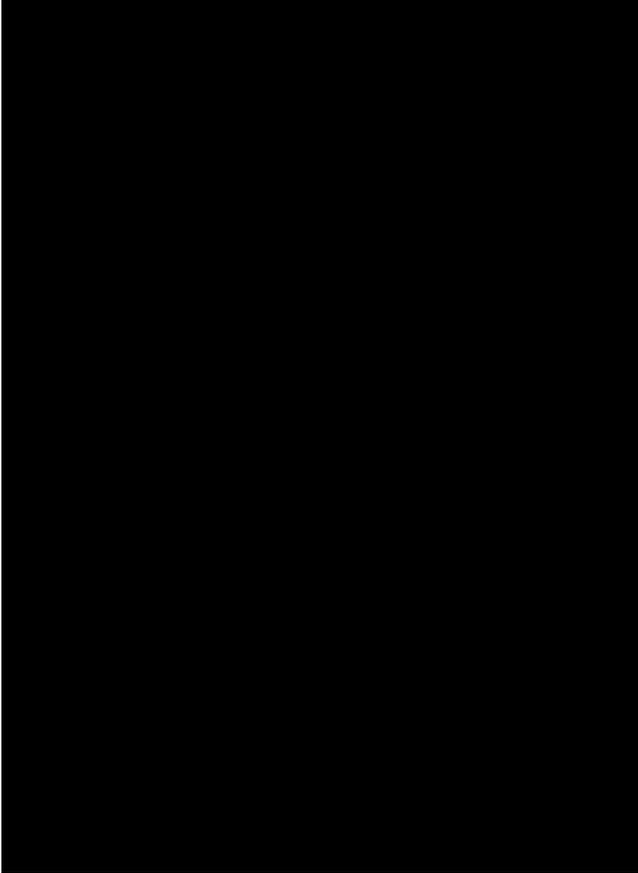
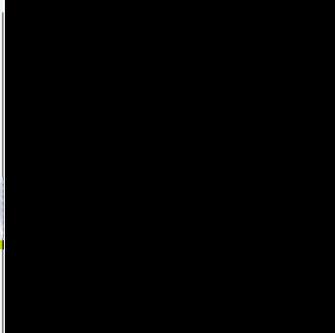


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## 4. Our people

### Our Corporate Management Group

**Bill Maxwell**  
**Chief Executive**

Dr Bill Maxwell, former HM Senior Chief Inspector of HM Inspectorate of Education, led the new agency on its inception and was confirmed as permanent Chief Executive in January 2012.



**Alan Armstrong**  
**Director of Curriculum and Assessment**

Alan Armstrong has been responsible for delivery of guidance and support for curriculum areas, assessment and reporting. In the set up of Education Scotland, Alan has been responsible for the Staffing Transfer project.



**Alastair Delaney**  
**HM Chief Inspector**

Alastair Delaney has been responsible for the school inspection programmes for pre-school, primary and independent schools. In the set up of Education Scotland, Alastair has been responsible for the business planning strategy.



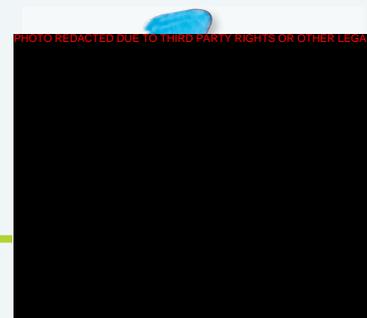
**Anne Jardine**  
**Director of Learning and Community**

Anne Jardine has been responsible for the delivery of many key aspects of Curriculum for Excellence, including early years and supporting learners, as well as community learning and development. In the set up of Education Scotland, Anne has been responsible for the integration of the Positive Behaviour Team.



**Kay Livingston**  
**Director of International Research and Innovation**

Kay Livingston has been responsible for international issues, Glow and emerging technologies. In the set up of Education Scotland, Kay had responsible for the integration of the National CPD Team.



**Catherine McIntyre**  
**Professional Adviser, Policy and Governance**

Catherine McIntyre has worked with the Chief Executive on development and delivery of corporate and education policies. She has had cross-organisational responsibilities as well as advising the Management Board and managing the Chief Executive's business unit.



**Neil McKechnie**  
**HM Chief Inspector**

Neil McKechnie has been responsible for inspection programmes in special schools, and for the inclusion, diversity and equality agenda. In the set up of Education Scotland, Neil has been responsible for the learning and development strategy.



**Ken Muir**  
**HM Chief Inspector**

Ken Muir has been responsible for school inspection programmes for secondary schools and for further education. In the set up of Education Scotland, Ken has been responsible for inspection policy.



**Gill Robinson**  
**HM Chief Inspector**

Gill Robinson has been responsible for inspection and capacity-building programmes in local authorities and CLD. In the set up of Education Scotland, Gill has been responsible for local authority scrutiny strategy.

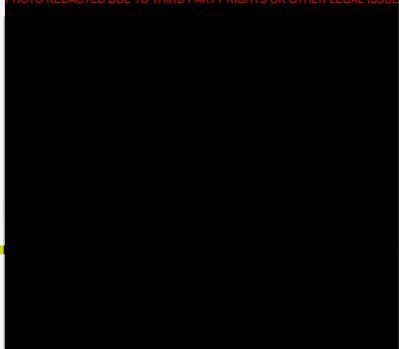


**Stuart Robinson**  
**Director of Corporate Services**

Stuart Robinson has been responsible for delivery of corporate services, including finance, human resources, communications, estate, business management and administration. In the set up of Education Scotland, Stuart has been responsible for the infrastructure projects.



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## Management Board

The Management Board meets on a quarterly basis. Its membership in the last year has been: Chief Executive (Chair); Corporate Management Group; and the following six Non-Executive Directors:

**Moi Ali BA (Hons) FRSA** has worked for the last 25 years in communications. She now runs her own consultancy specialising in communications and customer experience and is author of, and contributor to, 20 books for leading publishers. She sits on the board of the Scottish Ambulance Service and is a governor at Edinburgh Napier University.

**Sir Andrew Cubie CBE, FRSE** has had a long involvement in issues of education and lifelong learning. He is currently chair of the Leadership Foundation for Higher Education, the Scottish Credit and Qualifications Framework Partnership, the Goodison Group in Scotland, the New School and the JNC of the Universities Superannuation Scheme.

**Louise Hayward** is a professor in the School of Education in the University of Glasgow. She is a member of the Curriculum, Assessment and Pedagogy Educational Reform Group and was a member of the internationally renowned Assessment Reform Group. She was a founding member of the Assessment is for Learning programme in Scotland, and has published widely on assessment and on innovation and change.

**Iain Nisbet** is a solicitor and is Head of Education Law at Govan Law Centre where he represents parents and pupils, particularly in the field of additional support needs. He also provides advice, training and publications for education authorities, schools and other professionals. He is the co-author of A-Z of Scots Education Law: A Guide for Parents.

**Graeme S Ogilvy BSc (Hons), MSc, MBA, FCMI, FRSA** has worked in the civil engineering and building construction industry for some 30 years, primarily in the contracting sector. He is a director of Construction Skills Scotland.

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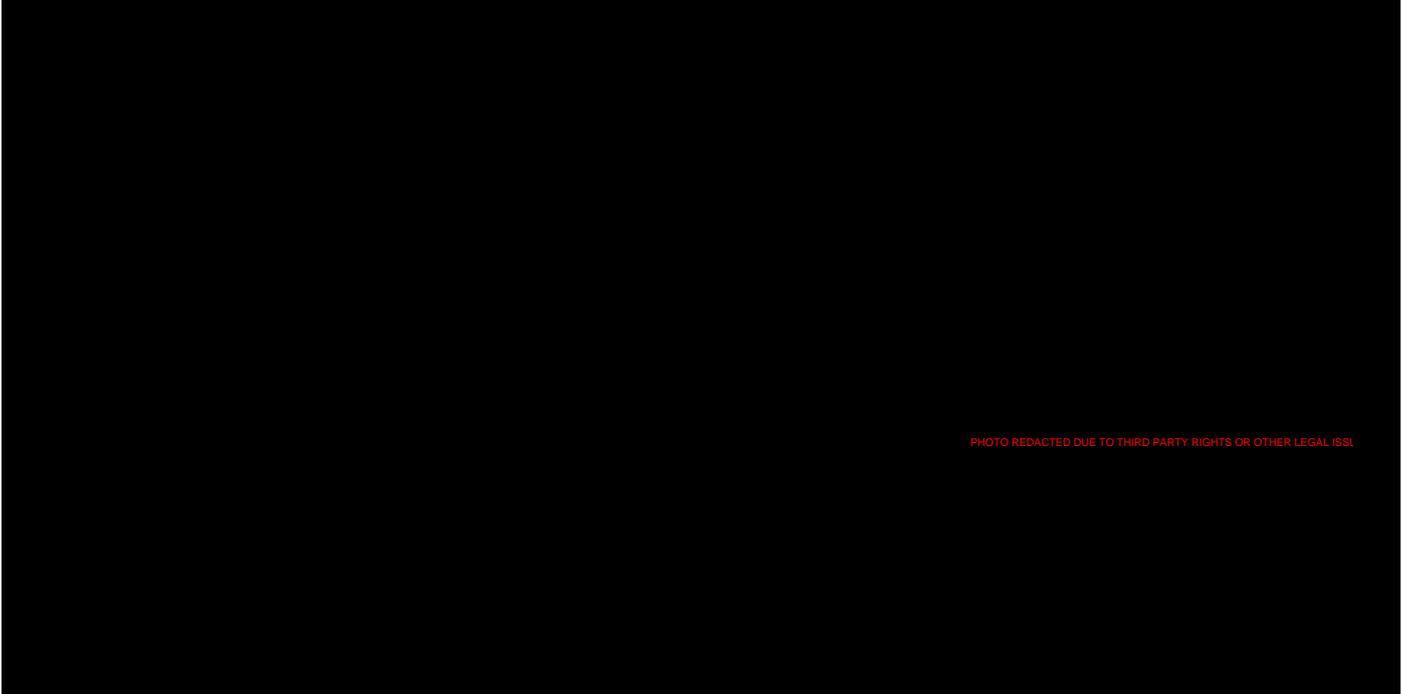


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**Gary Kildare FRSA (until December 2011)** is Global Vice President of Human Resources for IBM Corporation. He is a Chartered Fellow of the Institute of Personnel and Development, a Non-Executive Director of the UK Government National Skills Academy for Financial Services (NSAFS), a non-executive advisor to HM Revenue and Customs (HMRC), a member of the CBI Council for Scotland and a Governor of Edinburgh Napier University.

### Audit and Risk Committee

The Education Scotland Audit and Risk Committee is charged with ensuring that the Accountable Officer (AO) gains the assurance he needs on risk management, governance and internal control.

The Audit and Risk Committee meets on a quarterly basis and membership comprises of the Chief Executive, selected members of the Corporate Management Group, internal and external audit colleagues and the following five Non-Executive Directors:

**Sir Andrew Cubie CBE** (chair) – as above.

**Charles Lovatt** has had a successful entrepreneurial career spanning 30 years. In the mid-1980s he set up a semi-conductor trading company and went on to co-found a record label which became a music publisher and is now a leading sync rights exploitation company. He has been involved with entrepreneurship education since 2004 and was appointed teaching fellow in the School of Management at the University of St Andrews in February 2011. He is a trustee of the National Library of Scotland and a member of the Board of Management at Elmwood College.

**David Morrison** is a 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.

**Iain Nisbet** – as above.

**Shirley Young** works in the field of equality and diversity. She sits on the Scotland Committee of the Big Lottery Fund and previously chaired the Family Fund Trust.

### Education Scotland staff 31 March 2012

Senior Civil Servants	6
HM Inspectors	85
Education & Development Officers	70
Corporate Services staff	106
Support staff	13
Fixed term appointment and secondees	98
Total	378

## 5. Annual Accounts 2011-12

### Management commentary

#### Accounts direction

The accounts have been prepared in accordance with a direction given by the Scottish Ministers in pursuance of the Public Finance and Accountability (Scotland) Act 2000. This direction is shown as an appendix to the accounts.

#### History and statutory background

Education Scotland was established on 1 July 2011 as an Executive Agency of Scottish Ministers under the terms of the Scotland Act 1998. Education Scotland brings together the work of Learning and Teaching Scotland (LTS), HM Inspectorate of Education (HMIE) and some functions previously carried out by the Scottish Government, in particular the teams responsible for Continuing Professional Development and Positive Behaviour. This new national body is responsible for supporting quality and improvement in learning and teaching from early years to adult and community learning.

#### Principal activities

Education Scotland supports quality and improvement in Scottish education by:

- to lead and support the successful implementation of the curriculum;
- to build the capacity of education providers and practitioners to improve their own performance;
- to promote high quality professional learning and leadership;
- to stimulate creativity and innovation;
- to provide independent evaluation on the quality of education provision;
- to provide evidence-based advice to inform national policy; and
- to develop our people and improve our organisational capability.

#### Financial results

The financial information presented in the accounts includes Education Scotland expenditure from 1 July 2011 to 31 March 2012 and expenditure for all the predecessor bodies from 1 April 2011 to 30 June 2011. Merger accounting requires that the results and cash flows of all the combining bodies should be brought into the financial statements of the combined body from the beginning of the financial year in which the combination occurred. Comparative figures for previous years reflect the combined activities of all the bodies and have been restated where required to achieve uniformity of accounting policies.

## Pensions

As civil servants the majority of pension benefits are provided through the Civil Service pension arrangements. More details of the Civil Service Pension Scheme can be found in the annual accounts notes 2.9 and 4.5 and in the remuneration report.

On 30 June 2011 all former LTS employees ceased contributing to either the Strathclyde Pension Fund (SPF) or the Scottish Teachers' Superannuation Scheme (STSS). On 1 July 2011 all former LTS employees were automatically entered in to the Scottish Government pension scheme and given the option to opt out. All employees were then given the option to transfer their accumulated SPF or STSS pensions into the Scottish Government scheme. A decision on the transfer of the pension was required prior to the financial year end. The value of the pension liability stood at £1.9m as of 31 March 2011, however, the final actuarial valuation of the pension liability is not yet available.

## Payment of suppliers

Education Scotland 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 Payments of Commercial Debts (interest) Act 1988*.

For the year ended 31 March 2012, two payments systems were in operation within Education Scotland. One part of the agency made payments using the Scottish Government payment system while the other part used an internal payment system. All Education Scotland staff are now using the Scottish Government accounting system.

For the year ended 31 March 2012, the agency paid 100% of invoices within 10 days on the Scottish Government accounting system (2010-11 99.9%) and took an average of 22 days to pay suppliers on the internal system (2010-11: 20 days).

## Employees with disabilities

Education Scotland is committed to equality of opportunity for all employees. 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 to assist in their career development. Every effort will be made to retain people who become disabled. This may be done through supplying appropriate equipment or offering different work patterns.

### **Equal opportunities and diversity**

As an Agency of the Scottish Government, Education Scotland adheres to the Scottish Government policy on equal opportunities. All staff are treated equally regardless of sex, marital status, age, race, ethnic origin, sexual orientation, disability or religion. Education Scotland 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.

### **Employee involvement/consultation and well being**

Employees are kept informed about the organisation, its people and business through a range of activities, which includes a staff newsletter, regular face-to-face briefings with managers and attending events such as staff conferences.

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.

Education Scotland is committed to ensuring equality of opportunity in respect of access to, and selection for learning and development activities in accordance with individual and team development needs, and our core purpose and strategic priorities. All full- and part-time staff, including those on non-standard contracts, have access to learning and development as appropriate for successful performance in their respective roles.

### **Sickness absence**

Staff absences due to sickness are managed using Scottish Government guidance. For the 12-month period from 1 April 2011 to 31 March 2012, an average of six working days per employee were lost as a result of sickness absence (2010-11: 5 days).

### **Going concern**

The results of the Statement of Comprehensive Net Expenditure derive from operating activities, all of which are continuing. The financial statements for the year ended 31 March 2012 show a net liabilities position of £1.08m. This has arisen as a result of the requirement to account for activities on an accruals basis, whilst recording funding from the Scottish Government on a cash basis. Net current liabilities will be funded by the Scottish Government as they arise. As a consequence, the financial statements have been prepared on a going concern basis.

### **Personal data-related incidents**

There were no personal data-related incidents during 2011-12.

## Governance and board structure

The Management Board is chaired by the Chief Executive and includes senior managers in Education Scotland and six Non Executive Board Members.

Dr Bill Maxwell – Chief Executive

Alan Armstrong

Alastair Delaney

Anne Jardine

Kay Livingston

Neil McKechnie

Kenneth Muir

Gillian Robinson

Sir Andrew Cubie – Non Executive Board Member

Graeme Ogilvy – Non Executive Board Member

Moi Ali – Non Executive Board Member

Iain Nisbet – Non Executive Board Member

Louise Hayward – Non Executive Board Member

Gary Kildare (resigned 9 January 2012) – Non Executive Board Member

## HM Inspectorate of Education and Learning and Teaching Scotland (1 April 2011 to 30 June 2011)

HM Senior Chief Inspector and Accountable Officer to  
30 June 2011

Dr Bill Maxwell

Learning and Teaching Scotland Chief Executive and  
Accountable Officer to 30 June 2011

Bernard McLeary

## HMIE Management Board to 30 June 2011

Bill Maxwell

Alistair Delaney

Neil McKechnie

Kenneth Muir

Gillian Robinson

Moi Ali – Non Executive Board Member

Sir Andrew Cubie – Non Executive Board Member

Gary Kildare – Non Executive Board Member

Shirley Young – Non Executive Board Member

### **Date of HMIE Management Board and attendance by Non Executive Members**

1 June 2011 – Moi Ali, Sir Andrew Cubie, Gary Kildare, Shirley Young.

### **Learning and Teaching Scotland Directors to 30 June 2011**

Bernard McLeary  
James Conroy  
Paul Harris  
Louise Hayward  
Jacqueline Hepburn  
Iain Nisbet  
Graham Ogilvy  
Ken Thomson

### **Dates of LTS Management Board and attendance by Directors**

27 April 2011 – Bernard McLeary, Jim Conroy, Louise Hayward, Graeme Ogilvie, Ken Thomson.

24 June 2011 – Bernard McLeary, Jim Conroy, Paul Harris, Louise Hayward, Jacqueline Hepburn, Iain Nisbet, Graeme Ogilvy, Ken Thomson.

### **Audit and Risk Committee**

The Audit and Risk Committee supports the Management Board and Accountable Officer by reviewing the comprehensiveness of assurances and the integrity and reliability of these assurances. The committee is required to consider the arrangements in place in terms of risk management, governance and internal control and if improvements are needed to provide the necessary assurances. Further details of the Education Scotland Audit and Risk Committee may be found in the Governance Statement.

### **HMIE Audit and Risk Committee to 30 June 2011**

Sir Andrew Cubie  
Charles Lovatt  
David Morrison  
Shirley Young

### **HMIE Audit and Risk Committee and attendance by Non Executive Members**

26 May – 2011 Sir Andrew Cubie, Charles Lovatt, David Morrison, Shirley Young.

## LTS Audit Committee to 30 June 2011

James Conroy  
Jacqui Hepburn  
Iain Nisbet  
Ken Thomson

## Dates of LTS Audit Committee and attendance by Non Executive Members

15 June 2011 – Jacqui Hepburn, Iain Nisbet, Ken Thomson.

## 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 2011-12 to 2015-16, the Auditor General has 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 2011-12. No other services were supplied by Audit Scotland during the period ended 31 March 2012.

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

## 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.

## Sustainability report

Education Scotland is committed to reducing:

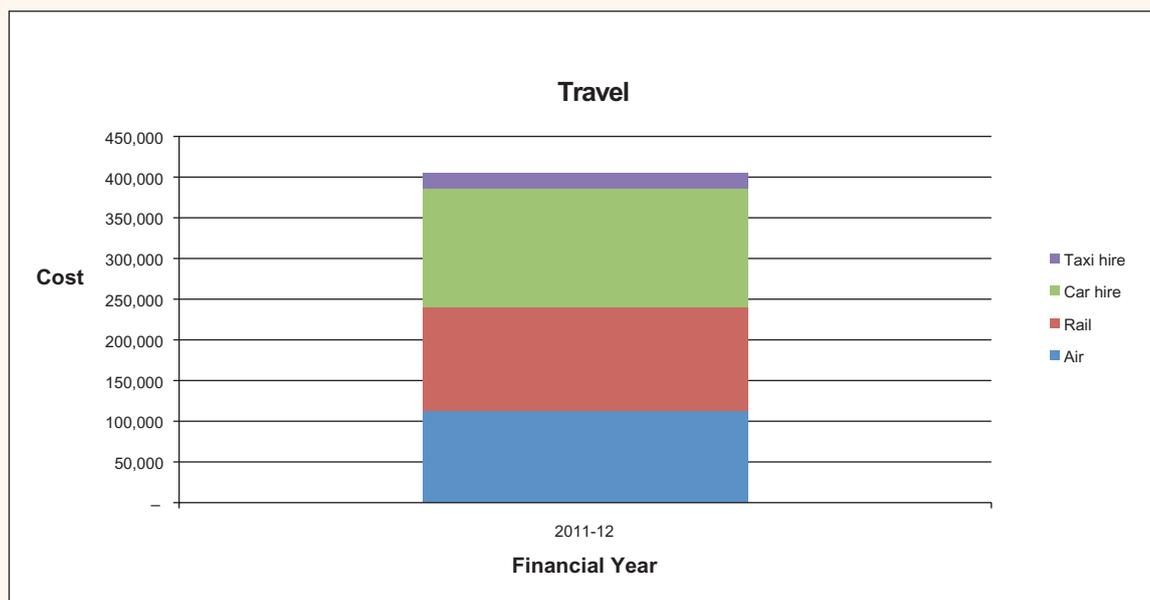
- a. greenhouse gas emissions;
- b. waste sent to landfill;
- c. use of finite resources such as water.

## Travel

The availability of travel information was limited in financial year 2010-11 as not all areas of the organisation maintained records of miles travelled. Information on mileage for all parts of the organisation only became available from 1 July 2011.

Travel costs were fairly evenly spread over three categories with a small amount being spent on taxi costs in financial year 2011-12. Education Scotland facilitate study visits which is a CPD programme drawing on good practice from teaching in other countries. Five study visits took place in financial year 2011-12.

We are unable to provide prior year comparators for travel costs due to the set up of the two accounting systems of the previous organisations.

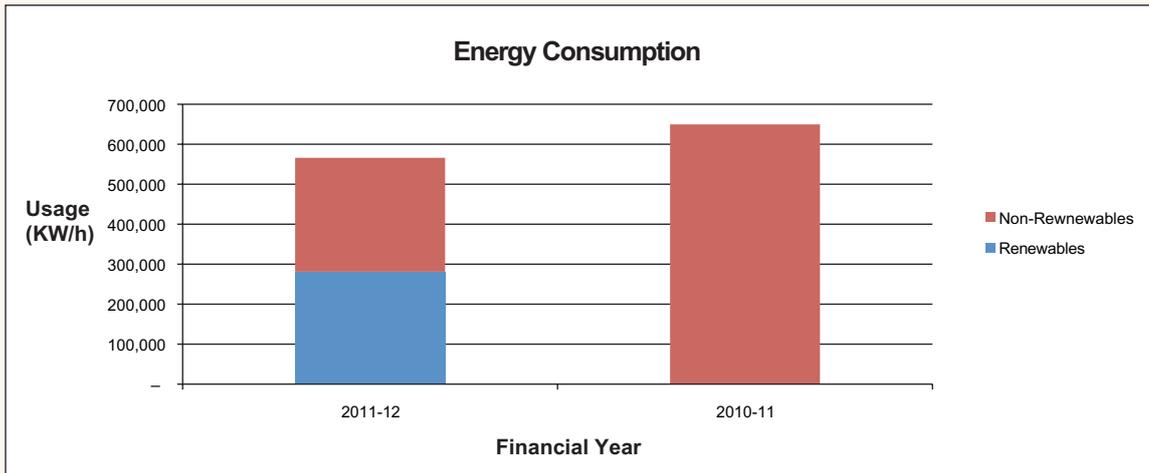


## Energy

Energy use encompasses heating, hot water and lighting for all Education Scotland offices. The organisation seeks to maximise energy-efficiency and use energy from renewable resources where possible.

Reduced staff numbers has resulted in a reduction of energy consumption through fewer computer terminals being used and less lighting required in areas of the office.

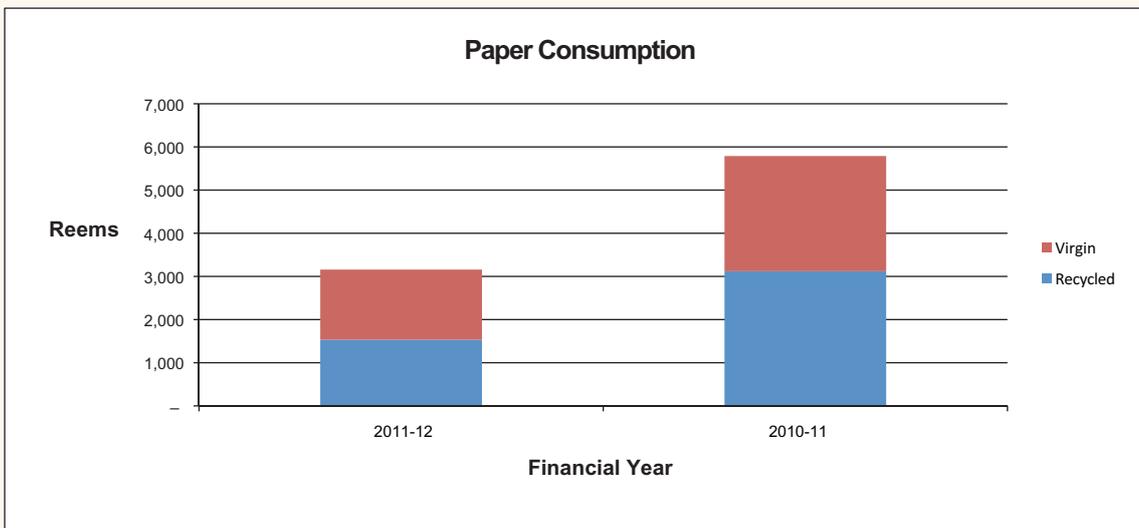
Total energy consumption has decreased by 13% with 50% of the 2011-12 total consumption being sourced from renewable energy, compared to 100% of non renewable energy in 2010-11.



### Paper consumption

The percentage of recycled paper for the organisation decreased from 54% to 49%, however, the total volume of paper usage decreased from 5,789 reams to 3,158. Education Scotland has made efforts to minimise the amount of paper used and this has resulted in a 45% reduction compared to financial year 2010-11.

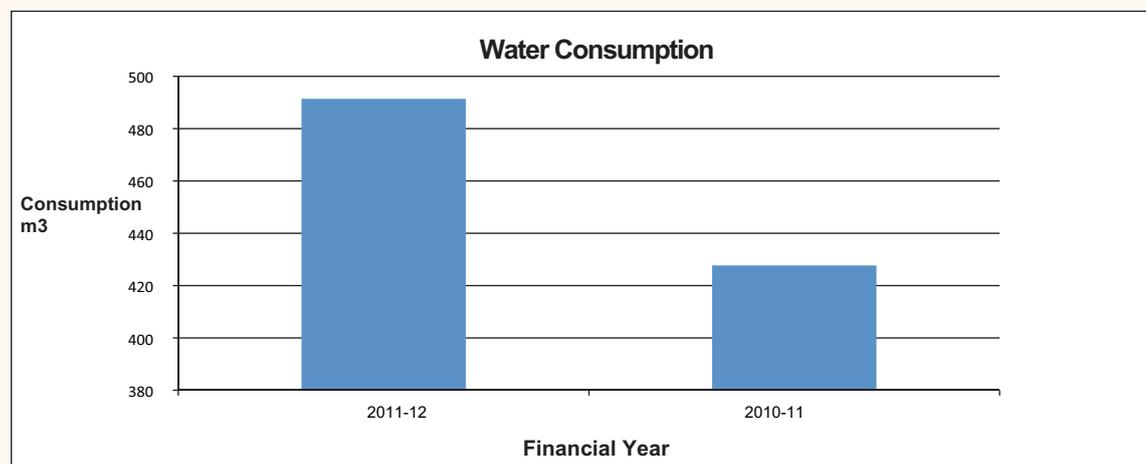
In 2011-12 all inspection reports were published online compared to 2010-11 where reports were published by hard copy.



## Water consumption

Water consumption for Education Scotland increased by 15% between 2010-11 and 2011-12.

Greater vigilance about water use, good housekeeping and the upcoming estates strategy where the feasibility of bringing offices together will be evaluated, will contribute to the level of water consumption being dramatically reduced in financial year 2012-13.



## Environmental matters and social and community issues

Education Scotland's aim is to support quality and improvement in learning and teaching from early years to adult and community learning. This makes a significant contribution in expanding opportunities for all learners in Scotland to succeed.

### Performance against key performance targets

In the first year of operation, although no formal targets were set, Education Scotland continued to carry out the responsibilities of the predecessor bodies to ensure that all of the strategic objectives were met. Full details of the action taken during 2011-12 to deliver on our strategic objectives can be found at section 3 of the Annual report.

## Financial review

### Results for the year

Education Scotland's expenditure is funded from the Scottish Government Education and Lifelong Learning Portfolio's budget. Education Scotland's total budget for 2011-12 was £32.6m. £250k of savings were declared early in the year.

The results show a net outturn of resource expenditure of £31.1m compared to £37.7m in 2010-11. There has been a reduction in both staff costs and in other administrative costs. Staff costs have reduced because a number of staff have left on early severance packages and staff on fixed-term contracts have not had their contracts renewed.

Other administration costs includes the costs of external contractors and this has fallen from £3.4m in 2010-11 to £1.6m in 2011-12. Due to the timing of the establishment of Education Scotland on 1 July 2011, there were delays in confirming what the requirement for contractors would be and in putting the contracts in place. This has resulted in a significant reduction in expenditure on contractors. Fewer inspections were carried out in 2011-12 and this has impacted on the support required from Assistant Inspectors and Associate Assessors.

In 2011-12 Education Scotland showed a position of net liabilities exceeding assets by £1.08m. There have been no significant purchases of property, plant and equipment during the year. As at 31 March 2011 the largest single asset was the LTS bank account. Education Scotland is using the Scottish Government's accounting system and will draw funds directly from the Scottish Government bank account so the LTS bank account is to be closed and any residual balances will be transferred to the Scottish Government. Office of the Scottish Charity Regulator (OSCR) have confirmed that there are no restrictions on the transfer of any remaining balances to the Scottish Government. The pension liability of £1.9m has been transferred to the Scottish Government.

## Resources

The main part of Education Scotland's budget for 2011-12 is made up of £13.7m transferred from HMIE and £17.7m transferred from LTS. The remainder of the budget for the year is made up of smaller budgets covering the transfer of functions for work on Positive Behaviours and Continuing Professional Development. The financial results for the year are reported in the attached accounts. They record a net outturn of resource expenditure of £31.1m compared to a budget of £32.6m yielding a net underspend of £1.5m. Capital outturn was £0.04m compared to a budget of £0.04m.

## Movements in Property Plant and Equipment

Total non current asset purchases for the year was £0.044m (2010-11 £0.328m). Expenditure on non current assets has been limited this year to the purchase of security access equipment for the Optima Building in Glasgow, video editing software and replacement of a small number of laptops. The total net book value of disposals during 2011-12 was £0.004m (2010-11: £0.007m). The total net book value of non current assets at 31 March 2012 was £1.868m compared to £2.426m in 2010-11.

## Future developments

2012-13 will be the first full year of operation of Education Scotland. The corporate plan, (which although currently in draft form is due to be approved by the Cabinet Secretary), reflects the priorities and activities of the new organisation set within the context of reduced public sector funding and the requirement to make savings. The Spending Review of 2011 has set budgets for the next three years up to 2014-15 and show a gradual reduction in the level of funding to Education Scotland.

Scottish Ministers have allocated a budget of £27.12m for the financial year 2012-13.

Education Scotland will continue to support the implementation of Curriculum for Excellence and the new generation of national qualifications which are being introduced in 2013-14. The agency will work with other partners to support schools in implementing the recommendations in Graham Donaldson's review of teacher education.

Additional inspection work on private colleges is set to take place in 2012-13. A fee will be charged for this service which will be dependent on the level of inspection required.

Dr Bill Maxwell  
Chief Executive

20 June 2012

# Remuneration report

## For the year ended 31 March 2012

### *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](http://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 Education Scotland'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*

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

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.

Further information about the work of the Civil Service Commissioners can be found at [www.civilservicecommissioners.gov.uk](http://www.civilservicecommissioners.gov.uk).

### *Remuneration (including salary) and pension entitlements*

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

Education Scotland is required to disclose the relationship between the remuneration of the highest paid director in the organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest paid director in Education Scotland in the financial year 2011-12 was £110-115k. This was 3.3 times the median remuneration of the workforce which was £33,792.

In 2011-12, no employees received remuneration in excess of the highest paid director. Remuneration ranged from £15,078 to banded remuneration of £75k-£80k.

Total remuneration includes salary, non consolidated performance related pay, benefits in kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

## Remuneration

	2011-12			2010-11		
	Salary £'000	Bonus payments £'000	Benefits in kind (to nearest £100)	Salary £'000	Bonus payments £'000	Benefits in kind (to nearest £100)
<b>Bill Maxwell</b> Chief Executive	110-115	–	–	110-115	0	–
<b>Bernard McLeary</b> <sup>1</sup> former Chief Executive of LTS to 30 June 2011	25-30 (100-105 full year equivalent)	5-10	–	100-105	0	–
<b>Alan Armstrong</b> Director of Curriculum and Assessment	70-75	–	–	65-70	0-5	–
<b>Alastair Delaney</b> HM Chief Inspector	70-75	–	–	70-75	0-5	–
<b>Marie Dougan</b> Director of Learning and Technology (left 11 October 2010)	–	–	–	35-40 (55-60 full year equivalent)	0-5	–
<b>Alistair Gordon</b> <sup>2</sup> Director of Corporate Services for LTS to 30 June 2011	20-25 (70-75 full year equivalent)	–	–	65-70	0-5	–
<b>Anne Jardine</b> Director of Learning and Community	65-70	–	–	65-70	0-5	–
<b>Kay Livingston</b> <sup>3</sup> Director of International, Research and Innovation	75-80	0-4	–	75-80	0	–
<b>Neil McKechnie</b> HM Chief Inspector	70-75	–	–	70-75	0-5	–
<b>Kenneth Muir</b> HM Chief Inspector	65-70	–	–	65-70	0-5	–
<b>Gillian Robinson</b> HM Chief Inspector	75-80	–	–	75-80	0	–
<b>Chris McIlroy</b> HM Chief Inspector (retired 30 June 2011)	5-10 (30-35 full year equivalent)	–	–	30-35	0-5	–
<b>Frank Crawford</b> <sup>4</sup> HM Chief Inspector (left 29 July 2011)	10-15 (35-40 full year equivalent)	–	–	35-40	0-5	–

<sup>1</sup> Bernard McLeary left on 30 June 2011 and received an immediate pension of £50k-£55k and lump sum payment of £135k-£140k from the Strathclyde Pension Fund. In addition he received a lump sum of approximately £91k in line with the standard terms of the LTS voluntary severance scheme as disclosed in the LTS 2010-11 audited accounts. The bonus payment received in 2011-12 relates to performance in 2010-11.

<sup>2</sup> Alistair Gordon left on 30 June 2011 and received an immediate pension of £10k-£15k and lump sum payment of £30k-£35k from the Strathclyde Pension Fund.

<sup>3</sup> Kay Livingston's bonus payment in 2011-12 relates to performance in 2010-11.

<sup>4</sup> Frank Crawford accepted a voluntary severance package of £35k-£40k.

## Remuneration (cont'd)

	2011-12			2010-11		
	Salary £'000	Bonus payments £'000	Benefits in kind (to nearest £100)	Salary £'000	Bonus payments £'000	Benefits in kind (to nearest £100)
<b>Moi Ali*</b> Non Executive Board Member (from 29 September 2010)	0-5	–	–	0-5 (0-5 full year equivalent)	0	–
<b>Sir Andrew Cubie CBE*</b> Non Executive Board Member	0-5	–	–	0-5	0	–
<b>Louise Hayward</b> Non Executive Board Member	0-5	–	–	0-5	0	–
<b>Gary Kildare*</b> Non Executive Board Member (resigned 9 January 2012)	0-5	–	–	0-5	0	–
<b>Iain Nisbet*</b> Non Executive Board Member	0-5	–	–	0-5	0	–
<b>Graeme Ogilvy*</b> Non Executive Board Member	0-5	–	–	0-5	0	–
<b>Shirley Young*</b> Non Executive Board Member	0-5	–	–	0-5	0	–
<b>Band of Highest Paid Director's Total remuneration (£000's)</b>	110-115			110-115		
<b>Median Total remuneration</b>	£33,792			£32,554		
<b>Ratio</b>	3.3			3.4		

\* Non-Executive Board member positions are fixed-term appointments and are non pensionable. All payments to management board members, including former LTS board members, were in the 0-£5k band.

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

### Salary

'Salary' includes gross salary; 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. This report is based on payments made by Education Scotland and thus recorded in these accounts.

### Benefits in Kind

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

## Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. They generally relate to performance in the year in which they are paid. Bonuses relate to the performance in the year in which they become payable to the individual. For all staff, apart from Bernard McLeary, the bonuses reported in 2011-12 relate to performance in 2011-12 and the comparative bonuses for 2010-11 relate to performance in 2010-11. Bernard McLeary received a bonus of £9,018 in June 2011 in respect of performance in 2009-10.

## Pension Benefits

	Accrued pension at pension age as at 31/3/12 and related lump sum	Real increase in pension and related lump sum at pension age	Cash equivalent transfer value (CETV) at 31/3/12	CETV at 31/3/11 <sup>5</sup>	Real increase in CETV as funded by employer	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £'000
<b>Bill Maxwell</b> HM Senior Chief Inspector	55-60	No increase	939	875	No increase	–
<b>Alan Armstrong<sup>6</sup></b> Director of Curriculum and Assessment	25-30 plus lump sum of 60-65	5-10	496	378	105	–
<b>Alastair Delaney</b> HM Chief Inspector	20-25	0-2.5	282	258	No increase	–
<b>Ann Jardine<sup>7</sup></b> Director of Learning and Community	30-35	30-35	564	–	562	–
<b>Neil McKechnie</b> HM Chief Inspector	5-10	0-2.5	183	149	19	–
<b>Kenneth Muir</b> HM Chief Inspector	30-35 plus lump sum of 90-95	No increase	670	629	No increase	–
<b>Gillian Robinson</b> HM Chief Inspector	40-45	0-2.5	774	697	10	–
<b>Chris McIlroy<sup>8</sup></b> HM Chief Inspector	0-5	0-2.5	20	18	2	–
<b>Frank Crawford<sup>9</sup></b> HM Chief Inspector	0-5 plus lump sum of 0-5	0-2.5 plus lump sum increase 0-2.5	19	15	3	–

Non-Executive Board member positions are non-pensionable.

<sup>5</sup> The actuarial factors used to calculate CETVs were changed in 2011-12. The CETVs at 31/3/11 and 31/3/12 have both been calculated using the new factors, for consistency. The CETV at 31/3/11 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

<sup>6</sup> Alan Armstrong is part of a TUPE transfer and has a preserved award and brought in 4.9 years of reckonable service.

<sup>7</sup> Anne Jardine is part of a TUPE transfer and brought in 28.4 years of reckonable service.

<sup>8</sup> Chris McIlroy started partial retirement on 15 April 2009 and retired fully on 30 June 2011. He received a pension of £35k-£40k and a lump sum of £95k-£100k.

<sup>9</sup> Frank Crawford started partial retirement on 2 November 2009 and left on 29 July 2011. He received a pension of £30k-£35k and a lump sum of £90k-£95k.

### 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 or 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 Pensions Increase legislation. Members who joined from October 2002 could opt for either the appropriate defined benefit arrangement or 'money purchase' stakeholder pension with an 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. Increases to employee contributions will apply from 1 April 2012. 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 initial 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 the accrued pension is up rated in line with Pensions Increase legislation. 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](http://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 pension benefits at their own cost. CETVs are worked out in accordance with *The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008* 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 terms in the year 2011-12. Bernard McLeary, Frank Crawford and Alistair Gordon left under the Voluntary Exit Scheme. Bernard McLeary received a compensation payment of £91k and Frank Crawford received a compensation payment of £35k-£40k.

**Dr Bill Maxwell**

Chief Executive

20 June 2012

## Statement of Accountable Officer's Responsibilities

Under section 19 of the *Public Finance and Accountability (Scotland) Act 2000*, the Scottish Ministers have directed Education Scotland 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 net resource outturn, recognised gains and losses, and cash flows for the financial year.

The Principal Accountable Officer of the Scottish Government appointed the Chief Executive of Education Scotland as the Accountable Officer. As Accountable Officer, the Chief Executive 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 published in the Scottish Public Finance Manual.

# Governance Statement

## Scope of Responsibility

As Accountable Officer, I have responsibility for maintaining a sound system of governance 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.

Education Scotland's governance arrangements comply with generally accepted best practice and with the guidance in *On Board: A guide for board members of public bodies in Scotland*.

## Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values by which Education Scotland is directed and controlled. It enables the organisation to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate cost effective services.

The system of internal control is a significant part of that framework and 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 and prioritise the risks to the achievement of Education Scotland's policies aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework accords with guidance from the Scottish Ministers provided in the SPFM and has been in place at Education Scotland for the year ended 31 March 2012 and up to the date of approval of the annual report and accounts.

## Education Scotland Governance Framework

Education Scotland currently has an interim governance framework in place. The Chief Executive has a responsibility to ensure the agency effectively delivers ministerial policies and is supported in this by the Management Board.

The current Education Scotland Management Board is in place to cover the transitional period up to the formation of an established Board. It is chaired by the Chief Executive and comprises the eight senior staff members of the Corporate Management Group and six non executive members. During the 2011-12 financial year these were:

### Executive Members

Bill Maxwell (Chair)

Alan Armstrong

Alastair Delaney

Anne Jardine

Kay Livingston

Neil McKechnie

Kenneth Muir

Gillian Robinson

### Non Executive Members

Sir Andrew Cubie

Graeme Ogilvy

Moi Ali

Iain Nisbet

Louise Hayward

Gary Kildare (resigned 9 January 2012)

The Chief Executive was appointed to HM Inspectorate of Education following an open competition and his role transferred to Education Scotland. 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.

The remuneration of other Board members, including non executive board members, is determined under the Scottish Government's arrangements that are consistent with Government policy.

Additional information on salary and pension entitlements can be found in the remuneration report.

The role of the Management Board is to:

- provide effective leadership, direction, support and guidance to the agency and ensure that the policies and priorities of Scottish ministers (and the Scottish Government) are implemented;
- ensure that appropriate corporate and business plans are in place for the delivery of the agency's services and that proper standards of corporate governance are maintained;
- scrutinise and monitor the agency's performance against its targets; and
- advise the Chief Executive on matters affecting the effective and efficient discharge of the agency's responsibilities.

The Management 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 and the Corporate Management Group.

The Management Board have considered the recommendations outlined in the Audit Scotland report on the role of boards and these have informed the design and development of the governance structure in Education Scotland. Non Executive Directors have completed the self assessment checklist which formed the appendix to the Audit Scotland report.

### **Dates of Management Board and attendance by Non Executive Members**

4 October 2011 – Moi Ali, Louise Hayward, Gary Kildare, Iain Nisbet, Graeme Ogilvy.

13 December 2011 – Sir Andrew Cubie, Moi Ali, Louise Hayward, Gary Kildare, Iain Nisbet, Graeme Ogilvy.

15 March 2012 – Moi Ali, Louise Hayward, Gary Kildare, Iain Nisbet, Graeme Ogilvy.

A register of board members' interests is maintained within Education Scotland. None of the Board members hold any company directorships or have any other significant interests which may have conflicted with their management responsibilities during the year.

### **Audit and Risk Committee**

The Audit and Risk Committee in place for 2011-12 was a transitional committee. It was 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 Member
Charles Lovatt	Non Executive Member
David Morrison	Non Executive Member
Iain Nisbet	Non Executive Member
Shirley Young	Non Executive Member

### **Dates of Audit and Risk Committee and attendance by non executive members**

26 August 2011 – Sir Andrew Cubie, Charles Lovatt, Iain Nisbet, Shirley Young.

5 December 2011 – Sir Andrew Cubie, Charles Lovatt, Iain Nisbet, Shirley Young.

14 February 2012 – Sir Andrew Cubie, Charles Lovatt David Morrison, Iain Nisbet, Shirley Young.

Representatives from Education Scotland, the Scottish Government Internal Audit Division and Audit Scotland are also invited to attend on a regular basis. The Committee meets four 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 Education Scotland.

### **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.

Education Scotland has produced an interim risk management policy and strategy to update and support the procedures already in place. Comprehensive Risk Registers have been established, which identify owners for all key risks that may affect the delivery of our business objectives, and which categorise risks using a robust prioritisation methodology. The Risk Registers detail mitigating actions, status and the risk owner. The Audit and Risk Committee monitor performance in managing the corporate level risks contained in the registers.

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 carried out the following.

- Reviewed and maintained an overarching corporate level risk register which is informed and supported by comprehensive Risk Registers at the directorate/programme level. Regular reports are sent to both the Corporate Management Group and the Audit and Risk Committee.
- Directorate/Programme boards review and monitor internal evaluation of all aspects of control and delivery.
- There were a number of corporate and directorate/programme level training events held during the year. These provided training and dissemination of good practice to Education Scotland staff and the wider teaching community.
- Education Scotland has completed the UK Government's Security Policy Framework. The document contains the mandatory requirements for all public sector organisations to adhere to security for information both in paper and electronic form. One action from the SPF has been for all staff to complete a mandatory e-learning package on data handling on a yearly basis.

## Review of Effectiveness

As Accountable Officer, I have responsibility for conducting, at least annually, a review of the effectiveness of the agency's governance framework including the system of internal control. The review of effectiveness is informed by:

- certificates of assurance produced by the heads of directorate and programme managers;
- 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.

- Education Scotland's Management Board sets and monitors the delivery of Corporate and Business Plans. The Board comprises the agency's Corporate Management Group and five independent, external members. It meets four times a year and receives regular reports on progress against performance targets.
- Education Scotland's Audit and Risk Committee is chaired by one of the four external Board members, who make regular reports to the Management Board on matters concerning internal control. At least three external members 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 Education Scotland's Corporate Management Group, which comprises the eight senior staff at Director level.
- The remit of each Director and the directorate structure are designed to make clear the responsibilities for delivering Education Scotland's business objectives.
- Through the regular and frequent meetings of the Corporate 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 Education Scotland. Improvements to our business planning system also support these reviews.

The main risks facing Education Scotland in the period following its establishment on 1 July 2011 were:

- to ensure that the necessary governance structures were put in place;
- to ensure that appropriate risk management processes were put in place; and
- to ensure that managers were receiving reliable data which they could use to monitor challenge and direct performance.

A transitional Chief Executive was appointed soon after 1 July 2011 and an interim Management Board and Audit and Risk Committee were put in place. A full organisational review has been undertaken in order to ensure that the structure of the Education Scotland meets the requirements of new organisation rather than imposing the structures of predecessor bodies.

Both HMIE and LTS had well established risk registers in place at Education Scotland's start up date and these continued throughout 2011-12. However, an overarching register of corporate level risks was put in place to allow the Directors to review and monitor risks for all of Education Scotland. Existing and newly identified risks were discussed at directorate/programme boards and the status and associated mitigating action was regularly challenged and updated.

Two financial systems were operating for most of 2011-12. Processes were put in place to consolidate financial information each month and so allow managers to monitor and review financial information and ensure that spend remained within budget.

The Scottish Government's Internal Audit Division carried out an assessment and review of governance, risk management and financial systems which were in place during 2011-12 in order to identify any weaknesses and allow issues to be addressed at an early stage in the creation of Education Scotland. The Internal Audit review confirmed that the necessary interim governance and risk management structures were in place and working effectively.

Assurances for the period from 1 April 2011 to 30 June 2011 were provided by Bernard McLeary who was the Chief Executive of LTS during this period.

Education Scotland 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.

### **Significant Governance Issues**

In the nine months since the establishment of Education Scotland, the organisation has undertaken a fundamental organisational development review in order to set the objectives for the new organisation and to put in place the governance arrangements necessary to support the achievement of these objectives. This has involved the establishment of a transitional management board and Audit and Risk Committee. The senior management structure and line management responsibilities have changed in order to better reflect the new organisation.

Education Scotland's framework document is currently being finalised. However, established procedures are continuing to be followed in the interim.

Two separate financial systems have been in operation for the greater part of the year with full integration only taking place towards the year end. Education Scotland will use the Scottish Government accounting system. Staff have received the necessary training and have been supported by staff who are already using the Scottish Government system.

### **Dr Bill Maxwell**

Chief Executive

20 June 2012

# Independent auditor's report to Education Scotland, the Auditor General for Scotland and the Scottish Parliament

I have audited the financial statements of Education Scotland for the year ended 31 March 2012 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise, the Statement of Comprehensive Net Expenditure, Statement of Financial Position, the Statement of Cash Flow, the Statement of Changes in Taxpayers' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2011/12 Government Financial Reporting Manual (the 2011/12 FReM).

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 125 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 Accountable Officer and auditor

As explained more fully in the Statement of the Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors. I am also responsible for giving an opinion on the regularity of expenditure and income.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts, disclosures, and regularity of expenditure and income in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

## Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2012 and of its net operating cost for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2011/12 FReM; and
- have been prepared in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

## Opinion on regularity

In my opinion in all material respects:

- the expenditure and income 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.

## Opinion on other prescribed matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers; and
- the information given in the Management Commentary included in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Governance Statement does not comply with Scottish Government guidance.

I have nothing to report in respect of these matters.

Ruth Brown (CPFA)  
Senior Audit Manager  
Audit Scotland  
18 George Street  
Edinburgh  
EH2 2QU  
20 June 2012

## Statement of comprehensive net expenditure for the year ended 31 March 2012

	Notes	2011-12 £'000	Restated 2010-11 £'000
<b>Administration costs</b>			
Staff costs	4	20,515	24,538
Depreciation	7,8	613	739
Other administration costs	5	13,521	16,132
<b>Gross administration costs</b>		34,649	41,409
<b>Operating income</b>	6	(3,228)	(3,015)
Other income		(282)	(654)
<b>Net operating costs for the year</b>		<b>31,139</b>	<b>37,740</b>
<b>Other comprehensive expenditure</b>			
Net gain on revaluation of Property, Plant and Equipment	7	5	25
<b>Total comprehensive expenditure for the year ended 31 March 2012</b>		<b>31,144</b>	<b>37,765</b>

The notes on pages 57-70 form part of these accounts.

## Statement of financial position as at 31 March 2012

	Notes	2011-12 £'000	Restated 2010-11 £'000	Restated 2009-10 £'000
<b>Non-current assets</b>				
Plant and equipment	7	1,857	2,423	2,812
Intangible assets	8	11	3	8
<b>Current assets</b>				
Inventories	10	15	16	24
Trade and other receivables	11	650	510	829
Cash and cash equivalents	12	452	8,835	9,639
<b>Current liabilities</b>				
Trade and other payables	13	(3,797)	(5,297)	(6,410)
Provision for liabilities	14	(64)	(864)	
Net current liabilities		(2,744)	3,200	4,082
<b>Non current assets less net current liabilities</b>		(876)	5,626	6,902
<b>Non current liabilities</b>				
Non current liabilities		(100)	(107)	(124)
Provision for liabilities	14	(102)	(190)	
Provision for pension liability			(1,999)	(8,318)
<b>Net assets</b>		<b>(1,078)</b>	<b>3,330</b>	<b>(1,540)</b>
<b>Taxpayers equity:</b>				
General reserve		(1,178)	5,234	6,700
Revaluation reserve		100	95	78
Pension reserve			(1,999)	(8,318)
		<b>(1,078)</b>	<b>3,330</b>	<b>(1,540)</b>

**Dr Bill Maxwell**

Chief Executive

20 June 2012

Authorised for issue

20 June 2012

The notes on pages 57-70 form part of these accounts.

## Statement of cash flows for the year ended 31 March 2012

	Notes	2011-12 £'000	Restated 2010-11 £'000
<b>Cash flows from operating activities</b>			
Net operating cost		(31,139)	(37,740)
Adjustment for non cash transactions:			
Depreciation	7,8	613	739
Audit fee	5	40	25
Provision for early retirement	14		280
Provision for early retirement utilised in year	14	(69)	
Provision for voluntary severance utilised	14	(774)	
Provision not required and written back	14	(45)	
Actuarial gains/(losses) on net pension liability			(3,806)
Movements in working capital:			
(Increase)/decrease in inventories	10	1	8
(Increase)/decrease in trade and other receivables	11	(140)	319
Increase/(decrease) in trade and other payables	13	(1,506)	(356)
<b>Net cash outflow from operating activities</b>		<b>(33,019)</b>	<b>(40,531)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	7	(35)	(328)
Purchase of intangible assets	8	(9)	
Loss on disposal of property plant and equipment	7	4	7
Net cash outflow from investing activities		<b>(40)</b>	<b>(321)</b>
<b>Cash flows from financing activities</b>			
Funding from Scottish Government		<b>24,676</b>	<b>40,048</b>
<b>Net financing</b>			
Net increase/(decrease) in cash and cash equivalents in the period	12	(8,383)	(804)

The notes on pages 57-70 form part of these accounts.

## Statement of Changes in Taxpayer's Equity For the year ended 31 March 2012

	General fund	Revaluation reserve	Project funded assets	Pension reserve	Total
	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2010</b>	5,486	78	1,574	(8,318)	(1,180)
Adjustments for change in accounting policy					
Project funded assets reserve	1,574		(1,574)		0
International Financial Reporting Standards (IFRS) adjustment	(360)				(360)
<b>Restated balance at 1 April 2010</b>	<b>6,700</b>	<b>78</b>	<b>0</b>	<b>(8,318)</b>	<b>(1,540)</b>
<b>Changes in taxpayers' equity for 2010-11</b>					
Net gain on revaluation of property, plant and equipment		25			25
Non cash charges – auditors remuneration	26				26
FRS 17 Pension liability	(3,806)			3,806	0
Net gain on pension liability				2,513	2,513
Transfers between reserves	8	(8)			0
Transfer of assets to the Care Inspectorate	(2)				(2)
Net operating cost for the year	(37,740)				(37,740)
Net funding	40,048				40,048
<b>Balance as at 31 March 2011</b>	<b>5,234</b>	<b>95</b>	<b>0</b>	<b>(1,999)</b>	<b>3,330</b>
<b>Balance at 1 April 2011</b>	<b>5,234</b>	<b>95</b>	<b>0</b>	<b>(1,999)</b>	<b>3,330</b>
<b>Changes in taxpayers' equity for 2011-12</b>					
Net gain on revaluation of property, plant and equipment		16			16
Non cash charges – auditors remuneration	40				40
Transfers between reserves	11	(11)			0
Transfer of pension liability				1,999	1,999
Net operating cost for the year	(31,139)				(31,139)
Net funding	24,676				24,676
<b>Balance as at 31 March 2012</b>	<b>(1,178)</b>	<b>100</b>	<b>0</b>	<b>0</b>	<b>(1,078)</b>

# Notes to the financial statements

## 1. Merger accounting

The financial statements for 2011-12 have been produced in line with merger accounting principles and therefore reflect the period from 1 April 2011 to 31 March 2012. Assets and liabilities transferred from HM Inspectorate of Education and Learning and Teaching Scotland, as well as information reflecting the reporting period preceding the effective date of 1 July 2011, are reported in Note 3 of the financial statements.

## 2. 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* (reproduced at the end of the notes to the accounts), these accounts have been prepared in compliance with the principles and disclosure requirements of the IFRS based Government Financial Reporting Manual (iFReM), which follows generally accepted accounting practice as defined in International Financial Reporting Standards (IFRS) as adopted by the European Union, International Financial Reporting Interpretation Committee (IFRIC) Interpretations and the Companies Act 2006 to the extent that it is meaningful and appropriate in the public sector context. The particular accounting policies adopted by the Education Scotland are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

The accounts are prepared using accounting policies and, where necessary, estimation techniques, which are selected as the most appropriate for the purpose of giving a true and fair view in accordance with the principles set out in International Accounting Standard 8: Accounting Policies, Changes in Accounting Estimates and Errors.

### 2.1 Accounting convention

They have been prepared under the historical cost convention modified by the revaluation of non current assets to fair value as determined by the relevant accounting standard and in accordance with the IFRS based Government Financial Reporting Manual (iFReM).

### 2.2 Going concern

The financial statements for the year ended 31 March 2012 show net liabilities of £1.08m. This has arisen as a result of the requirement to account for the activities of Education Scotland on an accruals basis, whilst recording funding from the Scottish Government on a cash basis. Net current liabilities will be funded by the Scottish Government as they arise. As a consequence, these financial statements have been prepared on a going concern basis.

## 2.3 Business combinations/merger accounting

During the year HM Inspectorate of Education and Learning and Teaching Scotland combined to form Education Scotland. They were joined by teams with responsibility for Continuing Professional Development within education and Positive Behaviours in schools. The Government Financial Reporting Manual requires that merger accounting be applied when there is a combination of two or more public sector bodies into one new body. Comparative figures reflect the combined activities of all the bodies. Learning and Teaching Scotland and the Continuing Professional Development team previously prepared their financial statements in accordance with UK Generally Accepted Accounting practice (UK GAAP) and therefore comparative figures have been restated to an IFRS basis to achieve uniformity of accounting policies.

## 2.4 Change of accounting policy

HM Treasury, have amended the FReM in order to remove the variation in accounting treatment of capital non exchange transactions in central and local government. Previous FReM accounting requirements stated that assets financed by government grant and donations are subject to similar accounting arrangements. The value of the financing provided by government or the donor is taken to reserves, government grant or donated asset reserve, and released to the Statement of Comprehensive Net Expenditure over the life of the asset.

International Accounting Standard No 20 (IAS 20), Accounting for government grants and disclosure of government assistance, must now be interpreted so that grants and similar financing for capital items are recognised immediately, unless there is a condition that the recipient has not satisfied. The impact on the prior-year statement of comprehensive net expenditure is shown below.

Additionally, the staff costs have been restated to include an adjustment to achieve uniformity of accounting policies. This is as a result of the requirement under International Accounting Standard No 19 (IAS 19), Employees, to account for employee benefits.

<b>Statement of comprehensive net expenditure</b>	<b>2010-11</b>	<b>Restated</b>	<b>Adjustment</b>
	<b>2010-11</b>	<b>2010-11</b>	
	<b>£'000</b>	<b>£'000</b>	
<b>Administration costs</b>			
Staff costs	24,570	24,538	32
Depreciation	739	739	
Other administration costs	16,132	16,132	
<b>Gross administration costs</b>	41,441	41,409	
<b>Operating income</b>	(4,005)	(3,669)	336
<b>Net operating costs for the year</b>	<b>37,436</b>	<b>37,740</b>	

<b>Statement of financial position</b>	<b>2010-11</b>	<b>Restated</b>	
	<b>£'000</b>	<b>2010-11</b>	<b>Adjustment</b>
		<b>£'000</b>	
<b>Non-current assets</b>			
Plant and equipment	2,423	2,423	
Intangible assets	3	3	
<b>Current assets</b>			
Inventories	16	16	
Trade and other receivables	510	510	
Cash and cash equivalents	8,835	8,835	
<b>Current liabilities</b>			
Trade and other payables	(4,969)	(5,297)	(328)
Provision for liabilities	(864)	(864)	
Net current liabilities	3,528	3,200	
<b>Non current assets less net current liabilities</b>	5,954	5,626	
<b>Non current liabilities</b>			
Non current liabilities	(107)	(107)	
Provision for liabilities	(190)	(190)	
Provision for pension liability	(1,999)	(1,999)	
<b>Net assets</b>	<b>3,658</b>	<b>3,330</b>	
<b>Taxpayers' equity:</b>			
General reserve	4,325	5,234	(909)
Revaluation reserve	95	95	
Project asset reserve	1,237	0	1,237
Pension reserve	(1,999)	(1,999)	
	<b>3,658</b>	<b>3,330</b>	

## 2.5 Inventory

The inventory includes all publications and software held by Education Scotland. Inventory is stated at current cost.

## 2.6 Property, plant and equipment

All property, plant and equipment (PPE) assets are accounted for as non current assets unless they are deemed to be held for sale. PPE assets comprise leasehold improvements, furniture and fittings, computer equipment, computer software, plant and machinery and vehicles. They are capitalised at their cost of acquisition and installation. Plant and equipment assets that have short useful lives or low values or both are reported at depreciated historic cost as a proxy for fair value.

The minimum level of capitalisation of a PPE asset within 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.

Education Scotland does not own any land or buildings. Charges for the rental of accommodation are included in the statement of comprehensive net expenditure.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Education Scotland and the cost can be measured reliably. The carrying amount of any replaced parts is derecognised. All other repairs and maintenance are charged to the statement of comprehensive net expenditure during the financial period in which they are incurred.

## 2.7 Depreciation

Depreciation is provided at rates calculated to write off the valuation of PPE assets by equal instalments over the expected useful lives of the assets concerned. The expected useful lives are as follows:

Leasehold improvements	The shorter of the asset life or remaining lease term
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.

## 2.8 Value added tax (VAT)

Education Scotland 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.

Education Scotland 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.

## 2.9 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is an unfunded defined benefit scheme. 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 4.5. Liability for payment of future benefits is a charge on the PCSPS.

Staff from the former LTS were automatically transferred to the PCSPS but were given the opportunity to opt out if they wished. Staff had previously contributed to the SPF or the Scottish Teachers Superannuation Fund. The value of the pension liability as at 31 March 2011 stood at £1.9m and responsibility for any outstanding liabilities resulting from the scheme has reverted to the Scottish Government. Therefore the financial statements of Education Scotland are showing an opening liability for the pension scheme but no pension reserve balance as of 31 March 2012 because this transferred to the Scottish Government as of 1 July 2011. The final actuarial valuation is not yet available.

## 2.10 Operating income

Operating income represents the income received in respect of the service level agreement held with the Scottish Further and Higher Education Funding Council (SFC) and sales of software licences to schools.

## 2.11 Foreign currency exchange

Transactions which are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the date of each transaction, except where the rates do not fluctuate significantly, in which case an average rate for the period is used. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive net expenditure.

## 2.12 Leases

Education Scotland 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.

## 2.13 Trade payables/receivables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for any impairment. A provision for impairment of trade receivables is made where there is objective evidence Education Scotland will not be able to collect all amounts due under the original terms of the contract.

### 3. Statement of financial position to 30 June 2011

#### HM Inspectorate of Education

	£000's
Non current assets	783
Current assets	493
Provision	(90)
Current liabilities	<u>(1,028)</u>
	158
Creditors >1 year	(107)
Non current liabilities	<u>(190)</u>
	<u>(139)</u>
Financed by:	
General reserve	(234)
Revaluation reserve	<u>95</u>
	<u>(139)</u>

#### Learning and Teaching Scotland

	£000's
Non current assets	1,497
Inventories	16
Current assets	8,825
Provision	
Current liabilities	<u>(4,165)</u>
	6,173
Non current liabilities	(1,999)
provision	
	<u>4,174</u>
Financed by:	
General reserve	6,143
Pension liability	(1,999)
Surplus for the year	<u>30</u>
	<u>4,174</u>

## 4. Staff costs and numbers

### 4.1 Staff costs during the year were:

	<b>2011-12</b>	<b>Restated 2010-11</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	12,148	15,707
Social security costs	1,102	1,372
Other pension costs	2,389	(885)
Temporary staff/secondees/contract personnel	2,851	4,717
Agency staff costs	329	43
Associate Assessors/supply staff	433	991
	<b>19,252</b>	<b>21,945</b>
Other staff costs		
Early severance costs	1,282	2,541
Holiday pay accrual	(19)	52
Total staff costs	<b>20,515</b>	<b>24,538</b>

### 4.2 The average number of persons employed during the year was:

	<b>2011-12</b>	<b>2010-11</b>
Senior management	8	12
Other permanent staff	365	405.5
Agency/temporary staff	16	9
	<b>389</b>	<b>426.5</b>

**4.3** Staff numbers and associated costs have fallen from the previous year. The main reasons for the reduction in numbers is because staff on fixed-term contracts have not had their contracts renewed and also because a number of staff have taken the opportunity to leave under early exit schemes.

**4.4** Costs of Civil Service Compensation Scheme and early severance payments.**2011-12**

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band (Total cost)
<£10,000	0	4	4
£10,000-£25,000	0	4	4
£25,000-£50,000	0	20	20
£50,000-£100,000	0	2	2
£100,000-£200,000	0	3	3
<b>Total number of exit packages</b>	0	33	33
<b>Total resource cost</b>	0	£1,340k	

**2010-11**

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed		Total number of exit packages by cost band (Total cost)
		HMIE	LTS	
<£10,000	0	3		3
£10,000-£25,000	0	7	9	16
£25,000-£50,000	0	16	13	29
£50,000-£100,000	0	5	3	8
£100,000-£200,000	0	6	2	8
<b>Total number of exit packages</b>	0	37	27	64
<b>Total resource cost</b>	0	£1,795k	£1,026k	£2,821k

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the Scottish Government, in conjunction with Education Scotland, has agreed early retirements, the additional costs are met by the agency and not the Civil service pension scheme. Ill health retirement costs are met by the pension scheme and are not included in this table.

**4.5 Pensions**

The PCSPS is an unfunded multi-employer defined benefit scheme but Education Scotland is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2010. Details can be found in the separate scheme statement of the PCSPS Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2011-12, employer's contributions of £2,388,736 were payable to the PCSPS at one of four rates in the range 16.7 to 25.8 per cent (2010-11 – 16.7 to 25.8 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.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers contribution of £16.5k (2010-11 £12k) were paid to one or more of an appointed panel of stakeholder pension providers. Employer contributions are age related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions of up to 3% of pensionable pay. In addition, employers contributions (0.8% of pensionable pay) were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. There were no contributions due to the partnership pension or prepaid at the balance sheet date.

As an Agency of the Scottish Government, all Education Scotland staff are Scottish Government employees and any existing pension liabilities will be met by the Scottish Government. Therefore, the pension liability, which stood at £1.9m as at 31 March 2011, for the former LTS employees with the Strathclyde Pension Fund will no longer be disclosed in Education Scotland's accounts but will be included in the Scottish Government consolidated accounts.

## 5. Other administration costs

	2011-12	2010-11
	£'000	£'000
<b>5.1 Costs</b>		
Cost of software sales	708	628
Grant payments	1,871	1,147
Interconnect infrastructure costs	2,325	2,179
Cost of running conferences and seminars	736	962
External advice	141	270
Contractors	1,626	3,375
Consultancy	12	26
Associate members costs	70	201
Lay member costs	15	16
Travel and development	1,413	1,753
Training costs	157	100
Reports and inspections	266	352
Rent, rates, utilities and maintenance	1,809	2,209
Advertising costs (including recruitment)	72	157
Loss on disposal of non current assets	4	7
Other office costs	2,370	2,445
	<b>13,595</b>	<b>15,827</b>
<b>5.2 Non cash charges</b>		
Audit fee	40	25
Provision created in year		280
Provision utilised in year	(69)	
Provision written back in year	(45)	
<b>Total (5.1 and 5.2)</b>	<b>13,521</b>	<b>16,132</b>

## 6. Income

	Income Received 2011-12 £'000	Restated Income Received 2010-11 £'000
SFC Income	1,077	1,322
Local authority and other grants	1,454	1,011
Software sales	697	682
Other income	282	654
<b>Total</b>	<b>3,510</b>	<b>3,669</b>

The total income received from the SFC for the inspection of Scottish colleges has fallen this year. There has also been a reduction in the software sales to schools and local authorities.

## 7. Property plant and equipment

	Leasehold improvements	Furniture and fittings	Plant and equipment	Vehicles	IT Systems	Total
<b>Cost</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 April 2011	2,252	1,369	324	16	2,514	6,475
Additions			15		20	35
Transfers						
Disposals					(174)	(174)
Revaluation	31					31
<b>At 31 March 2012</b>	<b>2,283</b>	<b>1,369</b>	<b>339</b>	<b>16</b>	<b>2,360</b>	<b>6,367</b>
<b>Depreciation</b>						
At 1 April 2011	855	959	281	3	1,954	4,052
Charge for year	162	95	11	3	341	612
Transfers						
Disposals					(170)	(170)
Revaluation	16					16
<b>At 31 March 2012</b>	<b>1,033</b>	<b>1,054</b>	<b>292</b>	<b>6</b>	<b>2,125</b>	<b>4,510</b>
<b>Net Book Value</b>						
<b>At 31 March 2012</b>	<b>1,250</b>	<b>315</b>	<b>47</b>	<b>10</b>	<b>235</b>	<b>1,857</b>
<b>At 31 March 2011</b>	<b>1,397</b>	<b>410</b>	<b>43</b>	<b>13</b>	<b>560</b>	<b>2,423</b>

## 8. Intangible assets

	Software Licences £'000	Other Software £'000	Total £'000
<b>Cost</b>			
At 1 April 2011	118	8	126
Additions		9	9
Transfers			
Disposals			
Revaluation			
<b>At 31 March 2012</b>	<b>118</b>	<b>17</b>	<b>135</b>
<b>Depreciation</b>			
At 1 April 2011	115	8	123
Charge for year	1		1
Transfers			
Disposals			
Revaluation	-	-	-
<b>At 31 March 2012</b>	<b>116</b>	<b>8</b>	<b>124</b>
<b>Net book value</b>			
<b>At 31 March 2012</b>	<b>2</b>	<b>9</b>	<b>11</b>
<b>At 31 March 2011</b>	<b>3</b>	<b>0</b>	<b>3</b>

## 9. Financial instruments

As the cash requirements of Education Scotland are met through the estimates 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 Education Scotland's expected purchase and usage requirements and Education Scotland is therefore exposed to little credit, liquidity or market risk.

## 10. Inventory

	2011-12 £'000	2010-11 £'000
General Inventory	15	16

The inventory includes all publications and software held for sale by Education Scotland.

## 11. Trade receivables and other current assets

	2011-12 £'000	2010-11 £'000
Trade receivables	180	345
Prepayments and accrued income	470	165
	<b>650</b>	<b>510</b>

## 12. Cash and cash equivalents

	<b>2011-12</b>	<b>2010-11</b>
	<b>£'000</b>	<b>£'000</b>
Balance as at 1 April	8,835	9,639
Net change in cash and cash equivalent balances	(8,383)	(804)
Balance as at 31 March	452	8,835

The LTS cash balance has been utilised instead of receiving funding from the Scottish Government. Any cash balances as at 31 March 2012 will be transferred to the Scottish Government.

## 13. Trade payables and other liabilities

	<b>2011-12</b>	<b>2010-11</b>
	<b>£'000</b>	<b>£'000</b>
Amounts falling due within one year		
Trade payables	470	892
Other payables	92	320
Accruals and deferred income	3,235	4,085
	<u>3,797</u>	<u>5,297</u>
Provisions	64	864
	<u><b>3,861</b></u>	<u><b>6,161</b></u>
Central government creditors	1,305	1,564
Local government creditors (including schools)	890	228
NHS	5	0
Other creditors	1,661	4,369
	<u><b>3,861</b></u>	<u><b>6,161</b></u>

Amounts falling due after more than one year

Pension liability		1,999
Provision for early retirement costs	102	190
Other creditors	100	107
Total non current liabilities	<u><b>202</b></u>	<u><b>2,296</b></u>

## 14. Provision for liabilities

	Early retirement costs	Early severance costs	Pension liability	Total
Balance as at 1 April 2011	280	774	1,999	3,053
Provisions utilised in year	(69)	(774)		(843)
Provisions not required and written back	(45)			(45)
Transfer of liability			(1,999)	(1,999)
<b>Balance as at 31 March 2012</b>	<b>166</b>	<b>0</b>	<b>0</b>	<b>166</b>

The provision for the pension liability has now transferred to the Scottish Government.

### Analysis of timings of early retirement costs

	2011-12 £'000	2010-11 £'000
<b>Provision for early retirement costs</b>		
Payable in one year	64	90
Payable between 2-5 years	80	154
Payable between 6-10 years	22	36
<b>Total</b>	<b>166</b>	<b>280</b>

A provision has been created for staff leaving Education Scotland on early retirement schemes. Three opportunities were offered for staff to apply for early retirement. These offers were open to staff working within organisations covered by Scottish Government main terms and conditions at Bands A-C and the Senior Civil Service and were made under the Civil Service Compensation Scheme Arrangements.

## 15. Leasing commitments

At 31 March 2012, Education Scotland was committed to making the following payments in respect of building leases:

	2011-12 £'000	2010-11 £'000
Payable in one year	482	482
In two to five years	1,727	1,792
More than five years	1,204	1,635

### **16. Related party transactions**

Education Scotland is an Executive Agency of the Scottish Government Education and Lifelong Learning Portfolio, which is therefore regarded as a related party. During the year, Education Scotland had a number of material transactions with the Scottish Government. In addition, Education Scotland has had a number of other material transactions with other Government Departments and other central Government bodies, such as the SFC. During the year, the managerial staff and board members have not undertaken any material transactions with Education Scotland.

### **17. Capital commitments and contingent liabilities**

There were no capital commitments or contingent liabilities existing at 31 March 2012 (31 March 2011: nil).

### **18. Losses and special payments**

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

### **19. Post balance sheet events**

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



## Education Scotland

### Direction by the Scottish Ministers

1. The Scottish Ministers, in accordance with section 19(4) of the *Public Finance and Accountability (Scotland) Act 2000* hereby give the following direction.
2. The statement of accounts for the financial year ended 31 March 2012, 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.
3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
4. This direction shall be reproduced as an appendix to the statement of accounts.

Signed by the authority of the Scottish Ministers

Dated 10 January 2012

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Transforming lives through learning

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