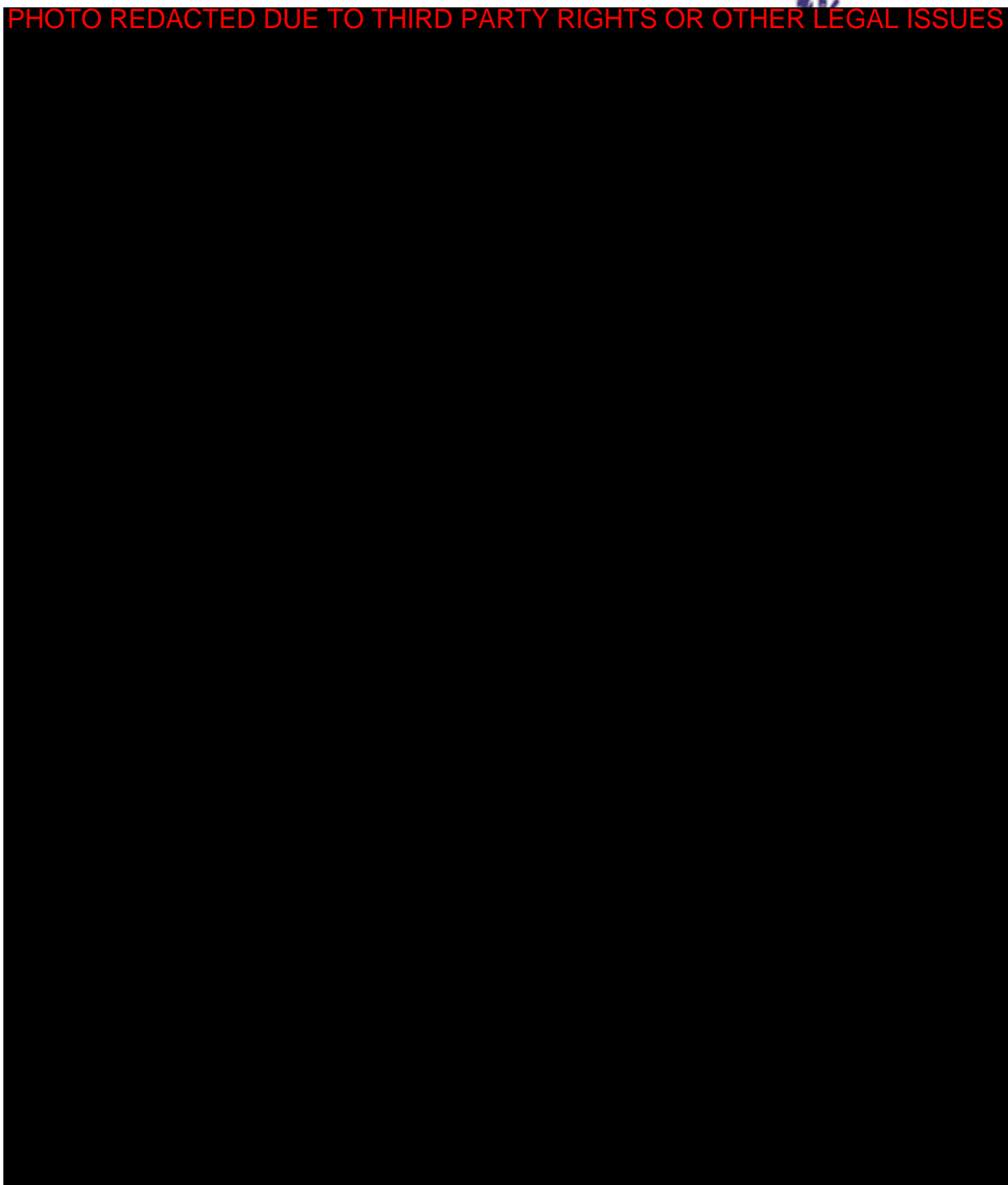


Annual Report and Accounts 2010-11

HM Inspectorate of Education



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HM Inspectorate of Education

An Executive Agency of the Scottish Government

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June 2011

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Contents

	Page	
Section 1	Report by HM Senior Chief Inspector	2
Section 2	Performance against targets and impact of our work on Scottish education and children's services	10
Section 3	Annual accounts 2010-11	32

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Report by HM Senior Chief Inspector 2010-11

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I am very pleased to introduce this annual report which covers the first full year of my position as HM Senior Chief Inspector. The report reviews how well we have achieved our objectives over the course of a year which has been characterised by a particularly high level of change for HM Inspectorate of Education (HMIE), not only in terms of our organisational development, but more significantly in the ways we have engaged with our external stakeholders and developed key aspects of our core business.

Against that backdrop of change, I am pleased to be able to start by reporting that **we met or exceeded all of our main targets for 2010-11**. These targets were rightly challenging and our success in meeting them represents a huge achievement by all of our staff. It would not have happened without the dedication and professionalism of all those who work in and with HMIE including all of our inspectors and Corporate Services staff, and the large number of Associate Assessors and Lay Members who also play a key role in our inspection activities.

The year 2010-11 was one in which I believe we have shown great flexibility and responsiveness in the way we have gone about our work, in order to ensure that we have the greatest possible impact in helping the system improve. This was demonstrated most noticeably in our mid-year decision to alter radically our school inspection programme for four months in order to provide additional support for the implementation of Curriculum for Excellence. We also adapted to many other changes, such as the cessation of the inspection programme set up for the Department of Work and Pensions (DWP) and more unpredictable areas of activity such as our independent review of local authority proposals for the rationalisation or closure of schools, which has gathered pace over the course of the year.

Our mid-year **Curriculum for Excellence support** was a challenging and innovative programme for HMIE to mount, and not without risk, but I believe it proved its worth as a contribution alongside the endeavours of all of those working to implement Curriculum for Excellence. In many respects, I think it has established a new model of engagement, complementing our other areas of activity, and one which might well be more fully mainstreamed into the range of services that we provide in the future.

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Practitioners in all sectors have been gradually implementing Curriculum for Excellence in various ways over several years. Last summer there were real concerns that implementation was entering a crucial phase in the secondary sector and a determination amongst all the national partners that we should take every step possible to ensure schools were as ready as they could be to take the programme forward successfully. I was pleased to offer the support of HMIE in leading a programme of intensive support work with schools, as one element within the *ten point plan*¹ for enhancing support announced by the Cabinet Secretary for Education and Lifelong Learning. We worked closely with partners, most notably the education authorities, Learning and Teaching Scotland (LTS), the Scottish Qualifications Authority (SQA) and the Scottish Government, to design bespoke packages of support work matched to the needs of each authority. In what became a significant programme comprising 393 events across all 32 authorities, inspectors, teachers and other practitioners learned together through open and honest exchanges about strengths and areas for development. When our school inspection programme resumed its normal schedule in January 2011, inspection teams continued to play a vital role in supporting Curriculum for Excellence implementation. Inspections and reviews give us an excellent opportunity to engage in professional dialogue with staff in individual establishments and services about how they are managing implementation in their own context and, through that engagement, help them strengthen their capacity for self improvement. They also provide us with our unique evidence base on how Curriculum for Excellence is being taken forward in establishments and services.

The past year has seen changes to our inspection models, which we first introduced back in August 2008, become firmly established in all our school and learning community sectors. I am encouraged by the positive feedback we continue to receive about how the inspections are working in practice.

When I came into post, however, I also recognised a need for us to consider further substantial changes to our whole approach to school inspections. I wanted to build on the successful direction of travel reflected in previous changes, but take them further to ensure we have a framework that is fully appropriate for the environment we are now anticipating in the years ahead. In March 2010, the Cabinet Secretary for Education and Lifelong Learning and I jointly hosted a stakeholder seminar focused on identifying where the next set of improvements in school inspection might be focused. That led directly on to our establishment of the *School Inspection Framework Review*².

¹ The Cabinet Secretary's ten-point plan for Curriculum for Excellence, The Scottish Government, March 2010, <http://www.scotland.gov.uk/News/Releases/2010/03/30100515>

² *School Inspection Framework Review*
www.hmie.gov.uk/generic/School+Inspection+Framework+Review



I believe the **School Inspection Framework Review** represented a new level of commitment for us, in terms of the lengths to which we went to generate an open, public debate with all our key stakeholders about how we design and deliver inspections. We undertook a three-month public consultation to gather the views of as many of our stakeholders as possible, prompted by a set of draft proposals addressing areas in which we thought improvements could be made. I was convinced that a thorough public consultation was important to ensure that the model we adopted commanded wide public and stakeholder support, whilst also being as efficient and sustainable as possible. I was therefore delighted by the high level of response we received to the consultation, reflecting the very high level of interest in school inspection that exists in many quarters. It serves as a strong reminder that inspection really does matter to our service users.

Our response to the consultation will help to ensure that the changes we will now start introducing from August 2011 produce the maximum benefit for all of our stakeholders and ultimately, of course, for the learners who should always be the focus of our work. We also published our document *Principles of Inspection and Review*³ which sets out the principles HMIE is committed to following in the design and implementation of our inspection and review frameworks. As we go forward I am committed to ensuring that we realise those benefits fully and continue to keep the framework under active review, ensuring that it remains fit for purpose in the future.

Across our portfolio of inspection and review frameworks the principle of proportionality is now increasingly being applied. This is reflected in our arrangements for school **follow-through inspections**, where our proportionate approach allows our resources to be targeted on direct involvement where it is most needed and can have most impact. We will continue to develop further the arrangements for follow-through in the light of the *School Inspection Framework Review*.

Our second edition of *Learning Together: Lessons about school improvement*⁴ drew together the findings from an analysis of 300 follow-through inspections. The results are very encouraging in demonstrating how inspection can act as a catalyst for positive change. With support from their local authorities, many schools have addressed key weaknesses effectively and improved the quality of what they are providing to at least a satisfactory level, and often better. The experience of these schools provides important insights into ways in which staff can bring about significant improvements for their learners in a relatively short space of time.

³ *Principles of Inspection and Review*, HM Inspectorate of Education, October 2010
<http://www.hmie.gov.uk/AboutUs/InspectionResources/>

⁴ *Learning Together: Lessons about school improvement*, HM Inspectorate of Education, April 2010,
<http://www.hmie.gov.uk/Publications.aspx>

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Over the course of the year there have also been notable developments in the approaches to inspection and review across other sectors and services.

Within **the college sector** we completed a programme of external reviews and other quality enhancement activities as part of our agreement with the Scottish Further and Higher Education Funding Council and contributed professional advice on a variety of fronts. We continued to implement our innovative inspections of DWP funded provision for part of the year. However, after the UK election, new Ministers decided to discontinue external inspection and improvement support for the quality of employability programmes. As a result, our external inspections of DWP-related provision were discontinued from 12 August 2010.

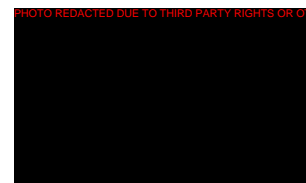
Inspection looks beyond the boundaries of individual institutions. Approaches to **inspecting learning communities** introduced in September 2008 continue to develop. These inspections normally take place at the same time as the inspection of the local secondary school and evaluate the outcomes for learners and participants of the partnerships within the local area. In March this year, we published the report *Learning in Scotland's Communities*⁵, which included a rich seam of evidence on how community learning and development (CLD) partnerships can work very successfully with schools to improve outcomes for children, young people and communities. Ensuring the wider spread of such practice is one of the biggest challenges to be faced if we are to achieve the aspirations of Curriculum for Excellence and build consistently effective learning communities in Scotland.

The first full operation of the new **Shared Risk Assessment** and joint scrutiny arrangements came into effect this year. This was a significant milestone for us in the way we provide assurance and public accountability for local authorities' management of education functions and children's services. These new arrangements, which are coordinated by Audit Scotland, represent a dramatic shift towards more proportionate and better targeted scrutiny of local authority functions. They involve much closer joint working across all of the main inspectorates and scrutiny bodies. The outcome has been the publication of a National Scrutiny Plan, Audit Scotland⁶ and an Assurance and Improvement Plan, Audit Scotland⁷ for each council. The process has led to a significant reduction in the amount of scrutiny of local authorities. Scrutiny is now more intelligence led and carefully targeted, which directs our efforts, individually and jointly, to the places where it can do most good.

5 *Learning in Scotland's Communities*, HM Inspectorate of Education, March 2011, <http://www.hmie.gov.uk/Publications.aspx>

6 *National Scrutiny Plan*, Audit Scotland, <http://www.audit-scotland.gov.uk/work/scrutiny/schedule.php>

7 *Assurance and Improvement Plan*, Audit Scotland, <http://www.audit-scotland.gov.uk/work/scrutiny/aip.php>



We also continue to work with local authorities to refine and develop further our approaches to **validated self-evaluation**. Validated self-evaluation is carried out at the request of the education authority and is led by them. It involves HMIE working in partnership with local authority staff to support and challenge them on their self-evaluation, to build capacity in staff and to provide a rigorous, independent validation of their own self-evaluation. Following each validated self-evaluation we report publicly on the strengths, areas for improvement and capacity for improvement of the education authority. These have so far been very well received and requests for validated self-evaluation are increasing.

This year, we have also supported the piloting of the draft framework *How Good is our Culture and Sport?*⁸. During this time, a small team of inspectors has worked closely with colleagues from Scottish Government, national cultural and sporting agencies, Voice of Chief Officers of Cultural Community and Leisure Services in Scotland (VOCAL), and local authorities to pilot the framework in seven authority areas. This work was well received by the local authorities concerned and has helped to build considerable capacity in using self-evaluation for improvement in culture and sport services.

This year we also completed the inspection of all 32 local authority **educational psychology services**. Our evidence demonstrates that educational psychology services are contributing strongly to improving the life chances of young people. Our summary report covering the inspection findings, *Educational Psychology in Scotland: making a difference*⁹ provides examples of good practice as well as some important areas in which the impact of educational psychology services needs to be improved if the services are to make their fullest contribution to supporting children and young people.

The end of the year also marked another very significant milestone in the development of the HMIE business. In April 2011, we handed over lead responsibility for the inspection of services to protect children and young people to the newly formed improvement and scrutiny organisation **Social Care and Social Work Improvement Scotland (SCSWIS)**¹⁰. Our colleagues who have undertaken child protection inspections have played an important role over the last six years in developing, coordinating and leading on the ground-breaking programme of joint inspections of services to protect children and young people. These inspections have been a powerful driver for change in improving outcomes for the most vulnerable children in Scotland. The close involvement of our staff in supporting the creation of SCSWIS has also been a significant feature of this past year. Colleagues have been working closely

8 *How Good is our Culture and Sport?* HM Inspectorate of Education, August 2009, <http://www.hmie.gov.uk/Publications.aspx>

9 *Educational Psychology in Scotland: making a difference*, HM Inspectorate of Education, March 2011, <http://www.hmie.gov.uk/Publications.aspx>

10 Social Care and Social Work Improvement Scotland (SCSWIS), <http://www.scswis.com/>

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with SCSWIS to ensure a smooth transition of responsibilities. I am proud of what has been achieved under HMIE's leadership of this programme and of the team that achieved it. It was with very mixed feelings that we said farewell to the staff transferring across to continue to lead the programme in the new body. Nevertheless, we will continue to play a strong role as key partners in these joint inspections and look forward to working with former colleagues as well as new ones in SCSWIS.

Throughout the year, we continued to support a wide range of key policy and practice developments over and above the Curriculum for Excellence work described earlier. In the area of **educational inclusion**, we added to the *Count Us In* series with two further publications *Count Us In: Success for All*¹¹ and *Count Us In: Mind Over Matter*¹². These set out the current good practice in pre-school centres, schools and colleges in coordinating and improving support for children and young people who have a wide range of backgrounds and additional support needs and in promoting and supporting young people's mental and emotional wellbeing. We also published a *Review of the Additional Support for Learning Act: Adding Benefits for Learners*¹³ which reported how well needs of specific groups of young people with additional support needs are being met.

We aim to practise what we preach in terms of mainstreaming good practice on **equality and diversity**. Reflecting this commitment, in the autumn I had the privilege of joining members of our Equality and Diversity Group at a reception at Buckingham Palace to receive a UK-wide Civil Service Diversity and Equality Award for our work in this area.

Teacher education featured prominently in our work during 2010-11. We have had extensive engagement on teacher education with key bodies and we contributed directly to *Teaching Scotland's Future – Report of a review of teacher education in Scotland*¹⁴ through a range of evidence, submissions and discussions. I am sure that the follow-up action that needs to be taken in response to that review will be a very prominent theme for us and for Scottish education more generally in the year ahead.

The year also saw the publication of our **Gaelic Language Plan/Plana Gàidhlig**¹⁵. I am strongly committed to the importance of Gaelic to Scotland's heritage, identity and culture. I hope the actions we set out in the plan will ensure that we play our full part in supporting the resurgence of Gaelic within education that we have seen in recent times.

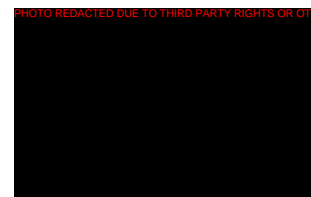
11 *Count Us In: Success for All*, HM Inspectorate of Education, September 2010, <http://www.hmie.gov.uk/Publications.aspx>

12 *Count Us In: Mind Over Matter*, HM Inspectorate of Education, March 2011, <http://www.hmie.gov.uk/Publications.aspx>

13 *Review of the Additional Support for Learning Act: Adding Benefits for Learners*, HM Inspectorate of Education, November 2010, <http://www.hmie.gov.uk/documents/publication/raslaabl.pdf>

14 *Teaching Scotland's Future, Report of a review of teacher education in Scotland*, The Scottish Government, January 2011, <http://www.scotland.gov.uk/Publications/2011/01/13092132/0>

15 *HMIE Gaelic Language Plan/Plana Gàidhlig*, HM Inspectorate of Education, October 2010, <http://www.hmie.gov.uk/Publications.aspx>



This has been a year in which we have put much focused effort into considering how best to take forward our own organisational development for the future. Early in the year, I established our *Shaping up for the future* review and we worked closely with an external consultant to carry through a very systematic review process. The aim was to enhance our ability to achieve our core purpose in the face of an increasingly challenging external environment.

However, as our *Shaping up for the future* review was approaching its conclusions in October, it was overtaken by a dramatic broadening of the horizon. The Cabinet Secretary for Education and Lifelong Learning announced the creation of a **new education improvement agency**, combining the work we do with the functions undertaken by LTS and some functions currently located with the Scottish Government. Our own review meant that as an organisation we are well prepared to engage positively in the emerging process of establishing the new agency. We have been working hard in partnership with colleagues in LTS and the Scottish Government since October in order to do so.

I welcome the creation of the new agency, Education Scotland. I believe it presents exciting opportunities to go beyond simply capitalising on existing synergies. It can provide genuinely new, more integrated ways of providing the right blend of support and challenge to education practitioners across Scotland. I am committed to ensuring that we in HMIE play our full part in establishing the new agency as one which continues to improve the quality of provision for all learners in Scotland. The wide range of achievements that are set out in this annual report augurs well for the contribution we can make within the new organisation.

The year covered by this report was one characterised by change and I can confidently predict that the pace will not slacken in the year ahead. The past year has also coincided with the end of our third Corporate Plan 2008-11. We have had a high degree of success in meeting its targets. I am mindful also of our duties under the *Public Service Reform (Scotland) Act 2010*¹⁶ to secure continuous improvement in user focus and to cooperate with other scrutiny bodies. These duties will inform all of our work as we go forward.

Lastly, I would like to acknowledge here that our contribution to improving Scottish education depends almost entirely on close collaborative working with many partners across all the sectors in which we work. I would therefore like to record my sincere thanks to all of those involved and look forward to continuing our work with them, for the benefit of Scottish learners, in what looks like an exciting year ahead.

¹⁶ *Public Service Reform (Scotland) Act 2010*, The Scottish Government,
<http://www.scotland.gov.uk/Topics/Government/public-bodies/psr/Bill>

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Section 2

Performance against targets and impact
of our work on Scottish education
and children's services

2010-11

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Strategic priority 1

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

Our targets	Performance against our targets
<p>1.1 We will undertake programmes of inspection in pre-school centres, schools and child protection services to enable us to give assurance to parents, Ministers and the general public. Evaluations from these inspections will provide core data for some of the Government's national indicators in the National Performance Framework (NPF).</p>	<p>We inspected:</p> <ul style="list-style-type: none"> • 289 pre-school centres; • 220 primary schools; • 30 secondary schools; • 18 special schools; • three all-through schools; • provision in 11 residential special schools; • six independent schools; • 11 child protection services; and • 26 learning communities.
<p>1.2 We will inspect educational psychology services (EPS) in those local authorities which have not yet had these services inspected.</p>	<p>We carried out seven educational psychology services inspections, completing the programme in early 2011.</p>
<p>1.3 We will undertake a programme of follow-through inspections in pre-school centres, schools, residential special provision, secure units, CLD and child protection services in line with our commitment to stakeholders.</p>	<p>We carried out proportionate follow-through inspections and published reports as follows:</p> <ul style="list-style-type: none"> • 22 pre-school centres; • 61 primary schools; • ten secondary schools; • ten special schools; • provision in two residential special schools; • two independent schools; • two education authorities; • three educational psychology services; • three child protection services; and • eight learning communities.
<p>1.4 In conjunction with a range of other bodies, we will undertake programmes of inspections/reviews of:</p> <ul style="list-style-type: none"> • voluntary sector organisations; • learning, skills and employability provision in prisons; and • independent schools seeking registration. 	<p>We carried out:</p> <ul style="list-style-type: none"> • four reviews of voluntary sector organisations; • inspections of learning, skills and employability in four prisons in conjunction with HM Inspectorate of Prisons (HMIP); • an inspection of Dungavel Immigration Removal Centre in conjunction with HMIP England and Wales; and • one post-registration inspection of a new independent school.

Our targets	Performance against our targets
<p>1.5 As part of a Service Level Agreement (SLA) and a contract, we will undertake reviews of colleges and inspections of employability programmes contracted by the DWP.</p>	<p>We carried out 13 external reviews of colleges during the reporting year 2010-11.</p> <p>As a result of changes in UK Government policy, no DWP inspections were undertaken during this period.</p>
<p>1.6 We will issue 95% of all draft inspection/review reports within six working weeks of the end of the inspection/review or within timescales agreed with partner bodies.</p>	<p>We achieved this target.</p>
<p>1.7 We will publish 95% of all inspection/review reports within ten working weeks of the end of the inspection/review or within timescales agreed with partner bodies.</p>	<p>We achieved this target.</p>
<p>1.8 We will consolidate and further improve our approaches to inspection and review to make sure that they build on self-evaluation and are firmly focused on outcomes for children and young people.</p>	<p>We reviewed our inspection and review arrangements in pre-school centres, schools and learning communities, colleges and child protection.</p> <p>We reviewed the <i>School Inspection Framework</i>. The review process was advised by an external reference group and included an extensive public consultation on six key proposals.</p> <p>A review and updating of the <i>external quality arrangements for Scotland's colleges</i> has begun and will conclude in time for implementation in autumn 2012.</p> <p>Child protection inspections have increasingly used self-evaluation provided by services to scope inspection activity. We have built capacity for improved self-evaluation within and between services protecting children, focusing on outcomes for children.</p>
<p>1.9 We will continue to contribute to the development of approaches to inspecting services for children as agreed with other bodies within the new scrutiny arrangements.</p>	<p>We have had on-going discussions with Scottish Government officials and partners in other scrutiny bodies.</p> <p>We have played a key role in planning for supporting the development of SCSWIS which was established on 1 April 2011.</p> <p>We have played a key role in planning for implementing the duty of cooperation and user focus under the <i>Public Services Reform (Scotland) Act 2010</i>.</p>

Our targets	Performance against our targets
<p>1.10 We will continue to contribute to the streamlining of inspection at strategic level in local councils in partnership with other national agencies and inspectorates.</p>	<p>We have continued to play a full part in the new national approach to assessing risk and planning strategic level scrutiny in councils, in partnership with Audit Scotland and other scrutiny bodies.</p> <p>We have contributed to the Shared Risk Assessment process and Assurance and Improvement Plans for each council. HMIE led five local area networks which carried out the Shared Risk Assessment process.</p> <p>We continue to contribute to prison inspections led by HMIP.</p> <p>We continue to participate in joint and integrated scrutiny activities with other inspectorates.</p>
<p>1.11 We will undertake scrutiny activities as outlined in the National Scrutiny Plan.</p>	<p>We carried out and reported upon the scrutiny activities as planned. We worked in partnership with Audit Scotland to carry out joint scrutiny of one council. We will continue to contribute to joint strategic level scrutiny in partnership with other scrutiny bodies.</p>
<p>1.12 We will undertake a programme of inspection of employability provision funded by the DWP.</p>	<p>As a result of changes in UK Government policy, no DWP inspections were undertaken during the period covered by this report.</p>
<p>1.13 We will report on educational aspects of councils' proposals under the <i>Schools (Consultation) (Scotland) Act 2010</i>.</p>	<p>We reported on educational aspects of 73 council proposals under the <i>Schools (Consultation) (Scotland) Act 2010</i>.</p>

Commentary

The statistically-based sample of inspections for the overall annual programme of general inspection allows HMIE to report to the Scottish Government on the National Performance Framework. We are committed to evaluating the quality of the impact of our work to ensure continuous improvement. We use post-inspection questionnaires as a regular aspect of our inspection and review procedures to gather the views of stakeholders. Almost all headteachers (94%) and heads of pre-school centres (96%) rated the helpfulness of our inspections as good or very good and felt that the content of the published report would help the school improve. We continue to develop opportunities for practitioners to engage in professional dialogue during inspections and value the related comments included by heads in post-inspection questionnaires. These include the following:

‘Both my staff and myself appreciated the open dialogue with inspectors during the inspection and advice given in context. I felt my opinion was respected and discussion was relevant to the improvement needs of our centre. Inspectors were able to give practical suggestions for improvement and able to share ideas with both myself and staff throughout the inspection process.’

‘The information received during the feedback session will be very valuable to us as we continue to improve our school. I also found the inspection team very professional and approachable over the week. They all put everyone at ease and really helped everyone through the inspection.’

In addition, feedback from the Association of Headteachers and Deputies in Scotland (AHDS) and The Educational Institute of Scotland (EIS) who complete their own independent post-inspection surveys of schools have shown increased satisfaction rates.

Through our inspections and reviews, we are in a unique position to observe learning and teaching directly. We have extensive levels of professional engagement with practitioners, parents and learners of all ages across Scotland. These activities allow us to deliver on our key priorities of providing assurance, building capacity for improvement and giving evidence-based policy advice. Over the past year, our inspections of 289 pre-school centres and 288 schools provided us with a significant evidence base to evaluate the quality of education for children and young people in these sectors.

We also improved reporting by providing a short, plain English report for parents and by sharing the Record of Inspection Findings with headteachers and education authority staff. We also share our records of the findings of follow-through inspections. These records of inspection findings have been very well received by headteachers and local authority staff who report that they have become an important professional tool for school improvement.

Throughout the inspection programme, HMIE and Associate Assessors have been engaging in a more focused way with staff about Curriculum for Excellence. Staff in the pre-school and

school sectors have found this to be a very helpful part of the inspection process. In the CLD sector, there is also an increasing focus on Curriculum for Excellence, with staff beginning to work with colleagues in secondary schools to enhance young people's learning and achievements.

The collation of quality indicator (QI) data from all of our pre-school and school inspection reports will enable us to report to the Scottish Government on NPF Indicators by March 2012.

The outcomes from child protection inspections continue to influence practice and the collation of QIs from these reports will contribute to a report on the NPF in March 2012. As a result of improvements in performance, there have been fewer follow-through inspections. Very positive comments have been received from Chief Officers, Child Protection Committees and practitioners about the value of good practice examples in published reports are shared through Child Protection Committees.

Follow-through inspections take place when an initial inspection has identified some important or major weaknesses in provision, including cases in which outcomes for learners are not good enough. We have evidence to show that these follow-through activities have led to benefits for learners. Over the last three years and including most recently 2010-11, around 12% of education authority schools which were inspected required follow-through inspections. We normally carry out a first follow-through visit within one year of the initial inspection, and a second follow-through visit within two years. Of those schools which required this type of follow-through engagement, around 85% had reached a satisfactory or better level by the time we had completed our second follow-through visit. This represents a considerable amount of improvement in key aspects, including learners' experiences and achievements.

Questionnaire returns from headteachers on the effectiveness of the follow-through process show that in most of these cases the inspections had a positive impact on improving the work of the school. Almost all heads of pre-school centres and headteachers rated the helpfulness of the follow-through inspections as good or very good and a minority rated them as excellent. Examples of comments from headteachers included the following:

'We felt we could benchmark our self-evaluation and have this assurance from somebody who has seen standards nationally.'

'The inspection helped to focus our thoughts on the way ahead for the school it gives us a firm basis to take the school forward in improving teaching to improve learning ... it has helped us clarify the areas we need to improve on.'

In order to evaluate the impact of our follow-through programme, we analysed around 300 follow-through inspections which were carried out between 2005 and 2008 and updated the evidence base with some more recent findings. More detailed information on the impact of our follow-through work in schools is set out in the second edition of the report, *Learning Together: Lessons about School Improvement*.

Our post-inspection questionnaires show a positive view of the impact of our work in colleges and we have begun to review and update the external quality arrangements for Scottish colleges in preparation for the next cycle which will begin in autumn 2012. The Scottish Funding Council's Quality, Equality and General Purposes Committee has expressed its satisfaction with the quality enhancement activities HMIE carries out on its behalf, as part of the Service Level Agreement it has with HMIE. Examples of comments from college principals following a review have included:

'The findings of the review gave confirmation of our strengths and have provided areas for development that are accurate in relation to our current state of development and very much in line with our future plans.'

'Both the formal and informal feedback will lead the college into making a range of changes. This is equally true of the comments made by the student team member as well as the other members of the team.'

'The managing inspector adopted a supportive and developmental approach throughout the review process. This helped in promoting a relaxed atmosphere in the college during the review. The reviewers gave staff (particularly the SMT) timeous opportunities to identify and share our evidence in relation to the reference quality indicators.'

We similarly gathered feedback from principal educational psychologists on the inspections of educational psychology services. Having completed the programme of inspections of all 32 local authorities we analysed the findings in *Educational Psychology in Scotland: Making a Difference*. This report provides, for the first time, a national overview of provision and sets out a clear national agenda for improving key areas of practice where there are common weaknesses.

By working alongside other scrutiny bodies in the shared risk assessment process we have contributed to a reduction in unnecessary strategic level scrutiny of councils and a better coordinated, more targeted approach, designed to focus scrutiny where it will do most good.

HMIE Strategic priority 2

Building capacity for improvement

Our targets	Performance against our targets
<p>2.1 We will provide support and prepare for publication a further range of advice to support self-evaluation.</p>	<p>We have published a range of advice on self-evaluation on our website including:</p> <ul style="list-style-type: none"> • <i>Learning Together: Lessons about school improvement; and</i> • <i>Ionnsachadh Còmhla: Fosgladh suas ionnsachadh (Learning Together: Opening up learning Gaelic version).</i>
<p>2.2 We will continue to add publications to our website aimed at supporting implementation of Curriculum for Excellence.</p>	<p>We published on our website reports of current practice aimed at supporting implementation of Curriculum for Excellence. A full list of all 25 HMIE publications can be found on pages 30 and 31 of this report.</p>
<p>2.3 Through conferences, seminars and other means as appropriate we will disseminate and encourage the uptake of good practice.</p>	<p>There were almost 100 examples of sector-leading and innovative or excellent practice from external reviews and annual engagement visits in the college sector published on the <i>Showcase for Excellence</i> area of our website. We illustrated a further 53 examples of good practice in the college sector through the publication of thematic and subject based aspect reports.</p> <p>We held launch events for publications featuring examples of good practice which included <i>Educational psychology in Scotland: making a difference</i>. We also published <i>Learning in Scotland's Communities</i>.</p> <p>We led discussions with practitioners at the Scottish Learning Festival in September 2010 on: Interdisciplinary Learning; Leadership; <i>The Journey to Excellence</i>; Assessment; School Inspection Framework Review (SIFR); Learning Communities; Primary and Secondary Curriculum; Support for All; Self-evaluation; our good practice guide <i>Learning Together: International education: responsible, global citizens</i> and our publication, <i>Count Us In: Success for All</i>.</p>

Our targets	Performance against our targets
<p>2.4 We will continue to develop <i>The Journey to Excellence</i> online digital resource, building in new technology as this develops, disseminate and pilot a <i>Futures Kit</i> relating to strategic vision and improvement planning in schools and education authorities (EAs), upgrade the professional development packs, particularly in relation to literacy and numeracy, and target teacher and headteacher audiences to support wider improvement activities through Curriculum for Excellence implementation.</p>	<p><i>The Journey to Excellence</i> website¹⁷ has been reviewed and restructured in light of user feedback to make the wide range of resources it contains more readily accessible. In March 2011, <i>The Journey to Excellence</i> website was visited by over 7,000 people, who viewed 40,000 pages on the site and downloaded 3,000 video clips to view. We reviewed 444 video materials on the website, removed 66 outdated films and added 120 new films. We updated 37 improvement guides, and 19 <i>Learning Together</i> CPD packs. We added new CPD packs on literacy and numeracy and health and wellbeing. We supported a series of regional conferences for headteachers organised by the Scottish Government on the theme of Curriculum for Excellence Leadership in Action (January-March 2011).</p>
<p>2.5 We will carry out validated self-evaluation with local authorities.</p>	<p>We carried out validated self-evaluation of education functions with the following authorities: North Lanarkshire Council, Falkirk Council, South Lanarkshire Council and Inverclyde Council.</p>
<p>2.6 We will continue to support the development of self-evaluation and improvement with Child Protection Committees through link inspectors.</p>	<p>Our link inspectors continued to play a key role in supporting self-evaluation and improvement within Child Protection Committees and through working with Chief Officers.</p>
<p>2.7 We will provide additional support for the implementation of Curriculum for Excellence from August to December 2010, in partnership with local authorities, practitioners and national organisations.</p>	<p>In partnership with education authorities, LTS and the SQA we carried out some 393 events to provide additional support for the implementation of Curriculum for Excellence during 2010-11 across all 32 education authorities. HMIE early education specialists have also provided support to national bodies, headteachers and nursery centres on the implementation of Curriculum for Excellence.</p>

Commentary

One of our strategic priorities is to identify, disseminate and encourage the adoption of good practice with a view to building capacity for improvement. Our major programme of support for Curriculum for Excellence was designed to build capacity for implementation, mainly through professional dialogue with teachers. The main focus of the 393 events which we designed and undertook had been agreed

¹⁷ <http://www.journeytoexcellence.org.uk>

in discussion between Directors of Education to suit the individual development needs of authorities, establishments and associated learning communities.

Over 2,000 individuals involved in the additional support for Curriculum for Excellence events completed evaluations, covering around 170 of the events. Almost all respondents welcomed the approach taken by HMIE and partners in delivering the support. Most staff (88%) felt that the support provided was helpful and effective and that their confidence (75%) had been increased or endorsed. We have commissioned further independent research to evaluate the impact of this work.

Our inspection and review programmes provide opportunities to build capacity through the professional dialogue which takes place and a rich evidence base upon which we draw in order to share what we have learned about practice across Scottish education.

In May 2009, the Minister for Children and Early Years set up a review on how the *Education (Additional Support for Learning)(Scotland) 2004* was affecting children and young people who are looked after; are young carers; have mental health disorders; or have sensory impairments. We were asked to lead this review which resulted in the publication of *Review of the Additional Support for Learning Act: Adding Benefits for Learners*. This report makes six main recommendations to help ensure better impact of the Act for these groups of young people. These recommendations provide staff across all sectors with useful points of reference for improving how we cater for children and young people in Scotland who are looked after; are young carers; have mental health disorders; or have sensory impairments.

We continued to focus our energies on sharing best practice in meeting the needs of the most vulnerable learners through the *Count Us In* series. This included the launch of an important report highlighting the need for improvements in the way young people with mental health issues are dealt with in the education system, *Count Us In: Mind Over Matter*.

We are committed to promoting Gaelic and as well as publishing our Gaelic Language Action Plan we translated a number of publications in Gaelic including *Ionnsachadh Còmhla: Fosgladh suas ionnsachadh*¹⁸ *Learning Together: Opening up learning*.

Link inspectors worked with all Multi-Agency Child Protection Committees, to provide support and advice on child protection issues and helping to build capacity for self-evaluation for improvement. Child Protection Committees have commented very positively on the impact of these links and of the child protection inspection programme in improving outcomes for vulnerable children.

Our voluntary process of validated self-evaluation has helped to build capacity in a number of areas in those local authorities we have worked with. Directors of Education have identified that engaging with HMIE in this way has built the capacity of staff and has provided support and

¹⁸ *Ionnsachadh Còmhla: Fosgladh suas ionnsachadh*, HM Inspectorate of Education, November 2010, <http://www.hmie.gov.uk/Publications.aspx>

challenge to their self-evaluation. They have also reported that this work has made a significant impact on their ongoing and future plans for quality improvement. We have continued to develop the skills of a team of Associate Assessors who are deployed on to each validated self-evaluation team. This has helped to develop their skills and build capacity further for self-evaluation for improvement.

We have also been involved in supporting culture and sport services through capacity building work in trialling the draft framework *How Good is our Culture and Sport?*. Feedback from those involved has noted that these activities have built considerable capacity in services where self-evaluation was at an early stage of development.

Through our links and partnerships, we build capacity for improvement beyond Scotland. We regularly provide programmes for international visitors and contribute to international programmes organised by partner organisations. Inspectors also contribute to conferences, workshops and other events outwith Scotland. Highly positive feedback from our international visitors and partners provides evidence of the impact of this area of our work.

A Dutch inspector who took part in an internship with HMIE said: 'HMIE has developed validated self-evaluation for local authorities. I consider that as an important subject on which we can learn from each other.' The Head of International Affairs in the Dutch Inspectorate commented on the inspector's internship: 'It has been a great contribution to his and our professional development and it stresses the importance of our long time cooperation.'

Visitors from the Norwegian Department of Education and Training who took part in a programme organised by HMIE, and delivered in partnership with Scottish Government and LTS commented that: 'It was very useful and inspiring for us. We were impressed by the coherence and the high level of ambition in your reform! We are going to present a report from the study visit at our department meeting this week.'

An organiser of a programme for French inspectors commented that: 'Your experience and knowledge bring something to the week which our inspectors couldn't get anywhere else.'

One visitor to HMIE who was part of a group from the northern part of Cyprus advised that they will: 'try to adapt and integrate the new information and experiences gained from my training with HMIE into our own context.'

The number of users of *The Journey to Excellence* online resource continues to grow steadily, but needs to increase still further. Journey to Excellence resources were well used during the intensive phase of support for Curriculum for Excellence.

Strategic priority 3

Giving professional, evidence-based advice

Our targets	Performance against our targets
<p>3.1 We will provide high quality advice within agreed timescales to Scottish Ministers and relevant Directorates of the Scottish Government on a number of key aspects including Curriculum for Excellence, <i>Getting it right for every child (GIRFEC)</i>, <i>The Early Years Framework</i>, <i>Skills for Scotland</i> and <i>More Choices, More Chances</i>.</p>	<p>We provided a wide range of professional advice to Scottish Ministers and the Scottish Government which included:</p> <ul style="list-style-type: none"> Child protection; Community learning and development; Core skills for early years workforce and Independent schools; Curriculum for Excellence including progress reports for the Curriculum for Excellence Management Board; Equality and Diversity. <i>Getting it right for every child</i>; International engagement; Review of teacher education; Review of skills strategy; Skills Development Scotland Systematic Scrutiny Check; <i>The Early Years Framework</i>; <i>The Education (Additional Support for Learning) (Scotland) Act 2004</i>; The establishment of Social Care and Social Work Improvement Scotland (SCSWIS); <p>We seconded five inspectors over the year to assist officials in the Scottish Government and partners in SCSWIS and LTS with key policy initiatives.</p>
<p>3.2 We will continue to maintain and further develop our two-way links with EAs through our District Inspectors (DIs), community learning and development (CLD) inspectors and child protection inspectors.</p>	<p>We maintained and further developed our existing very effective links with EAs and local authorities through our DI, CLD and early years networks. We have also introduced links with educational psychology services in each authority. Child protection inspectors continued their effective and well-received links with Child Protection Committees.</p>
<p>3.3 We will continue to link with individual colleges through our college link inspectors.</p>	<p>We have maintained our commitment to and engagement with each college through our college link inspectors.</p>

Our targets	Performance against our targets
<p>3.4 We will continue to work in close partnership with key organisations in Scotland to promote effective achievement of the national outcomes.</p>	<p>We continued to work in close partnership with bodies including:</p> <ul style="list-style-type: none">Audit Scotland;Association of Directors of Education in Scotland (ADES);Association of Directors of Social Work (ADSW);Bòrd na Gàidhlig;The Care Commission (CC);Equality and Human Rights Commission;Health Improvement Scotland (HIS);HM Inspectorate of Prisons, Scotland (HMIP);HM Inspectorate of Constabulary for Scotland (HMICS);Improvement Service;Learning and Teaching Scotland (LTS);NHS Quality Improvement Service (NHSQIS);Scotland's Colleges;Scottish Funding Council;Scottish Housing Regulator (SHR);Scottish Qualifications Authority (SQA); andSocial Work Inspection Agency (SWIA)
<p>3.5 We will link with key organisations across the UK and abroad in order to promote Scotland by providing information, capacity building and advice based on Scottish approaches to inspection and self-evaluation.</p>	<p>We provided information and advice on the Scottish education system and on Scottish approaches to quality improvement in education to colleagues from: Australia, Belgium, China, the northern part of Cyprus, Czech Republic, France, Germany, Greece, Kuwait, Italy, Japan, Lithuania, Netherlands, New Zealand, Norway, Portugal, Poland, Romania, Singapore, Spain, Sweden, Turkey, and the USA.</p> <p>We participated in an Organisation for Economic Co-operation and Development (OECD) review of aspects of educational policy in Norway.</p> <p>We contributed to events on aspects of evaluation and inspection held by the Standing International Conference of Inspectorates (SICI). We provide valued advice and information to the European Network of Education Evaluators.</p>

Commentary

Our inspection and review programmes provide an extensive and rich evidence base, much based upon first-hand observation, which we use in the development of our authoritative advice for policy makers. Over the past year, we have provided a wide range of independent, professional advice to Scottish Ministers and the Scottish Government across the full range of policy issues. These have included, for example, Curriculum for Excellence, child protection, equalities, leadership and management, teacher education, religious and moral education, religious observance, school estate, public service reform, literacy and numeracy, futures work, change management, community learning and development, and monitoring progress in physical education.

HMIE has provided on-going advice in relation to qualification and assessment developments within Curriculum for Excellence, including through the Management Board. We have provided advice to: SQA Curriculum Area Review Groups, Assessment Governing Group, External Review of Courses Co-ordinating Group, Scottish Survey of Literacy and Numeracy Programme Board, Numeracy and Literacy Reference Groups and the National Quality Assurance Group for National Assessment Resource. We have contributed to the development of the new National Qualifications.

We contributed to the work associated with the establishment of SCSWIS and Health Improvement Scotland (HIS).

HMIE's evidence has been highly influential in the review of the National Child Protection Guidance, published in December 2010, as well as preparation for the scrutiny of children's services.

HMIE's *Aspect Review of Initial Teacher Education* and other submissions on, for example, continuing professional development for teachers, mentoring and leadership, contributed to the Donaldson review of teacher education. This advice was acknowledged as being an important source of evidence by the review team.

We contributed to the field work and analysis of Scottish Government's Systematic Scrutiny Check (SSC) to Skills Development Scotland (SDS). This involved engagement with key SDS staff and senior managers. We produced a fieldwork report from the Systematic Scrutiny Check exercise which was submitted to Scottish Government colleagues. The work will help Scottish Government in finalising the SSC and advise Ministers whether additional scrutiny is required in the future for the work of SDS.

We responded to the Scottish Government's second consultation on the proposed specific duties relating to the *Equality Act 2010*. Through our links with the Scottish Government, and a range of partner organisations, we have increased the understanding of HMIE staff of equality and diversity issues, and promoted these issues amongst our stakeholders.

Strategic priority 4

Securing our own continuous improvement

Our targets

Performance against our targets

<p>4.1 We will undertake a comprehensive organisational review to ensure our business model, operating practices and structure are fit for purpose, and design; and implement an organisational development programme to take forward and implement the changes identified.</p>	<p>HMIE conducted a comprehensive <i>Shaping up for the future</i> review of the organisation to ensure that we contribute to our strategic priorities as effectively as possible. As we were preparing to implement changes arising from the review, the announcement was made that HMIE and LTS would join to create a new quality improvement agency. Work is currently underway to create the new agency which will come into existence on 1 July 2011.</p>
<p>4.2 We will develop an overarching framework for inspection.</p>	<p>Following public consultation, an overarching framework for school inspection has been developed and trialled. We also published the document <i>Principles of Inspection and Review</i> which summarises the key principles that will inform any future inspection or review.</p>
<p>4.3 We will undertake a review of the current school inspection framework, taking stock of how the models of inspection introduced in 2008 are working and identifying changes which can enhance the positive impact and effectiveness of inspections further.</p>	<p>The <i>School Inspection Framework Review</i> has been conducted throughout this year, building upon the successes of the 2008 model, and will be implemented from August 2011.</p>
<p>4.4 We will continue to ensure Best Value by evaluating the quality of our work, both internally and externally, with the aim of improving the effectiveness of our inspections and reviews, our impact on Scottish education and the job satisfaction of our staff.</p>	<p>We continued with the practice of issuing post-inspection questionnaires to gather views about the impact and usefulness of inspections and reviews. The responses to these were fed into the quality groups that monitor the effectiveness of each inspection framework. Our review of the school inspection framework and activities in support of Curriculum for Excellence were subject to project oversight by programme boards that included a range of external stakeholders. Both of these key programmes were also subject to evaluation and consultation through a contract with an external agency – George Street Research. Our events were all subject to evaluation through questionnaires issued to all attendees and we used the feedback we gained to review our approach to planning the content of such events. We once again took part in the civil service staff survey with this year's results demonstrating a high degree of staff engagement with the organisation and satisfaction with the work they do.</p>

Our targets	Performance against our targets
<p>4.5 We will continue to carry out surveys of our staff and take action to address the issues identified.</p>	<p>We took part in the UK-wide Civil Service employee engagement survey in autumn 2010. We have used the findings of the survey to identify key strengths and aspects for improvement as we move into the new agency.</p>
<p>4.6 We will continue to consolidate the gains made in promoting the health and wellbeing of staff.</p>	<p>We were awarded the Healthy Working Lives Gold Award and continue to take forward approaches to improving and maintaining the health and wellbeing of HMIE staff.</p>
<p>4.7 We will publish data on our performance against environmental targets agreed by our Management Board.</p>	<p>We have achieved this target.</p>
<p>4.8 We will 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 and transition to Social Care and Social Work Improvement Scotland (SCSWIS).</p>	<p>We have ensured that all our staff have access to continuing professional development, including high quality induction programmes for new staff.</p>
<p>4.9 We will continue to explore how learners and participants can be more involved in inspections and reviews.</p>	<p>We recruited and trained 32 new Lay Members to be part of our school inspection teams. We were successful in recruiting Lay Members from a diverse range of backgrounds.</p> <p>College external reviews continue to deploy a Student Team Member within each review and new students have been recruited and trained during this period.</p> <p>We have created modified questionnaires for children and young people with additional support needs to ensure all learners have the opportunity to be fully involved in the inspection process.</p>
<p>4.10 We will make further contribution to Efficient Government savings.</p>	<p>Over the course of the year we achieved £1.07m in non-cash releasing savings through more efficient school and child protection inspection models, by absorbing additional pressures from work associated with proposed school closures and through the significant additional support provided around the implementation of Curriculum for Excellence in the Autumn of 2010. In addition, we achieved almost £0.3m in cash savings through the use of Scottish Government collaborative contracts.</p>

Our targets	Performance against our targets
4.11 We will further develop <i>HMIE Performs</i> as our public reporting system.	Work on <i>HMIE Performs</i> halted after the announcement of the new agency. A new reporting system will be developed in the new agency.
4.12 We will further develop our approach to the identification and dissemination of effective practice, to increase the impact of this work.	We reviewed our approach to gathering and using the examples of successful and innovative practice which we find in inspections. We simplified our website to make these examples more easily accessible.

Commentary

Our *Shaping up for the future* review emerged from a recognition of the external and internal factors which were affecting us. The work generated a clear statement of our core purpose and laid important groundwork for the new improvement agency.

A high proportion of our staff responded to **the UK-wide Civil Service employee engagement survey in autumn 2010**. Staff in HMIE had reported high levels of job satisfaction and personal accomplishment, they felt that they had opportunities to contribute their views before decisions affecting them were made and felt motivated by their line managers in comparison with other Civil Service staff. HMIE staff had a clear understanding of HMIE's objectives and purpose and how their work contributed to these. The survey also identified a number of issues to be addressed such as aspects of management; work-life balance; and ICT. These will be built into the plan for the new agency, to help us to develop a shared culture of employee engagement and to ensure the corporate health of the new organisation.

As an Executive Agency we are committed to sustainability and corporate social responsibility. To this end, we have once again set and achieved a range of challenging **environmental targets** for the 2010-11 financial year as part of the implementation of our carbon management programme for small businesses (in partnership with the Carbon Trust). We are on course to achieve a 25% reduction in our carbon emissions by 2013 with the most notable achievements this year being the reduction in paper use and a significant saving in business mileage incurred.

During 2010-11, HMIE received a total of 635 written **enquiries**. Examples of those enquiries which were dealt by our corporate services staff included: 119 about the work of HMIE; 203 requests for reports and publications; and 77 requests for contact details. Seventy-seven enquiries were passed to specialist areas within HMIE for a response. One hundred and thirty-four of the requests we received were classified as not being for HMIE. In addition to the written enquiries, we also received 164 media enquiries which were answered by HMIE's Press Officer.

There were 30 **Freedom of Information** requests during 2010-11. We answered 19 requests fully, applied exemptions in nine requests and did not hold information relating to two requests. We had one Subject Access Request which we answered fully.

We see **complaints** as opportunities for improvement and we have an effective complaints management system to support us to develop a culture of continuous improvement across our organisation. HMIE received 71 complaints in 2010-11, 51 of which were not about HMIE but rather were complaints about other organisations. Of the remaining 20 complaints that did represent complaints about our activities, five were about the conduct of an inspection, two were about inspection administration, six were about inspection reports and seven were classed as 'other'. We strive to ensure that our approach to complaints is positive and that our complaints management is highly professional.

We achieved our target of promoting the health and wellbeing of our staff and gaining a Healthy Working Lives Gold Award. To achieve the Gold Award, organisations must demonstrate that a clear commitment to promoting HWL is an integral part of the business and its development.

We continue to promote a culture of continuous professional development (CPD) within HMIE. Our induction and CPD programmes have been evaluated very positively and have helped our staff to maximise the effectiveness of inspections and reviews and other aspects of our work. They have ensured that we continue to improve stakeholders' satisfaction with our services.

We have given increasing emphasis to personalisation and choice in CPD activities for our staff with the aim of providing learning and development activities to suit the needs of individuals. At the same time, we have ensured that inspection and review teams including Associate Assessors and Lay Members have all the necessary knowledge and skills to undertake their roles and responsibilities. In particular, our programme has included a variety of activities related to the successful implementation of Curriculum for Excellence.

Staffing

In 2010-11 there were 208 people employed by HMIE. One hundred and five staff members, who are corporate services staff, were bands A and B in the civil service structure, and 103, almost all of whom are inspectors, were band C. There were 88 female and 17 male staff within bands A and B, and 56 female and 40 male staff in band C.

There were six members of senior management who are Senior Civil Servants.

HMIE Non-Executive Members

HMIE has six Non-Executive Board Members. Four serve on the Management Board and four serve on the Audit and Risk Committee. Sir Andrew Cubie and Shirley Young serve on both.

Moi Ali, FRSA has worked for the last 25 years in communications. She now runs her own consultancy specialising in communications and customer experience and is author of and contributor to 20 books for leading publishers. She sits on the Board of the Scottish Ambulance Service and is a Governor at Edinburgh Napier University. She is a member of the Lord Chancellor's review bodies and a Public Appointments Ambassador for the Cabinet Office, and she is a Mentor on the Public Leadership Programme. Moi is former Vice President of the world's largest healthcare regulator and former Chair of a small healthcare charity. She also served two terms on the Board of Postwatch and is a former member of NHS Lothian and a former school governor.

Sir Andrew Cubie, CBE, FRSE. His principal career was as a solicitor specialising in corporate law with the firm Fyfe Ireland LLP, to which he remains a consultant. He holds a number of non-executive roles as Chairman or as a director of public and private companies ranging in activity from corporate finance to manufacturing. He was Chairman of CBI Scotland. Sir Andrew is currently Chairman of the Northern Lighthouse Board, Voluntary Service Overseas and Quality Scotland and is a Deputy Chairman of the Royal National Lifeboat Institution. He has been closely involved in education issues throughout his professional career, having been Chairman of Governors of George Watson's College, Chairman of the Court of Edinburgh Napier University and Chair of the Committee of University Chairs. He is currently Chair of the Leadership Foundation for Higher Education.

Gary Kildare, FRSA is Global Vice President of Human Resources for IBM Corporation. He is a Chartered Fellow of the Institute of Personnel and Development, a non-executive director of the UK Government National Skills Academy for Financial Services (NSAFS), a non-executive advisor to HM Revenue and Customs (HMRC), a member of the CBI Council for Scotland and a Governor of Edinburgh Napier University. He has over 25 years' experience working as a member of executive management boards at UK, European and global level.

Charles Lovatt has had a successful entrepreneurial career spanning 30 years. In the mid 1980s he set up a semi-conductor trading company and went on to co-found a record label which became a music publisher, and is now a leading sync rights exploitation company. He has been involved with entrepreneurship education since 2004 and is currently a visiting lecturer at the University of St Andrews. He is a Trustee of the National Library of Scotland and a member of the Board of Management at Elmwood College where he chairs the Quality Assurance committee.

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

Shirley Young is a freelance consultant and trainer working in the field of childhood disability. She brings with her experience of a number of diverse boards and committees. She is currently a member of the Scotland Committee of the Big Lottery Fund.

Publications between April 2010 and March 2011

HMIE organisational reports

- Briefing newsletter – Spring 2011
- Plana Gàidhlig HMIE (Gaelic Language Plan)*
- Summary of indicative quality indicator results from HMIE Inspections, 2010*
- Briefing newsletter – Summer 2010
- Briefing newsletter – Spring 2010
- Annual Report and Accounts 2009-10
- Principles of inspection and review

Reports on aspects of education and self-evaluation

- Learning in Scotland's Communities*
- Educational psychology in Scotland – making a difference*
- Review of Teacher Education in Scotland – HMIE analysis*
- Review of the Additional Support for Learning Act: adding benefits for learners*
- Aspect report on the provision in Scotland's colleges for young people requiring more choices and more chances*
- Hospitality and tourism in Scotland's colleges*
- Sport and leisure in Scotland's colleges*
- Equality and diversity in Scotland's colleges*

- Report on the aspect review of Initial Teacher Education*
- Life sciences in Scotland's colleges*
- Business, management and administration in Scotland's colleges*
- Safeguarding arrangements and practice in Scotland's colleges*
- Lessons learned from the Schools of Ambition initiative*
- Out of site, out of mind?*
- Count Us In: Mind Over Matter*
- Count Us In: Success for All*
- Learning Together: Lessons about school improvement
- Ionnsachadh Còmhla: Fosgladh suas ionnsachadh (Learning Together: Opening up learning Gaelic version)*

* (Electronic format only– on HMIE website)

PHOTO REDACTED DUE TO THIRD PARTY RIGHTS OR OTHER LEGAL ISSUES



Section 3

Annual Accounts 2010-11

PHOTO REDACTED DUE TO THIRD PARTY RIGHTS OR OTHER LEGAL ISSUES

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.

HMIE is due to form a new agency with Learning and Teaching Scotland (LTS) on 1 July 2011. The new organisation will continue to carry out inspection and review work that is currently undertaken in HMIE and therefore the going concern concept will continue to apply in relation to the 2010-11 accounts. The accounts have been prepared under a direction issued by Scottish Ministers.

Employee involvement

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

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

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

Employment of disabled people

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

Equal Opportunities and Diversity

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

Pensions

Pension benefits are provided through the Civil Service pension arrangements. More details on the Principal Civil Service Pension Scheme and the treatment of liabilities in HMIE's financial statements can be found in the annual accounts notes 1.7 and 2.5 and the Remuneration Report.

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

Payment to suppliers

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

HMIE is reliant upon the financial information and management system provided by the Scottish Government for all its financial functions. For the year ended 31 March 2011, the Agency paid 100% of all invoices received within the terms of this policy. In October 2008, the First Minister announced that the Scottish Government would aspire to a ten day payment target. For the year ended 31 March 2011, the agency paid 99.9% of invoices within ten days.

Performance against key performance targets

HMIE met or exceeded all of the key performance targets agreed for 2010-11. Full details of performance for 2010-11 can be found in the Annual Report.

Environmental matters and social and community issues

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

HMIE sets itself challenging environmental targets each year and reports performance against these. Details are set out in Section 1 of the annual report.

Sickness absence data

For the twelve month period from 1 April 2010 to 31 March 2011, 2.6% of working days were lost as a result of sickness absence.

Personal data related incidents

There were no personal data related incidents in 2010-11.

Future developments

Michael Russell, Cabinet Secretary for Education and Lifelong Learning, announced on 14 October 2010, the establishment of a new agency to provide support and challenge to teachers, other practitioners, schools, colleges, local authorities and others as implementation of Curriculum for Excellence is further developed. The establishment date for the new agency is 1 July 2011 and will bring together HMIE and LTS. Dr Bill Maxwell, currently HM Senior Chief Inspector, has been appointed the transitional Chief Executive Officer of the new education agency. This appointment will be effective from 2 May 2011 for one year.

HMIE's responsibilities relating to child protection transferred to Social Care and Social Work Improvement Scotland (SCSWIS) on 1 April 2011.

HMIE has been allocated a budget of £13.26m for 2011-12. This takes into account both the transfer of staff to SCSWIS and also a more general reduction in public sector spending.

Board membership

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

Bill Maxwell	HM Senior Chief Inspector
Kenneth Muir	HM Chief Inspector
Alastair Delaney	HM Chief Inspector
Gill Robinson	HM Chief Inspector
Chris McIlroy	HM Chief Inspector
Frank Crawford	HM Chief Inspector
Neil McKechnie	HM Chief Inspector
Andrew Cubie	Non-Executive Board member
Gary Kildare	Non-Executive Board member
Shirley Young	Non-Executive Board member
Moi Ali	Non-Executive Board member (from 29 September 2010)

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.

Dates of Management Board and attendance by Non-Executive Members

3 June 2010 –	Sir Andrew Cubie, Gary Kildare, Shirley Young.
29 September 2010 –	Sir Andrew Cubie, Shirley Young.
22 December 2010 –	Sir Andrew Cubie, Gary Kildare, Shirley Young, Moi Ali.
23 March 2011 –	Sir Andrew Cubie, Shirley Young, Moi Ali, Gary Kildare by tele-conference.

Board Members' interests

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

Related party transactions

A related party transaction is a business arrangement between two parties who are already linked prior to the deal. For example, a business arrangement between HMIE and the Scottish Government. Details of related party transactions are given in Note 13.

Corporate governance

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

Audit and Risk Committee

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

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

Sir Andrew Cubie	Non-Executive Board Member
David Morrison	Non-Executive Board Member
Shirley Young	Non-Executive Board Member
Charles Lovatt	Non-Executive Board Member (from 29 September 2010)

Dates of Audit and Risk Committee and attendance by Non-Executive Members

24 May 2010 – David Morrison, Shirley Young.

15 September 2010 – Sir Andrew Cubie, David Morrison, Shirley Young.

22 December 2010 – Sir Andrew Cubie, Charles Lovatt.

23 February 2011 – Sir Andrew Cubie, David Morrison, Shirley Young, Charles Lovatt.

Representatives from HMIE, the SG Internal Audit and Audit Scotland are also invited to attend on a regular basis. The Committee normally meets 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 2010-11. No other services were supplied by Audit Scotland during the period ended 31 March 2011.

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 2010-11 was £15.85m.

Movements in fixed assets

Expenditure on non current assets during 2010-11 was on purchase of video conference equipment and replacement of laptops. Expenditure on fixed assets during 2010-11 amounted to £0.076m (2009-10: £0.1m). Disposals amounted to a value of £0.007m (2009-10: £0.001m). Our total net book value of fixed assets at 31 March 2011 was £0.893m compared to £1.078m at the same time in 2010.

Resources

HMIE's original budget of £15.56m from the Education and Lifelong Learning Portfolio was reduced by £80k at the Autumn Budget Revision as this was no longer required. It was reduced by a further £20k at Spring Budget Revision because a change to accounting policy meant that there was no longer a requirement to account for a cost of capital charge.

The financial results for the year are reported in the attached accounts. They record a net outturn for resource expenditure of £15.85m compared to a budget of £15.44m yielding a net overspend of £0.41m. The overspend was as a result of expenditure on early departure costs and agreement to incur these costs was given by the Scottish Government. Capital outturn was £76k compared to a budget of £20k.

Scottish Ministers have allocated funding of £13.26m to HMIE for the financial year 2011-12. This will be carried forward into the new agency. We do not anticipate any further increases during the 2011-12 financial year.

Dr Bill Maxwell

HM Senior Chief Inspector 26 May 2011

HM Inspectorate of Education Remuneration Report For the year ended 31 March 2011

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

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

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

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

Remuneration (including 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

	2010-11			2009-10		
	Salary £'000	Bonus payments £'000	Benefits in kind (to nearest £100)	Salary £'000	Bonus payments £'000	Benefits in kind (to nearest £100)
Bill Maxwell HM Senior Chief Inspector	110-115	0	–	10-15 (110-115 full year equivalent)	0	–
Graham Donaldson HM Senior Chief Inspector (to 7 February 2010)	–	–	–	80-85 (95-100 full year equivalent)	5-10	0
Alastair Delaney HM Chief Inspector	70-75	0-5	–	15-20 (65-70 full year equivalent)	0	–
Kenneth Muir HM Chief Inspector	65-70	0-5	–	65-70	5-10	–
Gill Robinson HM Chief Inspector ²⁰	75-80	0	–	55-60 (75-80 full year equivalent)	5-10	–
Neil McKechnie HM Chief Inspector	70-75	0-5	–	70-75	5-10	–
Chris McIlroy HM Chief Inspector (partial retirement from 15 April 2009) ²¹	30-35	0-5	–	35-40	0-5	–
Frank Crawford HM Chief Inspector (partial retirement from 2 November 2009) ²²	35-40	0-5	–	60-65	0	–
Wray Bodys HM Chief Inspector (retired 31 August 2009)	–	–	–	25-30 (55-60 full year equivalent)	5-10	–
Annette Bruton HM Chief Inspector (resigned 21 August 2009)	–	–	–	23-30 (60-65 full year equivalent)	5-10	–
Sir Andrew Cubie CBE* Non-Executive Board Member	0-5	0	–	0-5	0	–
Shirley Young* Non-Executive Board Member	0-5	0	–	0-5	0	–
Gary Kildare* Non-Executive Board Member	0-5	0	–	0-5	0	–
Moi Ali* Non-Executive Board Member (from 29 September 2010)	0-5 (0-5 full year equivalent)	0	–	–	–	–

20 Rejoined HMIE on 1 July 2009 after a period of secondment. Non-consolidated performance payment for 2009-10 relates to a period working with Learning and Teaching Scotland.

21 Chris McIlroy started partial retirement on 15 April 2009 and has a pension of £35k-£40k and received a lump sum of £95k-£100k.

22 Frank Crawford started partial retirement on 2 November 2009 and has a pension of £30-£35k and received a lump sum of £90k-£95k.

* Non-Executive Board member positions are fixed term appointments and 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. This report is based on payments made by HMIE and thus recorded in these accounts.

Benefits in kind

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

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2010-11 relate to performance in 2010-11 and the bonuses for 2009-10 relate to performance in 2009-10.

	Accrued pension at pension age as at 31/03/11 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/11	CETV at 31/03/10 ²³	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Bill Maxwell HM Senior Chief Inspector	50-55	5-7.5	843	691	87	—
Alastair Delaney HM Chief Inspector	20-25	0-2.5	225	187	20	—
Kenneth Muir HM Chief Inspector	30-35 plus lump sum of 90-95	0-2.5 plus lump sum increase of 0-2.5	633	582	No increase	—
Gill Robinson HM Chief Inspector	35-40	0-2.5	687	624	3	—
Neil McKechnie HM Chief Inspector	5-10	0-2.5	149	120	17	—
Chris McIlroy HM Chief Inspector	0-5	0-2.5	19	9	8	—
Frank Crawford HM Chief Inspector	0-5 plus lump sum of 0-5	0-2.5 plus lump sum increase 0-2.5	15	4	10	—

²³ The actuarial factors used to calculate CETVs were changed in 2010/11. The CETVs at 31/3/10 and 31/3/11 have both been calculated using the new factors, for consistency. The CETV at 31/3/10 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

Non-Executive Board Member positions are non-pensionable.

Civil Service Pensions

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

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for lump sum up to the limits set up by the *Finance Act 2004*.

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

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

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

Cash Equivalent Transfer Values

A cash equivalent transfer value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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

Compensation for Loss of Office

No employees left under compulsory early retirement terms in the year 2010-11.

Dr Bill Maxwell

HM Senior Chief Inspector 26 May 2011

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

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

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

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

In preparing the accounts, the Accountable Officer is required to comply with the Government Financial Reporting Manual (FRoM), 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 FRoM, have been followed, and disclose and explain any material departures in the financial statements; and
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Agency will continue in operation.

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

Statement on Internal Control

Scope of responsibility

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

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

Purpose of the System of Internal Control

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

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

The process within the organisation accords with guidance from the Scottish Ministers provided in the SPFM and has been in place for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts.

Risk and Control Framework

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

HMIE has a risk management policy and strategy 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 corporate level risks contained in the register.

More generally, the organisation is committed to a process of continuous development and improvement; and 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, which led to a substantial review of the corporate level risks. Risks are now more appropriately strategic with a more focused approach. Directorate owned corporate level risks have been introduced to effectively register and report on directorate owned tasks with an impact on the whole organisation. 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.
- There were a number of corporate and directorate level training events held during the year. These provided training and dissemination of good practice to our HM Inspectors, Associate Assessors, Lay Members, Corporate Service staff and the wider teaching community.
- HMIE has completed, for the second year running, the UK Government's Security Policy Framework. The document contains the mandatory requirements for all public sector organisations to adhere to security for information both in paper and electronic form. One action from the SPF has been for all staff to complete a mandatory e-learning package on data handling on a yearly basis.

Review of Effectiveness

As Accountable Officer, I have responsibility for 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 make regular reports to the HMIE Management Board on matters concerning internal control. At least one external member must be present at each meeting of the Audit and Risk Committee.
- Through the Audit and Risk Committee, I receive regular reports from internal audit which include the Head of Internal Audit's opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement.
- I chair the HMIE Senior Management Group, which comprises the six senior staff at Director level and the Corporate Services Director.
- The remit of each Director and the directorate structure are designed to make clear the responsibilities for delivering HMIE's business objectives.
- Through the regular and frequent meetings of the Senior Management Group and systematic business review meetings with each individual Director, I receive reports on the steps they are taking to manage the risks in their areas of responsibility, including progress reports on key priorities for HMIE. Improvements to our business planning system also support these reviews.
- The Risk Management Group meets three times annually to ensure effective formulation, implementation and review of the risk management policy and strategy.

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.

Dr Bill Maxwell

HM Senior Chief Inspector 26 May 2011

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

I have audited the financial statements of Her Majesty's Inspectorate of Education for the year ended 31 March 2011 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise Statement of Financial Position, the Statement of Comprehensive Net Expenditure, the Statement of Cash Flow, the Statement of Changes in Taxpayers' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2010/11 Government Financial Reporting Manual (the 2010/11 FReM).

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

Respective responsibilities of Accountable Officer and auditor

As explained more fully in the Statement of the Accountable Officer's Responsibilities set out on page 43, the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and receipts. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors. I am also responsible for giving an opinion on the regularity of expenditure and receipts.

Scope of the audit of the financial statements

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

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2011 and of its net operating cost for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2010/11 FReM; and
- have been prepared in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Opinion on regularity

In my opinion in all material respects:

- the expenditure and receipts in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers, the Budget (Scotland) Act covering the financial year and sections 4 to 7 of the Public Finance and Accountability (Scotland) Act 2000; and

- the sums paid out of the Scottish Consolidated Fund for the purpose of meeting the expenditure shown in the financial statements were applied in accordance with section 65 of the Scotland Act 1998.

Opinion on other prescribed matters

In my opinion:

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

Matters on which I am required to report by exception

I have nothing to report in respect of the following matters where I am required to report to you if, in my opinion:

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

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

Statement of Comprehensive Net Expenditure for the year ended 31 March 2011

		2010-11	Restated 2009-10
	Notes	£'000	£'000
Administration Costs			
Staff costs	2	13,810	12,803
Depreciation	5, 6	277	241
Other administration costs	3	3,423	4,037
Gross Administration Costs		17,510	17,081
Operating Income	4	1,660	1,516
Net Operating Costs for the Year		15,850	15,565
Other Comprehensive Expenditure			
Net gain on revaluation of Property, Plant and Equipment	5	25	18
Total comprehensive Expenditure for the year ended 31 March 2011		15,825	15,547

The notes on pages 52-62 form part of these accounts.

Statement of Financial Position as at 31 March 2011

	Notes	2010-11 £'000	Restated 2009-10 £'000	Restated 2008-09 £'000
Non-current Assets				
Plant and Equipment	5	890	1,070	1,187
Intangible assets	6	3	8	14
Current Assets				
Trade and other receivables	8	154	401	148
Current Liabilities				
Trade and other payables	9	(1,175)	(1,120)	(1,254)
Provision for Liabilities	10	(90)		
Net Current Liabilities		<u>(1,111)</u>	<u>(719)</u>	<u>(1,106)</u>
Non current assets less net current liabilities		(218)	359	95
Non current Liabilities				
Non current Liabilities	9	(107)	(124)	(141)
Provision for Liabilities	10	(190)		
Net assets		<u>(515)</u>	<u>235</u>	<u>(46)</u>
Taxpayers Equity:				
General Reserve		(610)	157	(118)
Revaluation Reserve		95	78	72
		<u>(515)</u>	<u>235</u>	<u>(46)</u>

Dr Bill Maxwell

HM Senior Chief Inspector May 2011

Authorised for issue 26 May 2011

The notes on pages 52-62 form part of these accounts.

Statement of Cash Flows for the year ended 31 March 2011

	Notes	Restated 2010-11	2009-10
		£'000	£'000
Cash flows from Operating Activities			
Net Operating Cost		(15,850)	(15,565)
Adjustment for non cash transactions:			
Depreciation	5,6	277	241
Audit fee	3	25	27
Provision for early retirement	9	280	
Movements in working capital:			
(Increase)/Decrease in trade and other receivables	8	247	(253)
Increase/(Decrease) in trade and other payables	9	38	(151)
Transfer to assets held for sale			2
Net cash outflow from operating activities		(14,983)	(15,699)
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(73)	(103)
Purchase of intangible assets	6	(3)	
Loss on disposal of Property Plant and Equipment	5	4	1
<i>Loss on disposal of Intangibles</i>	6	3	
<i>Net cash outflow from investing activities</i>		(69)	(102)
Cash flows from financing activities			
<i>Funding</i>		15,052	15,801
Net financing			
Net increase/(decrease) in cash and cash equivalents in the period		0	0

The notes on pages 52-62 form part of these accounts.

Statement of Changes in Taxpayer's Equity For the year ended 31 March 2011

	General Fund £'000	Revaluation Reserve £'000	Total £'000
Balance at 31 March 2009	(118)	72	(46)
Adjustments for change in accounting policy			
Reduction in OCS – cost of capital charge	(17)		(17)
Reduction in General Reserve – cost of capital charge	17		17
Restated balance at 1 April 2009	(118)	72	(46)
Changes in taxpayers equity for 2009-10			
Net gain on revaluation of Property, plant and equipment		18	18
Non cash charges – auditors remuneration	27		27
Transfers between reserves	12	(12)	0
Net Operating Cost for the Year	(15,565)		(15,565)
Net Funding	15,801		15,801
Balance as at 31 March 2010	157	78	235
Balance at 1 April 2010	157	78	235
Changes in taxpayers equity for 2010-11			
Net gain on revaluation of Property, plant and equipment		25	25
Non cash charges – auditors remuneration	25		25
Transfers between reserves	8	(8)	0
Transfer of assets to SCSWIS	(2)		(2)
Net Operating Cost for the Year	(15,850)		(15,850)
Net Funding	15,052		15,052
Balance as at 31 March 2011	(610)	95	(515)

The notes on pages 52-62 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*, (reproduced at the end of the notes to the accounts), these accounts have been prepared in compliance with the principles and disclosure requirements of the IFRS based *Government Financial Reporting Manual* (iFReM), which follows generally accepted accounting practice as defined in *International Financial Reporting Standards* (IFRS) as adopted by the European Union, International Financial Reporting Interpretation Committee (IFRIC) *Interpretations and the Companies Act 2006* to the extent that it is meaningful and appropriate in the public sector context. The particular accounting policies adopted by the HMIE are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

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

1.1 Accounting Convention

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

1.2 Going Concern

The results of the HMIE Statement of Comprehensive Net Expenditure derive from operating activities, all of which are continuing within the new executive agency to be established on 1 July 2011. The financial statements for the year ended 31 March 2011 show net liabilities of £0.515m. This has arisen as a result of the requirement to account for the activities of HMIE on an accruals basis, whilst recording funding from the Scottish Government on a cash basis. Net current liabilities will be funded by the Scottish Government as they arise. As a consequence, these financial statements have been prepared on a going concern basis.

1.3 Change of Accounting Policy

HM Treasury, under the Clear Line of Sight (Alignment Project) removed the cost of capital charge from budgets and accounts from 1st April 2010. The cost of capital charge is therefore no longer applicable. The removal of the cost of capital charge is a change in accounting policy under IAS 8. Applying paragraph 31 of IAS 1 and, noting that the removal of the cost of capital charge has no effect on the balance sheets, a specific disclosure is not required. The impact on the prior-year outturn statement/statement of comprehensive expenditure is shown below.

	2009-10 £'000	Restated 2009-10 £'000	Adjustment
Administration Costs			
Staff costs	12,803	12,803	
Depreciation	241	241	
Other administration costs	4,054	4,037	(17)
Gross Administration Costs	17,098	17,081	(17)
Operating Income	1,516	1,516	
Net Operating Costs for the Year	15,582	15,565	(17)

1.4 Property, Plant and Equipment

All PPE assets are accounted for as non current assets unless they are deemed to be held for sale. PPE assets comprise leasehold improvements, furniture and fittings, computer equipment, computer software, plant and machinery and vehicles. They are capitalised at their cost of acquisition and installation. From 1 April 2007, plant and equipment assets that have short useful lives or low values or both are no longer revalued using indices but are reported at depreciated historic cost as a proxy for fair value.

The minimum level of capitalisation of a PPE asset within HMIE 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.

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

1.5 Depreciation

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

Leasehold improvements	The shorter of the asset life or remaining lease term
Furniture and fittings	10 years
Vehicles	5 years
Plant and equipment	5 years
Photocopiers	3 years
IT equipment	3 years

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

1.6 Value Added Tax (VAT)

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

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

1.7 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is a defined benefit scheme and is unfunded and non-contributory. The Agency recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Relevant disclosures are reported in Note 2.5. 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 the Scottish Further and Higher Education Funding Council (SFC), costs recovered in relation to capacity building conferences and a partnership agreement with DWP.

1.9 Foreign currency exchange

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

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 statement of comprehensive net expenditure on a straight-line basis over the term of the lease.

1.11 Trade payables/receivables

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

1.12 Changes in accounting estimates

Changes to inspection methodology have had implications for the software used to support the collection and recording of findings. Updated software is replacing the software currently held on the non current asset register. The estimated economic useful life of the older version template has been adjusted accordingly and this has resulted in an additional depreciation charge for the current year of £65k.

2. Staff Costs and Numbers

2.1 Staff costs during the year were:

	2010-11	2009-10
	£'000	£'000
Wages and salaries	8,795	9,024
Social security costs	773	777
Other pension costs	1,692	1,661
Early departure costs	1,516	
Agency staff costs	43	71
Associate Assessors	991	1,270
	<u>13,810</u>	<u>12,803</u>

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

	2010-11	2009-10
Senior Management	6	7
Other permanent staff	206	205
Agency/temporary staff	2	4
	<u>214</u>	<u>216</u>

2.3 Staff numbers have fallen slightly from last year and fewer agency staff and associate assessors have been used. As a result, regular monthly salary costs have also fallen. However, total staff costs have increased due to the additional costs of early departure schemes.

2.4 Costs of Civil Service Compensation Scheme and early severance payments

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band (Total cost)
<£10,000	0	3	3
£10,000-£25,000	0	7	7
£25,000-£50,000	0	16	16
£50,000-£100,000	0	5	5
£100,000-£200,000	0	6	6
Total number of exit packages	0	37	
Total resource cost	0	£1,795k	

In 2009-10, two members of staff departed HMIE under the terms of a Scottish Government wide Early Retirement Scheme. The related costs were recorded in 2009-10 Scottish Government's Consolidated Accounts.

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

2.5 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 2010. Details can be found in the separate scheme statement of the PCSPS Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2010-11, employer's contributions of £1,692,182 were payable (2009-10 - £1,661,392) to the PCSPS at one of four rates in the range 16.7 to 25.8 per cent (2009-10 – 16.7 to 25.8 per cent) of pensionable pay, based on salary bands. Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and they reflect past experience of the scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers contribution of £12k (2009-10 £9.5k) were paid to one or more of an appointed panel of stakeholder pension providers. Employer contributions are age related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions of up to 3% of pensionable pay. In addition, employers contributions (0.8% of pensionable pay) were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. There were no contributions due to the partnership pension or prepaid at the balance sheet date.

3. Other Administration Costs

	2010-11	Restated 2009-10
	£'000	£'000
3.1 Costs		
External advice	27	62
Consultancy	26	
Associate members costs	201	252
Lay member costs	16	22
Travel costs	891	1,046
Training costs	93	145
Equipment	3	7
Reports and inspections	351	728
Rent, rates, utilities and maintenance	826	899
Advertising costs (including recruitment)	20	27
Telecommunications costs	73	82
Loss on disposal of fixed assets	7	1
Other office costs	584	739
	<u>3,118</u>	<u>4,010</u>
3.2 Non cash charges		
Audit fee	25	27
Provision for early retirement costs	280	
Total (3.1 and 3.2)	<u>3,423</u>	<u>4,037</u>

4. Income

	Income Received 2010-11	Income Received 2009-10
	£'000	£'000
Fees and charges	1,322	1,129
Other income	338	387
Total	<u>1,660</u>	<u>1,516</u>

5. Property plant and equipment

	Leasehold Improvements	Furniture and fittings	Plant and equipment	Vehicles	IT Systems	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 April 2010	816	699	313	16	723	2,567
Additions			11		62	73
Transfers	–	–	–	–	(5)	(5)
Disposals	–	(163)	–	–	(84)	(247)
Revaluation	43	–	–	–	–	43
At 31 March 2011	859	536	324	16	696	2,431
Depreciation						
1 April 2010	288	480	263	0	466	1,497
Charge for year	60	50	18	3	141	272
Transfers	–	–	–	–	(3)	(3)
Disposals	–	(161)	–	–	(82)	(243)
Revaluation	18	–	–	–	–	18
At 31 March 2011	366	369	281	3	522	1,541
Net Book Value						
At 31 March 2011	493	167	43	13	174	890
At 31 March 2010	528	219	50	16	257	1,070

6. Intangible Assets

	Software Licences £'000	Other Software £'000	Total £'000
Cost			
At 1 April 2010	117	24	141
Additions	3	–	3
Transfers	–	–	–
Disposals	(2)	(15)	(17)
Revaluation	–	–	–
At 31 March 2011	118	9	127
Depreciation			
At 1 April 2010	115	18	133
Charge for year	2	3	5
Transfers	–	–	–
Disposals	(2)	(12)	(14)
Revaluation	–	–	–
At 31 March 2011	115	9	124
Net Book Value			
At 31 March 2011	3	0	3
At 31 March 2010	2	6	8

7. Financial Instruments

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

8. Trade receivables and other current assets

	2010-11 £'000	2009-10 £'000
Trade receivables	27	221
Prepayments and accrued income	127	105
Scottish Government receivables and accrued income	–	75
	154	401

9. Trade payables and other liabilities

	2010-11	2009-10
	£'000	£'000
Amounts falling due within one year		
Trade payables	134	195
Other payables	17	17
Accruals and deferred income	945	699
	1,096	911
Local Authority	53	184
NHS		
Other government creditors	26	25
	1,175	1,120
Amounts falling due after more than one year		
Other creditors	107	124
	107	124

10. Provision for Liabilities

	2010-11	2009-10
	£'000	£'000
Provision for early retirement costs		
Payable in one year	90	-
Payable between 2-5 years	154	-
Payable between 6-10 years	36	-
Total	280	-

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

11. Operating Costs by Strategic Priority

For the Year ended 31 March 2011.

	2010-11			Restated 2009-10		
	Gross £'000	Income £'000	Net £'000	Gross £'000	Income £'000	Net £'000
Strategic Priority One	7,755	(1,565)	6,190	8,463	(1,341)	7,122
Through inspection and reporting, promote public accountability for the delivery of high quality education to all learners in Scotland.						
Strategic Priority Two	2,666	(39)	2,627	2,335	(165)	2,170
Work with other organisations to build capacity to provide education and services for children of the highest quality for all users.						
Strategic Priority Three	3,000	(40)	2,960	2,355	(5)	2,350
Support informed policy development by providing high quality, independent, professional advice drawn from inspection and review evidence and knowledge of the system.						
Strategic Priority Four	4,089	(16)	4,073	3,928	(5)	3,923
Develop and manage HMIE as a Best Value organisation.						
Net operating costs	<u>17,510</u>	<u>(1,660)</u>	<u>15,850</u>	<u>17,081</u>	<u>(1,516)</u>	<u>15,565</u>

12. Leasing commitments

At 31 March 2011, HMIE was committed to making the following payments in respect of building leases:

	2010-11 £'000	2009-10 £'000
Payable in one year	482	471
In two to five years	1,792	1,817
More than five years	1,635	1,963

13. Related Party Transactions

Her Majesty's Inspectorate of Education is an Executive Agency of the Scottish Government Education and Lifelong Learning Portfolio, which is therefore regarded as a related party. During the year, HMIE had a number of material transactions with the Scottish Government. In addition, HMIE has had a number of other material transactions with other Government Departments and other central Government bodies, such as the Scottish Further and Higher Education Funding Council and the Department for Work and Pensions. During the year, the managerial staff and board members have not undertaken any material transactions with HMIE.

14. Capital Commitments and Contingent Liabilities

There were no capital commitments or contingent liabilities existing at 31 March 2011 (31 March 2010: nil).

15. Losses and Special Payments

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

16. Post Balance Sheet Events

HMIE together with Learning and Teaching Scotland will form a new agency from 1 July 2011. This will not impact on the results of presented as of 31 March 2011. The accounts have been prepared under the going concern concept and no additional adjustments are required.



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 (FReM) 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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423



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