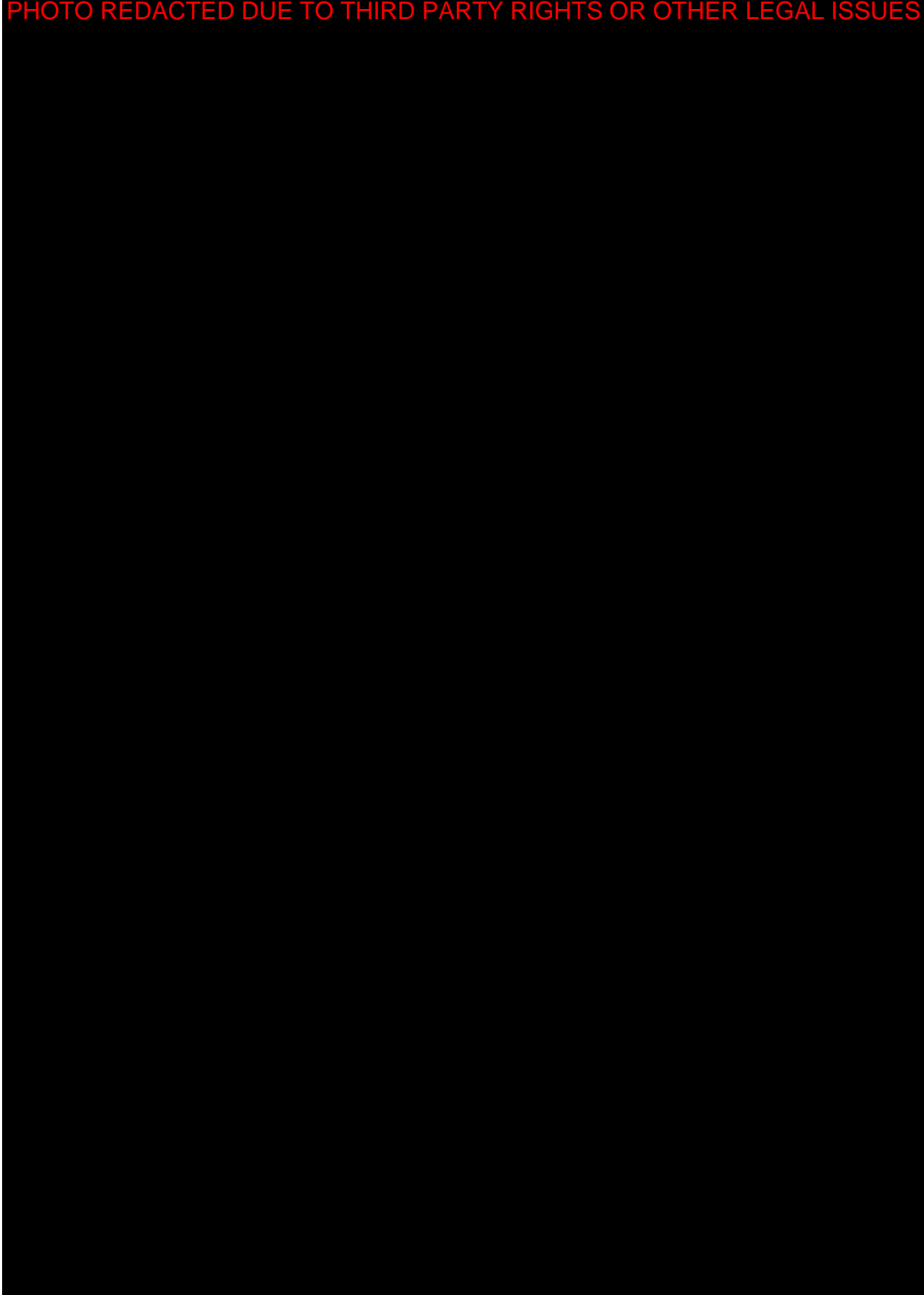


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ANNUAL REPORT AND ACCOUNTS 2007-08

HM INSPECTORATE OF EDUCATION

An Agency of the Scottish Government

Laid before the Scottish Parliament by the Scottish Ministers June 2008

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Section 1

Report by HM Senior Chief Inspector



This has been a year of significant challenge for all public services in Scotland. The Scottish Government's Purpose, its Concordat with the Convention of Scottish Local Authorities (COSLA) and the related National Performance Framework, and the emerging policy priorities are all drivers for change and development. Of direct significance for HMIE has been the Government's response to the Crerar Report on scrutiny. At the same time, educational policy and practice has itself been fast moving. The *Early Years and Early Intervention Framework*, *Curriculum for Excellence* and *Skills for Scotland: a lifelong skills strategy* have been particularly significant. These developments have all given rise to considerable strategic reflection and development.



A core function of HM Inspectorate of Education (HMIE) is to provide assurance and bring about improvement through inspection and review. In the past year, we carried out almost 1000 inspections covering all sectors of education. This has had a huge positive impact on children, young people and adult learners in Scotland. In spring last year, we published new frameworks for inspections – the third edition of *How good is our school?* and the second edition of *The Child at the Centre*. We revised our inspection models in schools and pre-school centres from January 2008 to take account of these new frameworks. We reintegrated nursery class inspections into primary school inspections and worked with the Care Commission to reduce the frequency of integrated inspections. We made changes to school inspections by including a significant shift towards *getting it right for every child* (the GIRFEC agenda). Our approaches to inspection have allowed us to focus directly on learners' progress and achievements, on the quality of learning and teaching and on schools' capacity for improvement. Through our programme of follow-through inspections, we continued to engage with schools and pre-school centres where we found underperformance. I am pleased to report that in these centres and schools we have found improvements since the original inspections had taken place.

During 2007-08, we continued with our second phase of inspections of the educational functions of local authorities. Our programme is now more proportionate. This year each of our full inspections included inspections of educational psychology services. We have also been developing approaches to assisted self-evaluation, working directly with two local authorities. We continued with our inspections of community learning and development (CLD) services, which helped the development of self-evaluation in that sector. As part of our continuing service level agreement with the Scottish Funding Council (SFC), we neared the end of the current cycle of college reviews and worked with SFC to develop new quality arrangements for implementation from August 2008. Our programme of joint inspections of provision for child protection in each local authority area maintained the drive for improvement. We continued to develop services for children inspections in partnership with stakeholders and other inspectorates.

Section 2 of this report provides more information about our inspection and reporting activities in 2007-08.

The direct engagement between inspectors and staff during inspections provides a unique lever for improvement at the points where learning takes place. I commented last year, in our annual report, on our commitment to ensuring that our inspection models maximise the extent to which we engage directly with staff. Throughout last year, we continued the training programme for inspectors that we started in 2006, to ensure the highest possible levels of interpersonal skills in our inspectors. Our school inspections are undergoing significant change in order to be more proportionate, to build more directly on self-evaluation and to drive improvement and innovation.

We published a range of reports in the last year on key national developments and provided high quality, independent, professional advice drawn from inspection and review evidence to Scottish Ministers and others with responsibilities in education and children's services. Inspectors provided influential professional advice on *Skills for Scotland: a lifelong skills strategy* and contributed advice to developments within *Curriculum for Excellence*. We produced a report on our inspection of services and support provided to children of asylum seekers in Glasgow, which has had a considerable impact on improving the lives of these vulnerable children. Our influential report *Leadership for learning: The challenges of leading in a time of change* was published in June 2007. We disseminated

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the messages of this report by hosting a number of seminars throughout Scotland. Our second review of the implementation of the school meals strategy, *Hungry for Success – Further Food for Thought* continued the important debate on healthy eating in Scotland.

We are committed to ensuring improvements in children's services, including provision for child protection, through the combination of inspection and robust self-evaluation. To assist local authorities and partner agencies develop sound approaches to improvement through self-evaluation, we published two guides based on the inspection framework for child protection. We plan to publish more guides in this series during 2008-09.

We are committed to the identification and dissemination of good practice. We launched our influential *Journeys to Excellence* online digital resource in September 2007. This resource, which contains an extensive range of examples of best practice in Scottish education, receives around 50,000 page visits per month and is growing steadily. Since January 2008, we have published examples of good practice that we have found in school inspection reports. Our series of aspect reports on specific educational themes includes examples of good practice, recommendations and areas for improvement. Aspect reports are often supported by good practice conferences and contributions from inspectors at national and local events. Demonstrable changes in practice follow.

Sections 2 and 3 of this report provide more information about our publications and the impact we have had on education and children's services.

I am pleased to be able to report that throughout the last year we had a high degree of success in meeting our challenging targets. This success reflects the professionalism and strong teamwork of all staff in HMIE including assistant inspectors, associate assessors and lay members and their commitment to improving the lives of children, young people and adult learners in Scotland. I want to put on record my gratitude to them. I would also like to express my thanks to those who work with us, including education authorities, for their ongoing support.

We shall finalise and publish our Corporate Plan covering 2008-11 later this year. It is clear that the years to come will pose considerable challenges for HMIE as we continue to play our full part in improving Scottish education. The new streamlined early education and school inspection model, which we introduced in part from April 2008 and will introduce in full from September 2008, will be critical to ensuring that we play our full part in helping to realise the full potential of *Curriculum for Excellence* for all young people and in allowing us to report progress in *Scotland Performs*. The successes of the current year have established a strong platform for that work and for our contribution to education and children's services as a whole.

Graham Donaldson

HM Senior Chief Inspector

June 2008

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Section 2

Performance against targets 2007-08

Strategic priority 1

Through inspection and reporting, promote public accountability for the delivery of high quality education to all learners in Scotland.

What we planned to do

1.1 We shall undertake a programme of inspections including:

- 380 early education centres in collaboration with the Care Commission;
- 235 primary schools;
- 50 secondary schools;
- 23 centres including day special schools; residential special schools; secure units; outreach services; and hospital services;
- a minimum of six inspections of education authorities in the second cycle of INEA, which will include the inspection of educational psychology services in all full inspections;
- a minimum of eight inspections of CLD services;
- 11 inspections of child protection services in local authority areas;
- three follow-through inspections of child protection services; and
- one joint inspection of the services for the children of asylum seekers in the Glasgow City Council area.

What we did

- We inspected 395 early education centres.
- We inspected 237 primary schools.
- We inspected 50 secondary schools.
- We inspected 28 centres and schools for pupils with a range of additional support needs.
- We inspected eight education authorities. Five of these were full inspections and included the inspection of educational psychology services. Three inspections were 'short' models and did not include educational psychology services. We carried out one follow-through inspection.
- We undertook eight full inspections and six follow-through inspections of CLD services.
- We carried out 11 full inspections of child protection services. We have published reports on six of these inspections. We are due to report on the other five later this year.
- We carried out three follow-through inspections of child protection services. We have published reports on these inspections.
- We carried out one joint inspection of services for the children of asylum seekers in Glasgow City Council area.

1.2 We shall undertake a programme of follow-through inspections in pre-school centres, schools, mainstream school care accommodation services, residential special provision, secure units and CLD in line with our commitment to stakeholders.

We published 115 follow-through reports on pre-school centres, schools, mainstream school care accommodation services; residential special provision; secure units and CLD.

What we planned to do	What we did
<p>1.3 In conjunction with a range of other bodies, we shall also undertake programmes of inspections/reviews of:</p> <ul style="list-style-type: none"> • colleges; • voluntary sector organisations; • prison education facilities; • youth justice services; and • independent schools seeking registration. 	<ul style="list-style-type: none"> • As agreed with SFC, we reviewed 12 colleges and carried out two follow-up reviews. • We carried out four full inspections of voluntary sector organisations and two follow-up inspections. • We inspected three prisons with HM Inspectorate of Prisons (HMIP). • We developed an approach to the inspection of youth justice services in conjunction with Social Work Inspection Agency (SWIA), HM Inspectorate of Constabularies (HMIC) and Audit Scotland. • We carried out five pre-registration inspections and ten post-registration inspections at the request of the Registrar of Independent Schools.
<p>1.4 We shall issue 95% of all draft inspection/review reports within 12 working weeks of the end of the inspection/review or within timescales agreed with partner bodies.</p>	<p>We issued all draft reports within agreed timescales.</p>
<p>1.5 We shall publish 95% of all inspection/review reports within 16 working weeks of the end of the inspection/review or within timescales agreed with partner bodies.</p>	<p>We published 96% of reports within target timescales.</p>
<p>1.6 We shall work with SFC to pilot and evaluate the use of student members of college review teams with a view to full implementation of this initiative.</p>	<p>We piloted and evaluated the use of student members of inspection teams in two college reviews. Building on the success of the pilot, in 2007-08 we included student team members as part of seven review teams.</p>
<p>1.7 We shall develop an inspection model for joint inspection of services for children.</p>	<p>We undertook a modelling exercise in the Scottish Borders Council area to inspect services for children in a neighbourhood. This work has informed further developments in establishing inspections of services for children.</p>

Strategic priority 2

Work with other organisations to build capacity to provide education and services for children of the highest quality for all users.

What we planned to do

2.1 We shall prepare for publication a range of reports on the impact of policy initiatives.

What we did

We published reports on a range of initiatives including:

- *Preparing for Work: a Report on the Skills for Work pilot programme* in September 2007.
- *Report of the implementation of the Education (Additional Support for Learning) (Scotland) Act 2004* in November 2007.
- *Hungry for Success – Further Food for Thought* in January 2008.
- *Making a difference in Scotland's communities: A five year review of community learning and development in Scotland* in September 2007.
- *Improving Enterprise in Education* in February 2008.

2.2 We shall prepare for publication a range of advice on self-evaluation.

We published a range of advice on self-evaluation including:

- Part 4 of *How good is our school? The Journey to Excellence: Planning for Excellence* in September 2007;
- Part 5 of *How good is our school? The Journey to Excellence: Journeys to Excellence* in September 2007, an online digital resource illustrating excellence;
- *Effective Self-evaluation Reporting in Scotland's Colleges* in October 2007;
- *Improving services for children, Excellence for all, self-evaluation* in December 2007;
- *Preparing learners for learning in Scotland's colleges: a toolkit for self-evaluation and quality enhancement*, in July 2007;
- *Improving: Services to Protect Children. How good are we at sharing and recording information to help children and families?* in March 2008; and
- *Improving: Services to Protect Children. How good are we at assessing risks and needs to help children and families?* in March 2008.

What we planned to do	What we did
2.3 We shall publish the new edition of <i>The Child at the Centre</i> along with a support pack and seminar materials.	We published the new edition of <i>The Child at the Centre</i> May 2007, along with a support pack and seminar materials in August 2007.
2.4 We shall continue to add 'portrait' publications to our website aimed at supporting provision in subjects, curricular areas and cross-curricular aspects and the use of the curriculum flexibility.	We published on our website portraits of current practice in Scottish schools on history, English and physical education. We published on our website, <i>Making effective use of curriculum flexibility in primary schools</i> in November 2007.
2.5 We shall prepare for publication a range of reports on aspects of education.	We published a range of reports on aspects of education including: <ul style="list-style-type: none">• <i>Engineering in Scotland's Colleges</i> in October 2007;• <i>The key role of staff in providing quality pre-school education</i> in November 2007;• <i>Analysis of HMIE Reviews of quality and standards in Scotland's colleges academic years 2004/05 to 2006/07</i> in February 2008; and• <i>Review of the contribution of the Scottish Science Centres Network to formal and informal science education</i> in June 2007.

What we planned to do

2.6 Through conferences, seminars, further development of our website and other media, we shall disseminate good practice in key sectors and aspects of education.

What we did

We held conferences to share good practice in, for example:

- Skills for Work;
- self-evaluation;
- care and education in residential special schools;
- social subjects;
- technical education and additional support needs;
- Health Promoting Schools;
- Leadership for learning;
- Teaching Scotland's children: building capacity for a Smarter Scotland;
- Enterprise in Education; and
- Count us in.

We published:

- *Count us in: achieving success for deaf pupils* in November 2007;
- *Count us in: promoting understanding and combating sectarianism* in September 2007;
- *Leadership for learning: The challenges of leading in a time of change*, accompanied by a series of case studies in June 2007; and
- A conference report on *HMIE Early Years Good Practice* on our website in December 2007.

We have developed our website to meet World Wide Web Consortium (W3C) Web Accessibility Initiative (WAI) AA-level standard.

Strategic priority 3

Support informed policy development by providing high quality, independent, professional advice drawn from inspection and review evidence and knowledge of the system.

What we planned to do	What we did
<p>3.1 We shall provide high quality advice within agreed timescales to Scottish Ministers and relevant directorates of the Scottish Government on a number of key programmes.</p>	<p>We provided a wide range of professional advice to Scottish Ministers and the Scottish Government on key programmes including:</p> <ul style="list-style-type: none"> • <i>Curriculum for Excellence</i>; • developments in early years; • Skills for Work courses; • school/college partnership; • Schools of Ambition; • school closures; • Disqualified from Working with Children List; • Scottish Survey of Achievement; • analysis and presentation of examination results data; • national quality assurance development; • route to health promotion; • English for speakers of other languages; • the development of <i>Skills for Scotland: a lifelong skills strategy</i>; • the National Performance Framework and <i>Scotland Performs</i>; • child protection; and • leadership.
<p>3.2 We shall continue to maintain and further develop our two-way links with education authorities.</p>	<p>We maintained and developed our liaison with education authorities through our district inspector network.</p>
<p>3.3 We shall work in close partnership with key organisations in Scotland to achieve our respective objectives.</p>	<p>We continued to work in close partnership with SFC. We also work in partnership with the Scottish Further Education Unit, the FE Professional Development Forum and sparqs. We also continued to work in close partnership with inspectorates and service delivery agencies to deliver our programmes of integrated inspections and to develop models of inspecting children’s services.</p>

What we planned to do

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

What we did

We provided information and advice on Scottish approaches to inspection and self-evaluation to Afghanistan, China, Dubai, Japan, Kuwait, Latvia, Slovakia, Flanders, Norway, Canada and Jamaica.

We continued to participate in events held by the Standing International Conference of Inspectorates and continued our involvement in other international projects.

We continued to have productive links with the other UK education and children's services inspectorates.

We have initiated partnership working on an international comparison of college education with the Dutch inspectorate.

We collaborated on a primary mathematics project with Dutch inspectorate.

Strategic priority 4

Develop and manage HMIE as a best value organisation.

What we planned to do

What we did

4.1 We shall finalise and agree a Corporate Plan for 2007-10.

Finalisation of our new Corporate Plan has been delayed until after Scottish Government announcements following the publication of the review of scrutiny in Scotland.

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

We carried out staff surveys which covered all aspects of the work of corporate services staff, inspectors, associate assessors, assistant inspectors and lay members. For each group an action plan was drawn up showing ways in which key issues arising from the surveys were being addressed, and showing potential areas for further action.

Our staff responded to the annual Scottish Government's staff survey. Responses to this survey revealed that over 80% of our staff:

- feel proud to work for HMIE;
- feel inspired to do their best at work; and
- think HMIE is a good place to work.

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

We have continued to take forward approaches for maintaining and improving the health of HMIE staff.

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

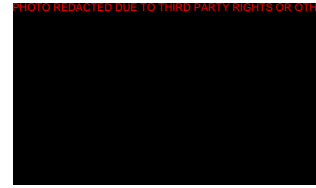
Details of our performance against environmental targets are contained in Section 5 of this report.

What we planned to do	What we did
<p>4.5 We shall continue to evaluate the quality of our work, both internally and externally, with the aim of improving our impact on Scottish education and the job satisfaction of our staff.</p>	<p>Our performance is detailed in Section 3 of this report.</p>
<p>4.6 We shall continue to promote HMIE as a learning organisation through the continued provision of high quality training and continuing professional development for all our staff.</p>	<p>We have ensured that all our staff have access to continuing training and professional development. Our new staff complete induction procedures in compliance with HMIE and Scottish Government policies.</p>

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Section 3

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



We are committed to evaluating the quality of the impact of our work to ensure continuous improvement. As in previous years, we have gathered evidence about the extent to which we are meeting our core objective and addressing our strategic priorities. We are able to point to many positive aspects and we have also identified priorities for improvement in the main areas of our work.

The report by the Organisation for Economic Co-operation and Development (OECD) on the *Quality and Equity of Schooling in Scotland*, December 2007 made a number of very positive statements about the impact of HMIE on the education system. The report noted that HMIE was 'an inspectorate that aims at cultural change and strategic action rather than compliance'. The report stated that 'Inspection provides a spur to improvement, while harnessing the experience of the school system as a whole and channelling it to the sites that stand most in need of it'.

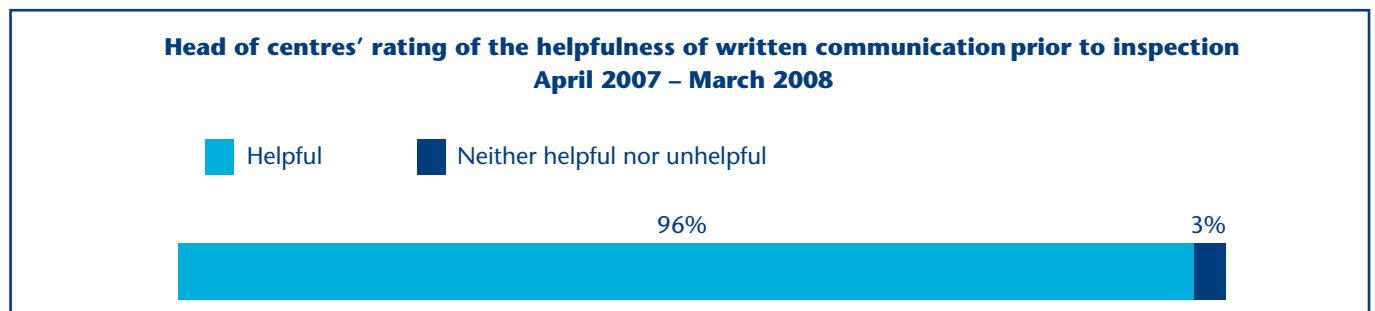
Impact of our inspections and reviews

Schools and Pre-school centres

Post-inspection questionnaires feature as a regular aspect of our inspection and review procedures. We use these questionnaires to gather the views of stakeholders. The following charts show the analysis of these questionnaires for 2007-08.

Pre-school centres

1) Helpfulness of communications prior to inspection



* Percentages may not add up to 100% due to rounding

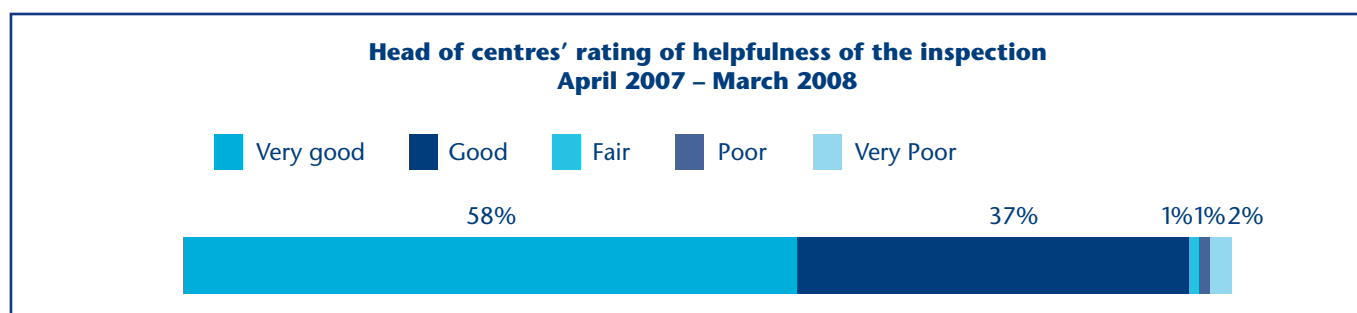
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Pre-school

2) Coordination of inspection activities



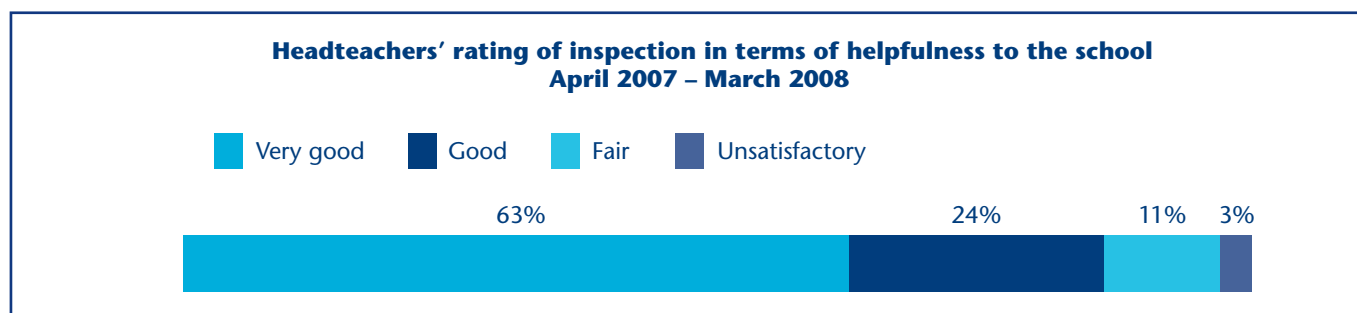
3) Helpfulness of the inspection



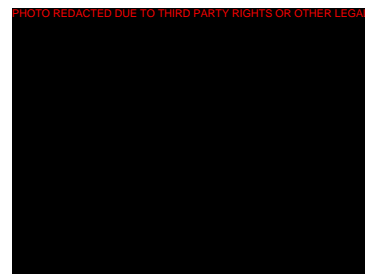
* Percentages may not add up to 100% due to rounding

Schools

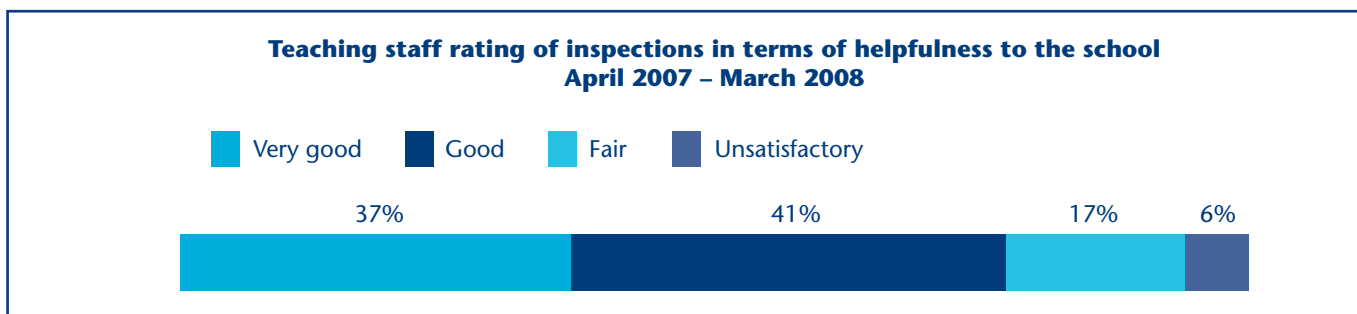
1) Headteachers' rating of helpfulness of the inspection



* Percentages may not add up to 100% due to rounding

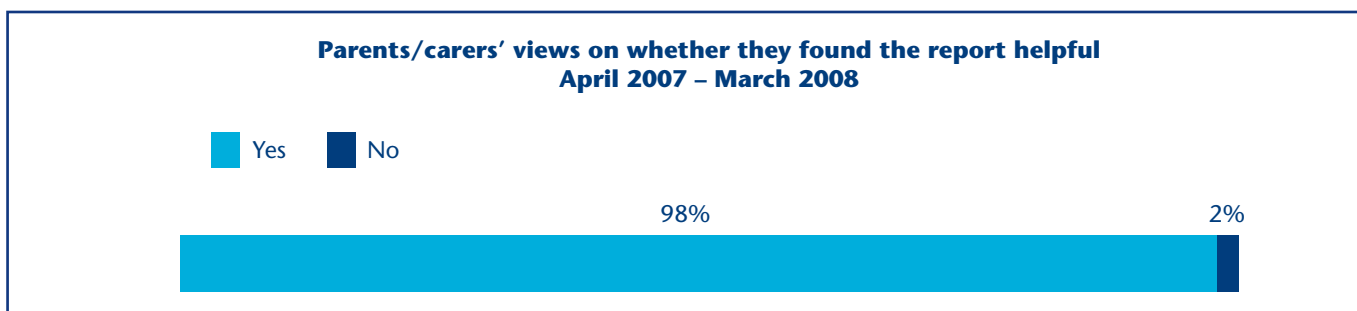


2) Teaching staff rating of helpfulness of inspections



* Percentages may not add up to 100% due to rounding

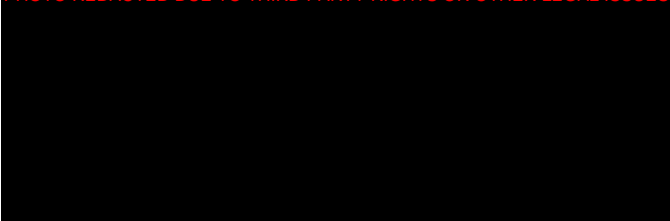
3) Parents' views on inspection reports



Colleges



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** Percentages may not add up to 100% due to rounding*

The charts show a positive view of the impact of our work on establishments. One area where we are committed to improve is the impact we have on teaching staff. We have continued to improve the skills of our inspectors to enable them to provide constructive and clear feedback to teachers throughout the inspection and review process. Throughout 2007-08 we have engaged all inspectors in staff development activities to further improve their skills in this area and in conducting effective inspections.

Compliments

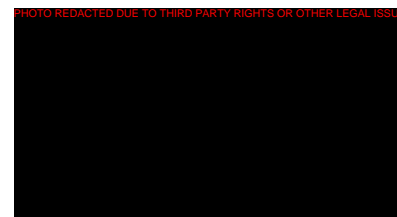
In addition to the positive views provided by our post-inspection questionnaires, we received many informal compliments. These related mostly to HMIE inspection teams and corporate services staff. We recorded 44 letters complimenting inspection teams and 19 formal compliments about our administrative staff. Letters about administrative staff thanked them for the efficient organisation of inspections and for keeping schools well informed. Letters from headteachers thanked inspection teams for their detailed and constructive feedback and for making schools feel included in the inspection process.

Inspection of educational functions of local authorities

We have undertaken a review of our post-inspection questionnaire returns from our inspections of education authorities (INEA). Overall, a strong picture emerged of stakeholders' views of our inspections. We are committed to addressing any issues which arose. In particular, the new approach to more proportionate inspection was very well received. We will seek to further streamline inspection at this level.

Inspections of educational psychology services

Following every inspection of local authority educational psychology services, we invite education authorities and principal educational psychologists to inform us about what went well and what could be improved in the inspection model. We have invited a number of educational psychology services to meet with us in focus groups to provide us with feedback. The feedback has been very positive indeed. The profession welcomes our approach and views the inspection model as a productive partnership. Feedback has included some suggestions for improvement to the inspection model. Very importantly, as a direct result of this, we have made changes to the profile and to the language used in the questionnaires.



Asylum seekers inspection

We carried out a joint inspection of services for the children of asylum seekers in the Glasgow City Council area. This was a complex inspection which successfully involved and engaged a range of stakeholders. It has had significant impact on improving the services for the children of asylum seekers and informing Scottish Government policy in this area.

Joint inspections of services to protect children

We carried out 11 full inspections and three follow-through inspections of child protection services. The inspections are continuing to have an effect in improving practice and informing Scottish Government policy in this area. The inspections have successfully engaged and involved a range of stakeholders, particularly Child Protection Committees.

Impact of our follow-through inspections and reviews

In 2007-08, we carried out 17 follow-through inspections in pre-school centres. Our findings provide evidence of improvements since the original inspections had taken place. Progress towards addressing points for action was satisfactory or better in 80% of action points.

In 2007-08, we carried out follow-through inspections in 63 primary schools, 21 secondary schools and eight special schools. We carried out one follow-through inspection of a mainstream school care accommodation service, six follow-through inspections of CLD, two interim follow-through and four follow-through inspections in residential special schools, and follow-up reviews in two colleges.

Of the follow-through inspections carried out, we found sufficient progress to allow us to disengage in most primary schools and special schools (89% and 80% respectively) and a majority of secondary schools (61%). The initial general inspection, followed by various forms of HMIE engagement with schools and education authorities, therefore acted as a catalyst and a support for significant improvement. We have renewed our procedures for follow-through inspections to improve them further to ensure that we are as proportionate as possible in identifying schools for further engagement and as supportive as possible in carrying out follow-through inspection and reporting.

Impact of our good practice conferences, publications and website

We have published on our website, a number of subject portraits, derived from inspection evidence, as an aid to disseminating good practice in the education system, within the context of *Curriculum for Excellence*. The portraits include history, citizenship, English, modern foreign languages, mathematics, technology, business studies, physical education and religious and moral education.

Over the past year, we have held a range of good practice conferences including *Skills for Work, school/college partnerships, planning the use of ICT in learning and teaching, care and education in residential special schools, social subjects, technical education and additional support needs, early education, Leadership for learning, Teaching Scotland's Children: Building Capacity for a Smarter Scotland, Improving Enterprise in Education*. We worked with partners including the Scottish Government and a range of services for children to host a range of development events.

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We held a conference in June to disseminate the early messages from the current cycle of inspections of child protection services, in partnership with Child Protection Committees. All of our conferences are evaluated and feedback shows that those attending value these learning opportunities highly.

In March 2007, we published the third edition of *How good is our school?*. In May, we published the second edition of *The Child at the Centre*. In September, at the Scottish Learning Festival, we published the final parts of the *Journey to Excellence* series. We followed up the launches of these publications with a range of information seminars and conferences. In December 2007, we published staff development materials designed to help build capacity for self-evaluation within and between those services for children and young people forming part of a Community Planning Partnership. Our *Journey to Excellence* resource won two Scottish Government Excellence Awards.

One of our strategic priorities is to identify, disseminate and encourage the adoption of good practice. We have been working on a number of developments, including making improvements to the good practice area of the HMIE website and updating advice to inspectors about their role in identifying, disseminating and promoting the adoption of good practice. This year we have provided new opportunities for schools, other establishments and services to showcase good practice as part of the inspection/review process. Where we find examples of good practice during inspections we publish these in the inspection report and add them to the good practice area of the HMIE website.

Impact of our support for policy development

We continue to provide clear, independent professional advice to Scottish Ministers and to others. Our report on the introduction of the *Education (Additional Support for Learning) (Scotland) Act 2004* provided Ministers with accurate information of the very mixed picture and state of readiness of education authorities in relation to aspects of the Act including the use of coordinated support plans. We produced, in partnership with the National Deaf Children's Society a report on deaf education in Scotland. The report was received very positively.

The CLD report has been very well received by practitioners. We have also seen a significant improvement in self-evaluation over the cycle of CLD inspection. This can be attributed in large measure to *How good is our community learning and development? 2* (HGIOCLD?2) and the inputs our CLD inspection team have made to continuing professional development across the country.

Impact of our work with local authorities

Our district inspectors have continued to liaise effectively and productively in partnership with education authorities to secure improvement. The annual information gathered by district inspectors about the work of education authorities provides intelligence on which to base proportionate inspection and give valuable information on good practice across Scotland.

Impact on our staff

A high proportion of our staff responded to our internal HMIE survey and to the Scottish Government's 2007 employee survey. Staff in HMIE had high levels of job satisfaction compared to other agencies of the Scottish Government and to the core civil service. Staff felt proud to work for HMIE and personally motivated to help HMIE meet its objectives.

Our human resources team has promoted a culture of continuing professional development and the promotion of a culture within HMIE of a 'learning organisation'. A number of inspectors and some corporate services staff have been trained by the Keil Centre to adopt a coaching and mentoring approach in their work. With the help of the Keil Centre, a *Best Practice Framework for Inspectors* has been developed and this is being used successfully now by a number of inspectors to allow them to reflect on the inspection process and their work. This kind of work, which promotes continuing improvement through mentoring and coaching has a very important role to play in maximising the effectiveness of inspections and reviews, and ensuring continued and improved satisfaction both internally and externally.

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Section 4

Looking ahead to 2008-09

The targets set out below for 2008-09 are organised under our strategic priorities. Our new Corporate Plan will be agreed with Scottish Ministers later this year.

HMIE Strategic Priority 1

Giving assurance and bringing about improvement through inspection and review

1.1 We shall undertake a programme of inspections including:

- 340 pre-school centres in collaboration with the Care Commission;
- 250 primary schools;
- 50 secondary schools;
- 26 centres including day special schools, residential special schools, secure units, outreach services and hospital services; and
- ten inspections of child protection services in local authority areas.

We shall conduct five reviews of the educational functions of local authorities which will be a combination of inspection and assisted self-evaluation.

1.2 We shall undertake a programme of follow-through inspections in pre-school centres, schools, residential special provision, secure units, CLD and child protection services in line with our commitment to stakeholders. Follow-through inspections will be proportionate, with resources targeted at those establishments and service most in need of support.

1.3 In conjunction with a range of other bodies, we shall also undertake programmes of inspections/reviews of:

- colleges, in line with a new service level agreement with SFC, to be published in August 2008;
- five voluntary sector organisation;
- education facilities in four prisons; and
- independent schools seeking registration.

1.4 We shall issue 95% of all draft inspection/review reports within 12 working weeks of the end of the inspection/review for current inspection models and timescales agreed for new inspection models, where appropriate, as agreed with partner bodies.

1.5 We shall publish 95% of all inspection/review reports within 16 working weeks of the end of the inspection/review for current inspection models and timescales agreed for new inspection models, where appropriate, as agreed with partner bodies.

1.6 We shall introduce a number of new approaches in school and pre-school inspections, some with effect from 1 April 2008 and the remainder from 1 September 2008 to enable us to report on National Performance Framework indicators for the proportion of pre-school centres, schools and child protection services that receive positive inspection reports.

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- 1.7** From April 2008, every school and pre-school inspection will incorporate a focus on services for children, based on a *getting it right for every child* approach to meeting children's learning needs. We shall pilot extended inspection and reporting on services for children, building out from a proportion of schools, focusing on how well services meet the needs of children in that catchment area. We shall explore whether these developments, taken together with the commencement of a second proportionate and intelligence-led programme of inspection of child protection in local authority areas, can form the basis for public reporting on children's services more broadly in these areas from 2009 onwards as part of a revised and streamlined system of scrutiny of local authorities and their partners.
- 1.8** Every secondary school inspection will have complementary evaluation activity on CLD around its catchment area.
- 1.9** We shall develop of a more proportionate model of college review and associated activity through contracted arrangements with SFC deriving from the Council's statutory obligations. New arrangements will be implemented from August 2008 onwards.
- 1.10** We shall prepare for publication a range of reports on the impact of policy initiatives.
- 1.11** We shall prepare for publication a range of reports on aspects of education.

HMIE Strategic Priority 2

Building capacity in the system and disseminating and encouraging the uptake of good practice

- 2.1** We shall prepare for publication a range of advice on self-evaluation.
- 2.2** We shall continue to add 'portrait' publications to our website aimed at supporting provision in subjects, curricular areas and cross-curricular aspects and developments in response to *Curriculum for Excellence*.
- 2.3** Through conferences, seminars, further development of our website and other media, we shall disseminate and encourage the uptake of good practice in key sectors and aspects of education.
- 2.4** Continue to develop and enhance the Journeys to Excellence online digital resource including extending it to encompass good practice examples in CLD.

HMIE Strategic Priority 3

Giving professional, evidence-based advice to Ministers and others

- 3.1** We shall provide high quality advice within agreed timescales to Scottish Ministers and relevant Directorates of the Scottish Government on a number of key programmes including *Curriculum for Excellence*, *Getting It Right For Every Child*, *The Early Years and Early Intervention Framework*, *Skills for Scotland* and *More Choices, More Chances*.
- 3.2** We shall continue to maintain and further develop our two-way links with education authorities.

- 3.3** We shall continue to work in close partnership with key organisations in Scotland to achieve our respective objectives and those of the Scottish Government.
- 3.4** We shall link with key organisations across the UK and abroad in order to promote Scotland by providing information and advice based on Scottish approaches to inspection and self-evaluation.

HMIE Strategic Priority 4

Securing our own continuous improvement

- 4.1** We shall finalise and agree a Corporate Plan for 2008-2011.
- 4.2** We shall continue ensure Best Value by evaluating the quality of our work, both internally and externally, with the aim of improving the effectiveness of our inspections and reviews, our impact on Scottish education and the job satisfaction of our staff.
- 4.3** We shall continue to carry out surveys of our staff and take action to address the issues identified.
- 4.4** We shall continue to consolidate the gains made in promoting the health and wellbeing of staff and further develop our action plans in line with the requirements of the *Healthy Working Lives* award scheme.
- 4.5** We shall publish data on our performance against environmental targets agreed by our Management Board.
- 4.6** We shall continue to promote HMIE as a learning organisation through the continued provision of high quality training and continuing professional development for all our staff, in particular in relation to new approaches to inspection.
- 4.7** Building on successful developments in college reviews, we shall continue to explore how learners and participants can be more involved in inspections in other sectors.
- 4.8** We shall make a further contribution to Efficient Government savings.

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The graphic features the text 'Section 5' in a large, bold, white serif font, with 'Corporate activities' in a smaller, white sans-serif font below it. The text is set against a dark, textured background that appears to be a close-up of a person's face. The graphic is framed by white lines on its top, right, and bottom edges.

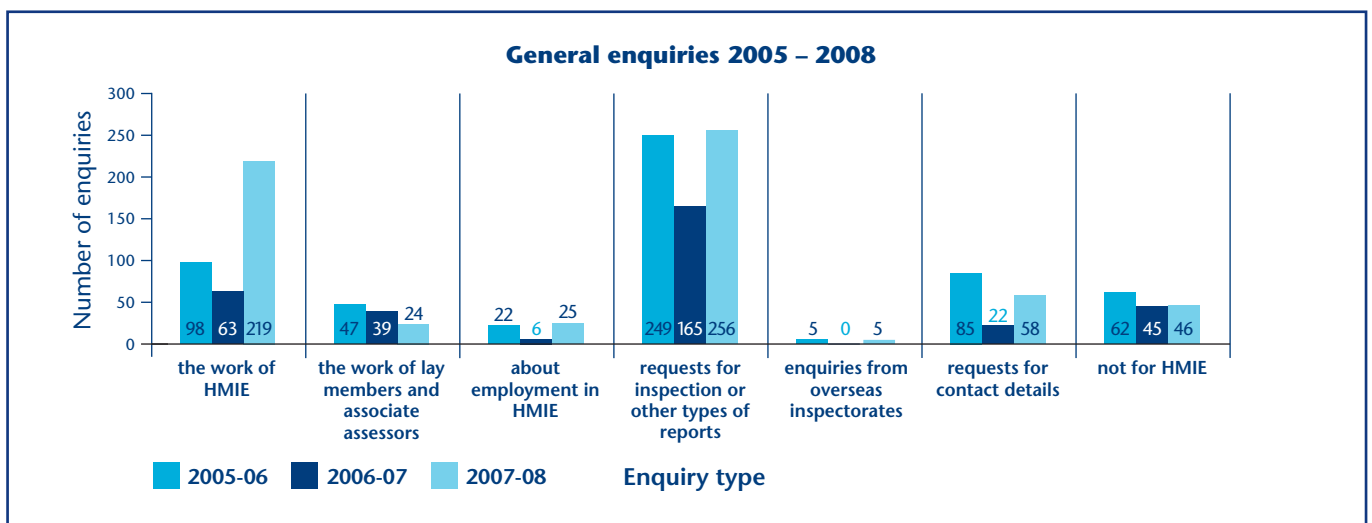
Section 5
Corporate activities



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

General enquiries

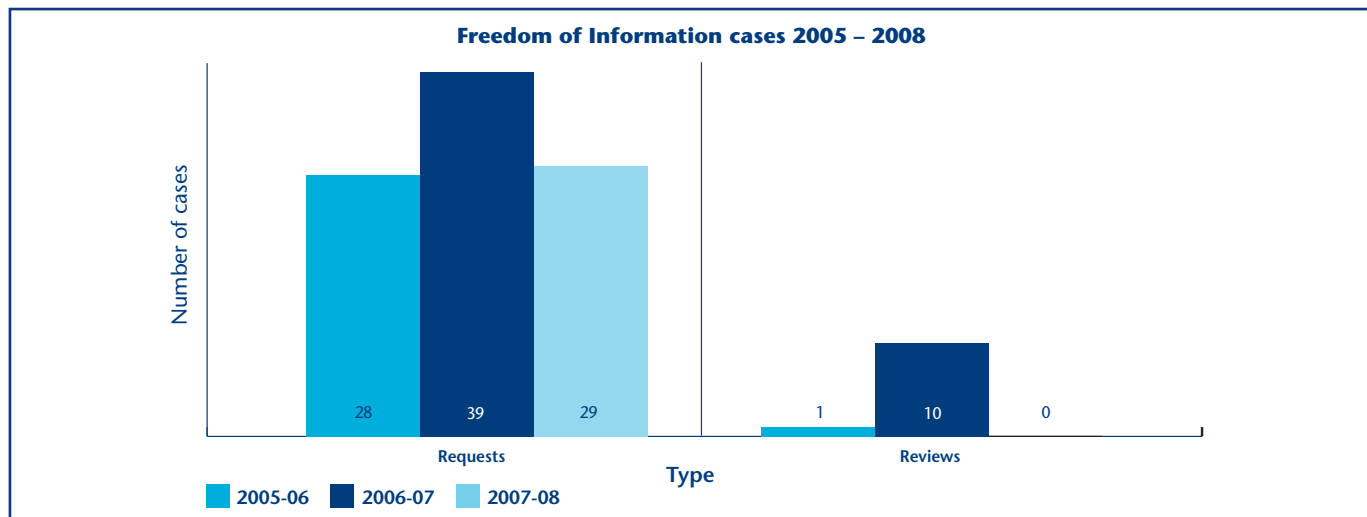
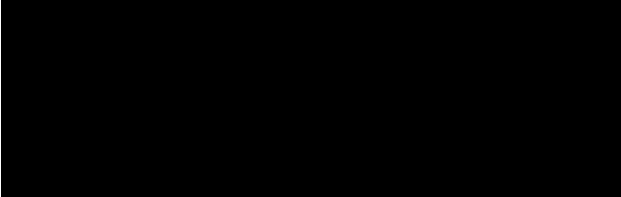
During 2007-08 we received a total of 745 written enquiries. Of those dealt with centrally, 219 were about the work of HMIE, 24 were requests for information about the role of associate assessors and lay members, 25 about employment with HMIE, 256 were requests for inspection or other types of reports, five were from overseas inspectorates and 58 were for contact details. One hundred and twelve enquiries were passed to other areas of HMIE for a response and 46 were not for HMIE. This chart compares the number and type of general enquiries we have received and dealt with over the last three years.



Freedom of Information (FOI) requests

We received 25 requests for information during 2007-08. In four cases we did not hold the information requested, we disclosed all of the information in 12 cases and in eight cases we did not release all of the information requested as it was considered exempt from disclosure under the terms of the *Freedom of Information (Scotland) Act 2002* (FOISA). We did not receive any requests to review our original decision. One case, which carried over from the last quarter of the previous year, was reviewed by the Scottish Information Commissioner. The Commissioner found in favour of HMIE. All requests received an initial response within the 20-working-day target as set out in FOISA. The following chart compares the number and type of cases we have received over the last three years.

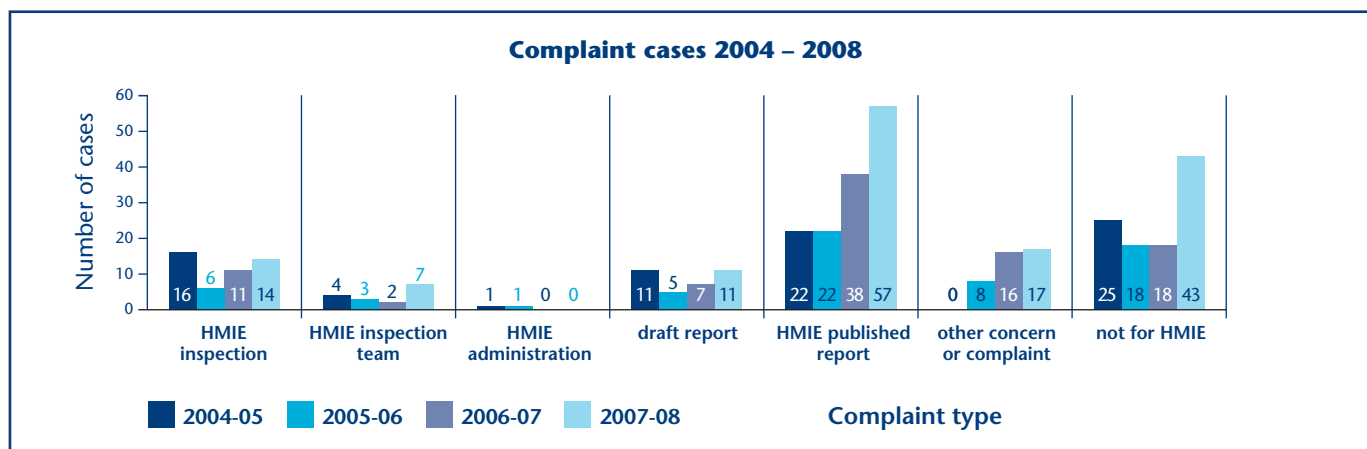
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* Office of Scottish Information Commissioner

Complaints

During 2007-08, we received 149 complaints of which 43 did not come within our area of responsibility. Of the remaining 106 cases, 14 were about inspections, seven about members of inspection team, 11 about draft inspection reports, 57 about published reports and 17 were about other concerns. We met our 20-working-day response in all but four cases; these required further investigation and the complainants were sent letters advising of this. Ninety-eight cases were resolved, one case went to an external reviewer before being resolved and seven cases are ongoing. The chart below compares the number and type of complaints we have received and dealt with over the last four years.



Performance against environmental targets

HMIE – environmental targets 2007-08

We once again set a range of environmental targets for the 2007-08 financial year. Performance against each individual target is set out opposite:

Review the effectiveness of HMIE's environmental management system and infrastructure and report on performance against agreed targets in HMIE's 2007-08 Annual Report.

We reviewed the effectiveness of the environmental management system as part of the agenda of the 12 September 2007 meeting of the Environmental Working Group (EWG).

Reduce electricity usage at Denholm House and Endeavour House to 3,300 kWh per person (approximately a 5% reduction).

Overall performance was 2,664 kWh per person across the two offices. This represents a reduction of almost 23% over the year.

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

The overall energy emissions for Denholm House were 157,843 kg of CO₂ a reduction from 179,101 kg of CO₂ in 2006-07. We did not have a figure for emissions from Endeavour House for 2006-07 because it was a newly opened office. For 2007-08 the emissions were 12,809 kg of CO₂.

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

Two recycling systems were purchased and installed in Denholm House. This now allows separation of paper, aluminium cans, plastic bottles and glass for recycling purposes.

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

For 2007-08 usage was recorded at 28 reams per person.

Maintain water use below 6.5m³ per person for 2007-08.

Usage was reduced to 4.6m³ per person over the year, a reduction of 28% on 2006-07 and well below both the target set and the Government guideline.

Offset all carbon emissions from business mileage.

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

Invest in further videoconferencing equipment to reduce business mileage by 10,000 miles during 2007-08.

HMIE recognises that carbon offsetting is not in itself enough. An integral part of our transport plan is the promotion of videoconferencing as a way of reducing business mileage. During 2007-08 we increased the number of videoconferences and we estimate that we reduced business mileage by 32,104 miles that would otherwise have been incurred. HMIE also invested in videoconferencing software and piloted videoconferencing from laptop/desktop computers. This initiative has still to be fully evaluated.

Conduct a feasibility study into whether HMIE could install a system to generate renewable energy.

A feasibility study was carried out but concluded that installing micro-renewable energy generators at Denholm House would not be viable on value for money grounds.

Section 6

Annual accounts 2007-08

Management commentary

History and statutory background

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

Principal activity

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

Accounting convention

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

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

Employee involvement

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

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

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

Employment of disabled people

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

Equal opportunities and diversity

As an Executive Agency of the Scottish Government, HMIE adheres to the Scottish Government policy on equal opportunities. All HMIE staff are treated equally irrespective of their sex, marital status, age, race, ethnic origin,

sexual orientation, disability or religion. HMIE is committed to increasing the diversity of staff within the organisation to reflect the people of Scotland, and to valuing positively the different perspectives and skills of all staff and making full use of these in its work.

Pensions

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

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

Payment to suppliers

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

HMIE is reliant upon the financial information and management system provided by the Scottish Government for all its financial functions. For the year ended 31 March 2008, the Agency paid 98.5% of all invoices received within the terms of the policy.

Board membership

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

Graham Donaldson	HM Senior Chief Inspector
Kenneth Muir	HM Chief Inspector
Chris McIlroy	HM Chief Inspector
Frank Crawford	HM Chief Inspector
Wray Bodys	HM Chief Inspector
Annette Bruton	HM Chief Inspector
Neil McKechnie	HM Chief Inspector
Andrew Cubie	Non-Executive Board Member
Gary Kildare	Non-Executive Board Member
Deep Sagar	Non-Executive Board Member (resigned August 2007)
Shirley Young	Non-Executive Board Member

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

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

Board Members' interests

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

Related party transactions

Details of related party transactions are given in Note 14.

Corporate governance

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

Audit and Risk Committee

The Audit and Risk Committee has been set up in accordance with the principles set out in the Audit and Risk 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 Andrew Cubie who is an independent Non-Executive Board Member. The Audit and Risk Committee comprises HM Senior Chief Inspector, HM Chief Inspector, HM Inspector with relevant expertise, two Non-Executive Board Members, Corporate Services Director, Business Management and Communications Team Manager and the Agency Accountant. Representatives from the SG Audit and Accountancy Services and Audit Scotland are also invited to attend on a regular basis. The Committee meets approximately three times per year to consider:

- the strategic processes for risk, control and governance;
- the accounting policies and the accounts of the organisation;
- the planned activity and results of both internal and external audit;
- adequacy of management response to issues identified by audit activity or by Parliamentary Committees, where they affect the organisation's overall performance;
- the impact of external matters affecting the organisation;
- assurances relating to the corporate governance requirements for the Agency; and
- any other developments in risk, control and governance which may be relevant to HMIE.

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

Appointment of auditors

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

Auditors' remuneration is a notional charge, as notified to us by our auditors, in respect of audit work carried out during 2007-08. No other services were supplied by Audit Scotland during the period ended 31 March 2008.

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

Disclosure of relevant audit information

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

Financial Review

Results for the year

HMIE's expenditure is funded from the Scottish Government Education and Lifelong Learning Portfolio's budget. The results for the year are reported in the attached accounts. Our net operating cost for 2007-08 was £14.7m (2006-07: £13.5m).

Movements in fixed assets

Expenditure on fixed assets during 2007-08 amounted to £0.123m (2006-07: £0.189m). Disposals amounted to a value of £0.011m (2006-07: £0.003m). Our total net book value of fixed assets at 31 March 2008 was £1.488m compared to £1.648m at the same time in 2007. This is a decrease of 10%.

Resources

HMIE received £14.3m in funding from the Scottish Government during the year to 31 March 2008. This represents an increase of 6% from 2006-07.

Our actual budget from the Education and Lifelong Learning Portfolio totalled £15.2m for the year. Of this, £0.5m was returned to allow it to be utilised for other projects. This underspend is largely related to the development of the inspection of services for children. Development work on this is expected to be completed in the near future and costs will increase accordingly in future years.

Scottish Ministers have allocated funding of £15.8m to HMIE for the financial year 2008-09. We do not anticipate any further increases during the 2008-09 financial year unless Scottish Ministers require HMIE to undertake additional tasks on their behalf.

Graham Donaldson

HM Senior Chief Inspector

30 May 2008

Remuneration report For the year ended 31 March 2008

Remuneration policy

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

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

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

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

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

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

Service contracts

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

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

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

Deep Sagar, Shirley Young and Gary Kildare were appointed on two-year contracts commencing on 1 May 2006. Shirley Young and Gary Kildare have had their contracts extended until 30 April 2009. Deep Sagar resigned from his position in August 2007.

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

Salary and pension entitlements

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

Remuneration

	2007-08		2006-07	
	Salary £'000	Benefits in kind (to nearest £100)	Salary £'000	Benefits in kind (to nearest £100)
Graham Donaldson HM Senior Chief Inspector	95-100	-	100-105	-
Kenneth Muir HM Chief Inspector	65-70	-	65-70	-
Chris McIlroy HM Chief Inspector	70-75	-	65-70	-
Frank Crawford HM Chief Inspector	75-80	-	80-85	-
Wray Bodys HM Chief Inspector	70-75	-	70-75	-
Annette Bruton HM Chief Inspector	70-75	-	60-65	-
Neil McKechnie HM Chief Inspector	75-80	-	70-75	-
Andrew Cubie CBE* Non-Executive Board Member	0-5	-	0-5	-
Deep Sagar* Non-Executive Board Member	0-5	-	0-5	-
Shirley Young* Non-Executive Board Member	0-5	-	0-5	-
Gary Kildare* Non-Executive Board Member	0-5	-	0-5	-

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

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

Salary

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

Benefits in kind

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

Pension benefits

	Accrued pension at age 60 as at 31/03/08 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31/03/08	CETV at 01/04/07	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Graham Donaldson HM Senior Chief Inspector	40-45 plus lump sum of 130-135	0-2.5 plus lump sum increase of 0-2.5	1,146	1,059	19	-
Kenneth Muir HM Chief Inspector	25-30 plus lump sum of 75-80	0-2.5 plus lump sum increase of 0-2.5	533	453	11	-
Chris McIlroy HM Chief Inspector	35-40 plus lump sum of 85-90	0-2.5 plus lump sum increase of 0-2.5	910	774	36	-
Frank Crawford HM Chief Inspector	25-30 plus lump sum of 85-90	0-2.5 plus lump sum increase of 0-2.5	700	607	14	-
Wray Bodys HM Chief Inspector	30-35 plus lump sum of 90-95	0-2.5 plus lump sum increase of 0-2.5	818	716	12	-
Annette Bruton HM Chief Inspector	20-25 plus lump sum of 65-70	0-2.5 plus lump sum increase of 0-2.5	446	378	11	-
Neil McKechnie HM Chief Inspector	0-5 plus lump sum of 0	0-2.5 plus lump sum increase of 0	76	47	19	-

Non-Executive Board Member positions are non-pensionable.

Details of pensions and Cash Equivalent Transfer Value (CETV) are disclosed based on information supplied by the Department for Work and Pensions. Due to certain factors being incorrect in last year's CETV calculator there may be a slight difference between the final period CETV for 2006-07 and the start of period CETV for 2007-08.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (classic, premium and classic plus) or a 'whole career' scheme (nuvos). These statutory schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with changes in the Retail Prices Index (RPI). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits in respect of service before 1 October 2002

calculated broadly as per classic and benefits for service from October 2002 calculated 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 uprated in line with RPI. In all cases, members may opt to give up (commute) pension for lump sum up to the limits set up by the *Finance Act 2004*.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

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

Cash Equivalent Transfer Values

A cash equivalent transfer value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the civil service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

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

Compensation for loss of office

No employees left under compulsory early retirement in the year 2007-08.

Graham Donaldson

HM Senior Chief Inspector

30 May 2008

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

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

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

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

In preparing the accounts, the Accountable Officer is required to comply with FReM, and in particular to:

- observe the accounts direction issued by the Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the FReM, have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Agency will continue in operation.

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

Statement on internal control

Scope of responsibility

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives set by the Scottish Ministers, whilst safeguarding the public funds and assets, 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 of public funds. It is mainly designed to ensure compliance with statutory and parliamentary requirements, promote value for money and high standards of propriety, and secure effective accountability and good systems of internal control.

Purpose of the system of internal control

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

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

The process within the organisation accords with the SPFM and has been in place for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts and accords with the guidance from the Scottish Ministers.

Risk and control framework

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

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

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

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

Review of effectiveness

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

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

The following processes have been established:

- The HMIE Management Board sets and monitors the delivery of the HMIE Corporate and Business Plans. The Board comprises the Agency's Senior Management Group and four independent, external members. It meets four times a year and receives regular reports on progress against HMIE's published performance targets.
- The HMIE Audit and Risk Committee is chaired by one of the four external board members, who makes regular reports to the HMIE Management Board on matters concerning internal control. At least one external member must be present at each meeting of the Audit and Risk Committee.
- Through the Audit and Risk Committee, I receive regular reports from internal audit which include the Head of Internal Audit's opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement.
- I chair the HMIE Senior Management Group, which comprises the seven senior staff at Director level who each manage one of HMIE's seven directorates.
- The remit of each Director and the directorate structure are designed to make clear the responsibilities for delivering HMIE's business objectives.
- Through the regular and frequent meetings of the Senior Management Group and systematic business review meetings with each individual Director, I receive reports on the steps they are taking to manage the risks in their areas of responsibility, including progress reports on key priorities for HMIE. Improvements to our business planning system also support these reviews.
- The Risk Management Group meets at least twice a year to review the Risk Register and a summary of any changes is provided for each meeting of the Audit and Risk Committee. Task Managers are responsible for identifying and managing risks in their areas of responsibility.

HMIE relies on the Scottish Government Financial and Management Information System for payments and other accounting, purchasing and reporting functions.

Appropriate action is in place to address any weaknesses identified and to ensure the continuous improvement of the system.

Graham Donaldson

HM Senior Chief Inspector

30 May 2008

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

I have audited the financial statements of HM Inspectorate of Education (the Agency) for the year ended 31 March 2008 under the *Public Finance and Accountability (Scotland) Act 2000*. These comprise the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the remuneration report that is described in that report as having been audited.

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

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

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

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

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

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

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

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

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

Basis of audit opinion

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

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

Opinion

Financial statements

In my opinion:

- the financial statements give a true and fair view, in accordance with the *Public Finance and Accountability (Scotland) Act 2000* and the directions made thereunder by the Scottish Ministers, of the state of affairs of HMIE as at 31 March 2008 and of the net operating cost, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the *Public Finance and Accountability (Scotland) Act 2000* and directions made thereunder by the Scottish Ministers; and
- information which comprises the Management Commentary included in the Annual Report is consistent with the financial statements.

Regularity

In my opinion in all material respects:

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

4 June 2008

Murdoch McCamley CA
Senior Audit Manager
Audit Scotland
Osborne House
1 Osborne Terrace
Edinburgh EH12 5HG

**Operating cost statement
 for the year ended 31 March 2008**

	Notes	2007-08 £'000	2006-07 £'000
Administration Costs			
Staff costs	2	11,153	10,758
Depreciation	5, 6	295	328
Other administration costs	3	<u>4,551</u>	<u>4,076</u>
Gross Administration Costs		15,999	15,162
Operating Income	4	<u>1,312</u>	<u>1,676</u>
Net Operating Costs for the Year		<u>14,687</u>	<u>13,486</u>

**Statement of Recognised Gains and Losses
 for the year ended 31 March 2008**

		2007-08 £'000	2006-07 £'000
Net gain on revaluation of assets	13	<u>23</u>	<u>32</u>

The notes on pages 49-55 form part of these accounts.

Balance sheet as at 31 March 2008

	Notes	2007-08 £'000	2006-07 £'000
Fixed Assets			
Tangible Fixed Assets	5	1,465	1,600
Intangible Fixed Assets	6	23	48
Current Assets			
Debtors & Prepayments	7	146	248
Current Liabilities			
Creditors: amounts falling due within one year	8	(863)	(852)
Net Current Liabilities		<u>(717)</u>	<u>(604)</u>
Total Assets less Current Liabilities		771	1,044
Creditors due more than one year	9	<u>(158)</u>	<u>(169)</u>
Net assets		<u>613</u>	<u>875</u>
Financed by:			
General Reserve	12	541	822
Revaluation Reserve	13	<u>72</u>	<u>53</u>
		<u>613</u>	<u>875</u>

Graham Donaldson
HM Senior Chief Inspector

30 May 2008

The notes on pages 49-55 form part of these accounts.

Cash flow statement for the year ended 31 March 2008

	Notes	2007-08	2006-07
		£'000	£'000
Net cash outflow from operating activities	(a)	(14,262)	(13,282)
Capital expenditure and financial investment	(b)	(86)	(131)
Funding	(c)	14,348	13,413
Increase/decrease in cash		<u>0</u>	<u>0</u>

Notes to the Cash Flow Statement

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

	Notes	2007-08	2006-07
		£'000	£'000
Net Operating Cost		(14,687)	(13,486)
Adjustment for items not involving cash:			
Depreciation	5, 6	295	328
Loss on disposal of fixed assets		11	1
Audit fee		24	24
Capital charges		30	29
Adjustments for movements in working capital:			
(Increase)/Decrease in debtors		102	(55)
Increase/(Decrease) in creditors		(37)	(123)
Net cash outflow from operating activities		<u>(14,262)</u>	<u>(13,282)</u>

(b) Capital Expenditure and Financial Investment

Purchase of fixed assets	5, 6	<u>(86)</u>	<u>(131)</u>
		(86)	(131)

(c) Funding	12	<u>14,348</u>	<u>13,413</u>
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The notes on pages 49-55 form part of these accounts.

Notes to the accounts

1. Accounting Policies

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

1.1 Accounting Convention

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

1.2 Continuing Activities

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

1.3 Fixed Assets

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

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

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

1.4 Depreciation

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

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

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

1.5 Capital Charge

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

1.6 Value Added Tax (VAT)

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

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

1.7 Pensions

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

1.8 Operating Income

Operating income represents the income received in respect of the service level agreement held with SFC and costs recovered in relation to capacity building conferences held during the year.

1.9 Foreign Currency Exchange

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

1.10 Leases

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

1.11 Realised element of depreciation from the Revaluation Reserve

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

2. Staff Costs and Numbers

2.1 Staff costs during the year were:

	2007-08	2006-07
	£'000	£'000
Wages and salaries	7,905	7,485
Social security costs	708	659
Other pension costs	1,594	1,498
Agency staff costs	139	104
Associate Assessors	807	1,012
	<u>11,153</u>	<u>10,758</u>

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

	2007-08	2006-07
Senior Management	7	7
Other permanent staff	197	198
Agency staff	9	7
	213	212

2.3 Our salary costs have increased in 2007-08 from the position in 2006-07. This has been accompanied by a reduction in associate assessors costs. There has been an increase in Agency Staff costs which is a result of permanent administrative posts not being filled.

2.4 Pensions

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

For 2007-08, employer's contributions of £1,593,758 were payable (2006-07 - £1,497,610) to the PCSPS at one of four rates in the range 17.1 to 25.5 percent (2006-07 – 17.1 to 25.5 per cent) of pensionable pay, based on salary bands. Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and they reflect past experience of the scheme.

3. Other Administration Costs

	2007-08	2006-07
	£'000	£'000
3.1 Costs		
Consultancy costs	22	48
Associate assessors costs	314	243
Lay members costs	64	40
Travel and subsistence costs	963	992
Training costs	193	150
Equipment	12	13
Reports and inspections	1,108	823
Rent, rates, utilities and maintenance	790	816
Advertising costs (including recruitment)	40	56
Telecommunications costs	91	74
Loss on disposal of fixed assets	11	1
Other office costs	889	767
	4,497	4,023

3.2 Notional Costs

Audit fee	24	24
Capital charges	30	29
	54	53
Total (3.1 and 3.2)	4,551	4,076

4. Income

	Income Received	Income Received
	2007-08	2006-07
	£'000	£'000
Fees and charges	1,172	1,212
Other income	140	464
Profit on sale of fixed assets	-	-
Total	1,312	1,676

5. Tangible Fixed Assets

	Leasehold improvements	Furniture and fittings	Plant and equipment	Vehicles	IT Systems	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 April 2007	755	710	258	13	939	2,675
Additions	4	20	34	-	65	123
Transfers	-	-	-	-	-	-
Disposals	-	(32)	-	-	(99)	(131)
Revaluation	30	-	-	-	-	30
At 31 March 2008	789	698	292	13	905	2,697
Depreciation						
1 April 2007	103	316	166	3	487	1,075
Charge for year	56	68	32	3	111	270
Transfers	-	-	-	-	-	-
Disposals	-	(32)	-	-	(87)	(119)
Revaluation	6	-	-	-	-	6
At 31 March 2008	165	352	198	6	511	1,232
Net Book Value						
At 31 March 2008	624	346	94	7	394	1,465
At 31 March 2007	652	394	92	10	452	1,600

6. Intangible fixed assets

	Software licences £'000	Total £'000
Cost		
At 1 April 2007	129	129
Additions	-	-
Transfers	-	-
Disposals	-	-
Revaluation	-	-
At 31 March 2008	129	129
Depreciation		
At 1 April 2007	81	81
Charge for year	25	25
Transfers	-	-
Disposals	-	-
Revaluation	-	-
At 31 March 2008	106	106
Net Book Value		
At 31 March 2008	23	23
At 31 March 2007	48	48

7. Debtors

	2007-08 £'000	2006-07 £'000
Debtors and accrued income	16	18
Prepayments	107	105
Scottish Government debtors and accrued income	23	83
VAT debtor	-	42
	146	248

In 2007-08 there is no VAT debtor balance. From this year VAT balances have been transferred to the Scottish Government where the receipt will be posted.

8. Creditors

	2007-08	2006-07
	£'000	£'000
Creditors due within one year		
Trade creditors	544	550
Other creditors	17	16
Accruals	17	48
	578	614
Local Authority	217	208
NHS	7	8
Other government creditors	61	22
	863	852

9. Creditors due after more than one year

	2007-08	2006-07
	£'000	£'000
Creditors due after more than one year	158	169

10. Operating costs by Strategic Priority

For the year ended 31 March 2008	Gross	2007-08	Net	Gross	2006-07	Net
	£'000	Income	£'000	£'000	Income	£'000
		£'000		£'000	£'000	£'000
Strategic Priority One	8,143	(1,162)	6,981	6,763	(1,256)	5,507
Through inspection and reporting, promote public accountability for the delivery of high quality education to all learners in Scotland.						
Strategic Priority Two	1,130	(22)	1,108	674	(34)	640
Work with other organisations to build capacity to provide education and services for children of the highest quality for all users.						
Strategic Priority Three	2,730	(52)	2,678	3,300	(165)	3,135
Support informed policy development by providing high quality, independent, professional advice drawn from inspection and review evidence and knowledge of the system.						
Strategic Priority Four	3,996	(76)	3,920	4,425	(221)	4,204
Develop and manage HMIE as a best value organisation.						
Net operating costs	15,999	(1,312)	14,687	15,162	(1,676)	13,486

11. Leasing commitments

At 31 March 2008, HMIE was committed to making the following payments in respect of operating leases:

	2007-08	2006-07
	£'000	£'000
In over five years	462	440
	<u>462</u>	<u>440</u>

12. Movements in the general fund

	2007-08	2006-07
	£'000	£'000
Balance at 1 April 2007	822	842
Net funding	14,348	13,413
Non cash funding	54	53
Net operating costs for year	(14,687)	(13,486)
Transfer from Revaluation Reserve	4	-
Balance at 31 March 2008	<u>541</u>	<u>822</u>

13. Movement in revaluation reserve

	2007-08	2006-07
	£'000	£'000
Balance at 1 April 2007	53	21
Surplus arising on revaluation in year	23	32
Realised element released to General Fund	(4)	-
Balance at 31 March 2008	<u>72</u>	<u>53</u>

14. Related party transactions

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

15. Capital commitments and contingent liabilities

There were no capital commitments or contingent liabilities existing at 31 March 2008 (31 March 2007: nil).

16. Losses and special payments

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

17. Post balance sheet events

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



HM INSPECTORATE OF EDUCATION

DIRECTION BY THE SCOTTISH MINISTERS

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

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

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

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

Signed by the authority of the Scottish Ministers

Dated 17 January 2006

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Section 7

Appendix

Staffing and structure

HMIE Publications

April 2007 - March 2008

This section provides some information about our staffing and structure and publications during 2007-08. Further information is available on our website at www.hmie.gov.uk

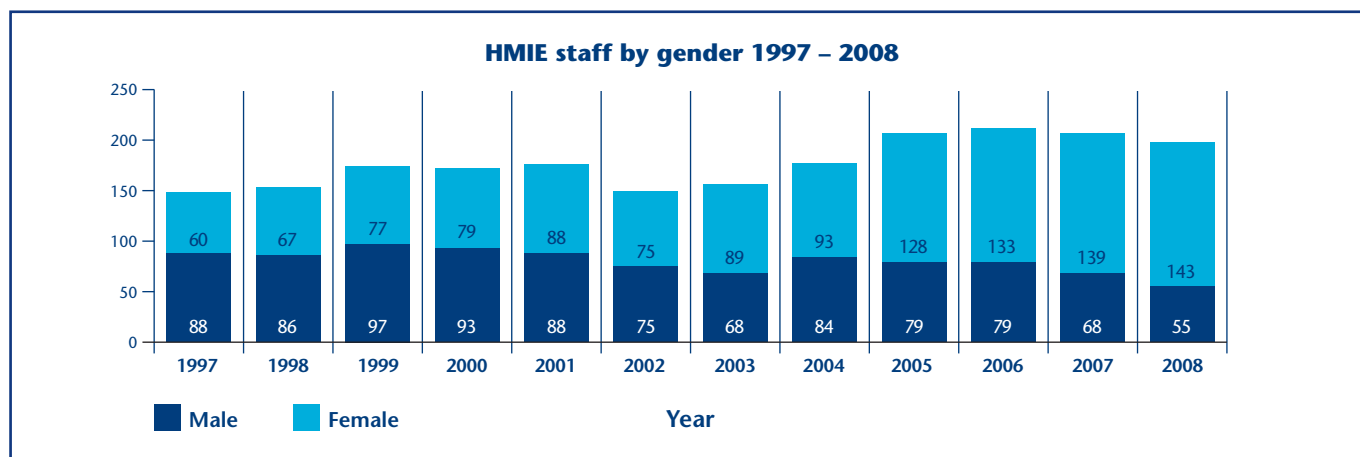
Staffing and structure

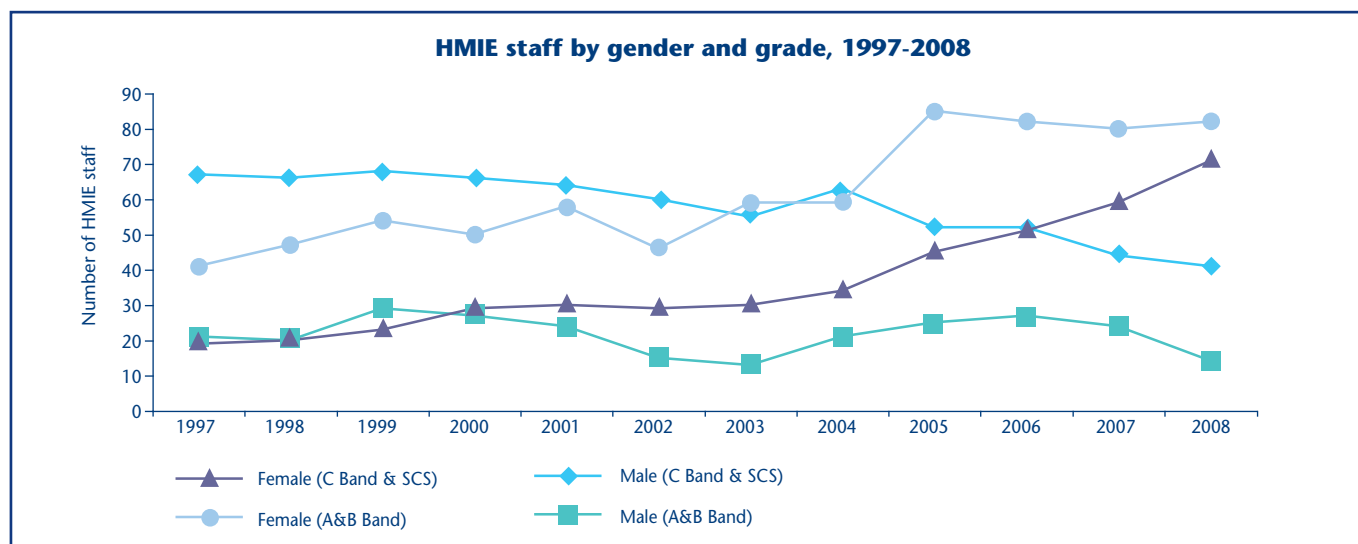
Our structure has been revised over the last 12 months although its objective remains to achieve effective and inclusive practice and secure best value in all aspects of our work. We now have seven functional directorates, the previously separate Services for Children Unit becoming a directorate in its own right. Six directorates are headed by a chief inspector supported by assistant chief inspectors. Each directorate has corporate responsibilities, sectoral inspection programmes, cross-cutting areas and internal and external liaison roles. As part of the review of our structure, we now have a separate corporate services directorate with its own director who reports to HMSCI. We will continue to monitor and evaluate our structures to ensure that the changes made ensure we remain effective.

Our staffing complement comprises HM Inspectors of education, inspectors in specialisms relating to services for children, assistant inspectors, associate assessors, corporate services staff, lay members, student team members and secondees from partner organisations.

Staff by gender and grade

The table below shows the gender balance of Inspectorate staff, between 1997 and 2007. It is followed by a chart showing staff by gender and grade. Band A and B staff in this chart are corporate services staff, and almost all Band C staff are inspectors. HMSCI and chief inspectors are members of the Senior Civil Service.





Independent external members of our management board

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

Gary Kildare is Vice-President of Human Resources for IBM Corporation. He is a Fellow of the Royal Society of Arts and a Fellow of the Chartered Institute of Personnel and Development, a Governor of Napier University and a Globalscot. He has over 20 years experience working as a member of executive management boards at UK, European and global level. He is married with three children and lives in Edinburgh.

Shirley Young is a freelance consultant and trainer who was previously Director of Special Needs Information Point (SNIP) which provides information, advice and support to parents of children with additional support needs. She brings with her experience of a number of diverse boards and committees. She currently chairs the Board of the Family Fund, a UK-wide trust for families of severely disabled children and has recently been appointed to the Scotland Committee of the Big Lottery Fund. Shirley's personal experiences of having been a young carer and parenting two disabled sons also inform her contribution to the Board of HMIE.

More information about our staffing structure and about working for us can be found on our website at www.hmie.gov.uk

HMIE publications April 2007-March 2008

The following were published between 1 April 2007 and 31 March 2008.

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