

Annual accounts

2016-17

An Executive Agency of the Scottish Government

Laid before the Scottish Parliament by the Scottish Ministers 29 June 2017

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Performance Report

Chief Executive's Statement

This year has seen significant changes across Scottish education. Looking back to the start of the reporting year, the First Minister's continued commitment to improving outcomes for children and young people was demonstrated by the Deputy First Minister's appointment as Cabinet Secretary for Education and Skills. In June, DFM published *Delivering excellence and equity in Scottish education – a delivery plan for Scotland*. It builds on the work contained in the National Improvement Framework, published in January 2016, and addresses the recommendations of the Organisation of Economic Co-operation and Development (OECD) review: *Improving Schools in Scotland: An OECD Perspective*. Ministers have set high expectations with a request to be bold in our endeavours, and in September 2016 launched a Governance Review of early years and schools education.

These significant developments set the context in which we operate across the education landscape. As Scotland's national improvement agency for education, we continue to play a central role in working with Scottish Government policy officials, local authorities, representative bodies and partner organisations in contributing to the delivery of improved outcomes for learners, with a clear focus on closing the equity gap.

We have re-designed early learning and childcare and school inspections to align with the key drivers identified in the National Improvement Framework. These new models of inspection were introduced in August and include more flexible models which allow us to visit more settings and schools. We launched a social media campaign in February 2017 to dispel the myths surrounding inspections and will be evaluating the impact of the campaign through our External Reference Group, whose membership includes representatives from our key stakeholders.

In response to requests from Curriculum for Excellence Management Board and other stakeholders we have published a number of materials which have contributed to the commitment to ensure that guidance is accessible, clear and easily usable. The materials include:

- Progression from the BGE to the Senior Phase - updated guidance, in May 2016;
- A clear definitive statement for practitioners on planning, learning, teaching and assessment, in August 2016;
- Benchmarks for literacy and numeracy in August 2016, with more to be published within the reporting year;
- A set of recommendations for local authorities and ourselves in regard to tackling unnecessary bureaucracy and addressing undue workload.

In addition, we have significantly streamlined the amount of national guidance on our website, deleted redundant content and refreshed our online presence. In December 2016, we launched our National Improvement Hub which is a gateway to educational improvement resources and support. It provides access to resources to help practitioners improve practice, increase the quality of learners' experiences and their outcomes.

We are likely to see the results of the Governance Review early in the next reporting year, which will bring new challenges. We shall align our priorities more closely with the National Improvement Framework and the National Delivery Plan in the next year, following on from developments that have already taken place. Our appearances at the Education and Skills Committee have provided opportunities for us to share our evidence and contribute to the work of the Committee including their response to Scottish Government's draft budget.

Our financial position, in the context of the ever decreasing public purse, has led to us undertake a significant review of our organisation. Early proposals are in place with a clear focus on enhancing our services and increasing the breadth and pace of our digital development. There is undoubtedly a great deal of challenge ahead and it will be important for us, as an organisation, to respond in new, innovative ways that make best use of the most significant resource we have – our people.

Finally, I would like to take this opportunity to thank all those I've worked with over the past six years, particularly my colleagues in Education Scotland as I shall be retiring at the end of June. Together we have established and blossomed this new type of education agency in Scotland since its inception in 2011 with a clear focus on improving the lives of learners in Scotland. I must also thank the Non-Executive Board Members who have played such a key role throughout my tenure. Their role is to provide support and challenge to the way in which we work and I am hugely grateful for their insight and wisdom. Arrangements are already in place to secure the new Chief Executive. I wish my successor all the very best for the future but I leave in the knowledge that the passion and commitment of Education Scotland staff will stand them in good stead.

Purpose and Activities

History and statutory background

Education Scotland was established on 1 July 2011 as an Executive Agency of Scottish Ministers under the terms of the Scotland Act 1998. Education Scotland brought together the work of Learning and Teaching Scotland (LTS), HM Inspectorate of Education (HMIE) and some functions previously carried out by the Scottish Government, in particular the teams responsible for Continuing Professional Development and Positive Behaviour. The organisation is an Executive Agency of the Scottish Government and charged with supporting quality and improvement in Scottish education and thereby securing the delivery of better learning experiences and outcomes for Scottish learners of all ages.

Education Scotland is the key national improvement agency for education in Scotland. Our ambition is for ensuring that Scottish education ranks among the best in the world and for excellence at all ages and stages from early years to school years to post school education and training and on to adult learning provision. Details of our vision, values and commitments are detailed in our Corporate Plan 2013-16. Our next Corporate Plan will be published later in 2017.

The organisation's status as an Executive Agency means that it operates independently and impartially, whilst remaining directly accountable to Scottish Government ministers for its standards of work. This status safeguards the independence of inspection, review and reporting within the overall context of the National Improvement Framework.

Improvements in the education sector should impact on the wider community and therefore contribute significantly to the Scottish Government's National Outcomes. We actively engage with health, social services and other sectors to provide a more integrated service to improve the wellbeing and opportunities for learners.

Education Scotland employs 316 staff (304 Full time equivalent) who are based at seven offices and a data distribution centre in Dundee. Four offices are within the central belt, (Glasgow, Clydebank, Livingston and Edinburgh) with other offices in Dundee, Aberdeen and Inverness. During 2016-17 we engaged a number of education practitioners as secondees who bring with them the most current thinking and practice within the education profession and are able to take back to their employing organisations, ideas and practice to support improvements.

Principal activities

Education Scotland supports quality and improvement in Scottish education by:

- Building a world class curriculum for all learners in Scotland;
- Promoting high quality professional learning and leadership amongst education practitioners;
- Building the capacity of education providers to improve their performance continuously;
- Providing independent evaluation of education provision;
- Influencing national policy through evidence based advice;
- Improving our organisational capability and investing in our people.

Social, community and human rights

Education Scotland's central purpose is to ensure that everything we do contributes to the Scottish Government's national purpose of creating a more successful country with opportunities for all to flourish through sustainable economic growth.

Our work in improving quality effectiveness and equality in education contributes directly to the following National Outcomes:

- We are better educated, more skilled and more successful, renowned for our research and innovation;
- Our young people are successful learners, confident individuals, effective contributors and responsible citizens;
- Our children have the best start in life and are ready to succeed;
- We have improved the life chances for children, young people and families at risk; and
- Our public services are high quality, continually improving, efficient and responsive to local people's needs.

Education Scotland pays a minimum of the Scottish Living Wage to all staff and contractors and is a Living Wage accredited employer.

Strategy and Business model

Education Scotland's vision is to transform lives through learning. We have a three year corporate plan which has six strategic objectives to support the delivery of our key aims. Five relate to the impact Education Scotland can make to support external stakeholders and

the sixth relates to how we can improve our own organisational effectiveness and capability. Our annual business plan sets out the detail of the key work programmes for the year. This is subject to change during the year as we respond to new initiatives and commitments. Our performance is reported in the annual performance review and this focusses more on outputs and the impact which our work has. We strive to maximise our effectiveness from staff and non- staff resources to ensure we continue to deliver on the objectives we have set but with less Scottish Government funding.

Key issues and risks

The principal risks faced by Education Scotland during 2016-17 and as at 31 March 2017 are as follows:

- There is a risk that the Scottish Government and Ministers lose confidence in the effectiveness and impact of Education Scotland.
- There is a risk that, in a climate of increasingly limited budgets, Education Scotland does not ensure that it has sufficient resources and that they are managed effectively in order to deliver our plans.
- There is a risk that Education Scotland is not a flexible proactive and responsive organisation which is able to adapt to change at a local and national level.
- There is a risk that Education Scotland does not continue to provide effective leadership and guidance in relation to the Scottish Attainment Challenge.
- There is a risk that Education Scotland does not continue to provide effective leadership and guidance in relation to National Improvement Framework.
- There is a risk that National Improvement Hub is not effectively developed.
- There is a risk that Digital Literacy and Learning strategy is not effectively implemented.
- There is a risk that Education Scotland generates excessive/ over complex guidance and thereby impedes the successful implementation of Curriculum for Excellence.
- There is a risk that Education Scotland does not continue to provide an independent inspection process.
- There is a risk that Education Scotland is not able to respond to, and does not have appropriate decision making processes in place to consider new programmes of work.
- There is a risk that we do not recruit staff with the necessary skills and experience.
- There is a risk that we do not measuring impact of Education Scotland's aspirations to ensure that we direct our limited resources appropriately.

Going concern

The results of the Statement of Comprehensive Net Expenditure derive from operating activities, all of which are continuing. The financial statements for the year ended 31 March 2017 show an underspend against budget of £0.4m (2015-16 £0.2m underspend) and a net liabilities position of £4.9m (2015-16 £5.5m). The position of net liabilities has arisen as a result of the requirement to account for activities on an accruals basis, whilst recording funding from the Scottish Government on a cash basis. Net current liabilities will be funded by the Scottish Government as they arise. As a consequence, the financial statements have been prepared on a going concern basis.

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 period 2016-17 to 2020-21, the Auditor General has appointed Audit Scotland to undertake our audit. The audit fee for 2016-017 is £34,040. 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 2016-17. No other services were supplied by Audit Scotland during the period ended 31 March 2017. Internal audit is covered by a service level agreement with the Scottish Government Internal Audit Division.

Performance Summary

Key performance targets and outcomes are highlighted below and are reported more fully in the annual review.

Performance Analysis

Financial review

- Overall expenditure for the year was £35.7m compared to a total budget of £36.1m.

Attainment and Improvement

- Attainment Advisors providing valued support to local authorities.
- Raise understanding and engagement with the aims of the Scottish Attainment Challenge.
- Publication of Interventions for Equity: A framework to support schools as part of the Scottish Attainment Challenge.

Ensuring the Impact of CfE

- Publication of Benchmarks for all curriculum areas other than literacy and English and numeracy and mathematics in March 2017 as requested by the Assessment and National Qualifications Group (May 2016).
- In August 2016, Education Scotland carried out a review of local authorities' actions to tackle unnecessary bureaucracy and undue workload in schools, and published a report¹ on 19 September 2016. Area Lead Officers monitored the actions taken by local authorities relating to the review's findings, with the aim of supporting improvement at local level. All 32 local authorities submitted update reports on the actions they are taking to address the review's findings to Education Scotland by January 2017, and a briefing was submitted to the Deputy First Minister. Examples of local authorities' good practice were published on the National Improvement Hub in March 2017.
- Contributed to the development of statutory guidance relating to the Gaelic aspects of the new Education Act. Education Scotland was represented on the working group chaired by Bòrd na Gàidhlig and contributed to the development of the statutory guidance (published Feb 2017).

- Review and update CfE Experiences and Outcome for Technologies, as requested by CfE Management Board. Publication of revised Technologies Experiences and Outcomes, along with Benchmarks, on 23 March 2017.

School Inspections

	2016-17	2015-16
Inspections		
Primary schools	91	101
Primary schools – short model inspections	12	0
Secondary schools	17	21
Special schools	20	19
Continuing Engagement Inspections		
Primary schools	38	25
Secondary & All-through schools	12	8
Special schools	8	10
Total Inspections	198	184

1. All figures include independent schools and inspections not resulting in QI evaluations
2. Local Authority and independent All-through schools are included in both primary and secondary
3. Special includes day special, residential and secure accommodation services

Supporting the Expansion of Early Learning and Childcare

- Provide professional advice to the Scottish Government on trial models for delivering flexible 600 hours of ELC and the increase to 1,140 hours.
- Engagement with ADES Early Years Group to promote capacity building through Local Authorities.
- Providing support and guidance on self-evaluation for self-improvement.
- Share Early Learning and Childcare literacy review on National Improvement Hub.

National Improvement Framework

- Publication of the draft Benchmarks for literacy and English and numeracy and mathematics.
- Publication of the Review of Family Learning.
- Publication of the HM Chief Inspector Statement on Curriculum for Excellence.

Digital Literacy and Learning

- Published the Digital Literacy and Learning Strategy
- Delivered support to local authorities for the use of Glow and the wider Digital Learning and Teaching landscape – target was 18 and support was requested by, and delivered to, 19
- Increase of Glow usage both in terms of unique users (up 33%) and number of logins (up 36%)
- Completion of the transition to SWAN for all local authorities who wish it

National Improvement Hub and Online estate

- Delivered four websites and streamlined our content.

Education Scotland- Corporate web site which provides information that is appropriate to the general public.

Parentzone Scotland – Provides information and improvement content directly related to parents.

NQs Online - Provides an overview of the current framework of National Qualifications, with information on courses, units and awards for school leaders and classroom teachers.

National Improvement Hub – Provides improvement materials, guidance and resources for education practitioners.

Local Authorities

- Shared Risk Assessment of local authority educational performance updated to include performance against Scottish Attainment Challenge and National Improvement Framework
- Strategic scrutiny of local authorities resulting from Local Scrutiny Plans in accordance with relevant statutory duties of Her Majesty's Inspectors
- Strategic scrutiny carried out and report published on all 32 local authorities on Tackling Bureaucracy and Teacher Workload
- Bespoke support and capacity building programme provided to the 20 local authorities who are involved in strategic groupings

Embedding Inclusion, Equity and Empowerment

- Develop and embed the Mentors in Violence prevention programme in partnership with the Violence Reduction Unit in Scottish Government
- Publication of resources and delivery of professional learning events to support inclusive practices including wellbeing and resilience, nurturing approaches, recognising and realising children's rights, dyslexia and learning for democracy.
- Publication of the final Schools Improvement Partnership Programme (SIPP) evaluation report.
- Influence national and European policy on inclusive practices including through contribution to working groups, providing evidence to the equality and Human rights Committee and collaboration with the European Agency for Special needs and inclusive education

Developing the Young Workforce

- 4 CLPL modules now published to support Career Education Standard 3-18
 - Learning Resource 1: Introduction to Career Education Standard ES 3-18
 - Learning Resource 2: Introduction to Labour Market Information
 - Learning Resource 3: Introduction to CMS
 - Learning Resource 4 : Introduction to My World of Work
- Review of Career Education Standard Completed
- National DYW leads network established to support capacity building across

International Engagement

- First Caledonian Symposium held as part of the Scottish Learning Festival to bring together international education policy researchers
- Contract signed with Indian Government to provide capacity building support to state of Tellingana

Improving our Organisation

- Programme approach to business planning developed and embedded.
- Improved approach to resource planning in place and all management plans balanced.
- Skills review carried out.
- Learning and development portal developed.
- Electronic records management system rolled out across the organisation and training and support provided.

Financial Review

Education Scotland is funded by the Scottish Government through the Education and Lifelong Learning Portfolio. The total budget allocated at the start of the year was £23.3m and a further £12.7m of budget was transferred from the Scottish Government during the year to fund work which did not form part of the core work remit. The final budget for 2016-17 was £36.1m.

The largest budget transfer (£6.1m) was for costs associated with Digital Learning and Teaching which encompasses Glow, Glow content and the Scottish Wide Area Network (SWAN). Education Scotland was given a further budget transfer of £4.3m which was distributed as grants to other bodies.

	£m
Education Scotland budget	23.3
Digital Learning and Teaching	6.1
Grants to other bodies	4.3
Health and wellbeing	0.5
Scotland's Enterprising Schools	0.3
Mentors in Violence Prevention	0.2
Scottish Attainment Challenge	0.3

National Improvement Framework	0.3
Funding for Development Officers	0.5
Other transfers	<u>0.3</u>
Total budget transfers	12.8
Final Education Scotland budget	36.1
Final Education Scotland outturn	35.7
Underspend	0.4

The financial results for 2016-17 are reported in the attached accounts. They show a net outturn of resource expenditure of £35.55m (2015-16 £35.96m) compared to a budget of £36.02m (2015-16 £36.49m) yielding a net underspend of £0.47m (2015-16 underspend of £0.53m). Capital outturn was £0.14m (2015-16 £0.45m) compared to a budget of £0.05m (2015-16 £0.1m).

Movements in Property, Plant and Equipment

Total non-current asset purchases for the year were £0.14m (2015-16 £0.4m). Expenditure on IT hardware covered the replacement of laptops as part of the normal cycle to replace out of date equipment. Expenditure on software was for the purchase of licences to allow media streaming functionality. There were a number of disposals recorded on the assets register all of which were fully depreciated apart from four laptops. A total of £163.92 was recorded as a loss on disposal. Education Scotland's policy on disposals is to recycle equipment where possible.

Significant variances

Staff costs There was a slight increase in expenditure on staff costs in 2016-17 compared with the previous year (See staff report at page). However, when the costs of the Voluntary Exit scheme are excluded there was an overall reduction in staff costs which was mainly due to fewer seconded staff.

Practitioner events

There has been a significant fall in expenditure on events organised and run by Education Scotland. At the start of the year staff were advised to look critically at their plans for events and consider the impact and likely outcomes before committing expenditure. Events were targeted at particular groups in order to maximise impact.

External Advice

Expenditure on external advice has fallen in 2016-17 to £71k (£235k 2015-16). Education Scotland's overall budget decreased and therefore there was only a limited budget available to procure external services. In addition, because procurements were expected to fall in 2016-17, we did not engage additional support from SG procurement shared services (which was a source of external advice in 2015-16).

Travel and Subsistence

Travel and subsistence costs have fallen by £0.3m in 2016-17. Staff were advised during the year that only essential travel should be undertaken. This recognises a positive

approach to work/life balance with colleagues spending losing less time on the road/train as well as our commitment to sustainability by reducing our carbon footprint. Video Conference equipment in all our offices has been updated and staff are encouraged to use this for meetings with colleagues at different locations rather than travelling. Staff are able to use the tele-conferencing capability of the new Mitel telephone system or by using Skype for Business which facilitates messaging, audio and video conferencing.

Increasingly colleagues are also using Glow effectively to collaborate with local authority colleagues, including educational practitioners.

Reports and Publications

Expenditure on reports and publications has fallen from £182k in 2015-16 to £95k in 2016-17. Increasingly Education Scotland is focusing on making digital the key delivery channel for how we communicate with Scottish Education. The majority of reports and publications are now hosted on our website or the National Improvement Hub which ensures that costs are kept to a minimum. Where possible, work on reports, including format and design, is done internally.

Postage

As a general rule, reports are now published electronically and therefore there are fewer numbers of items posted out as hard copies. This has resulted in a sharp fall in postage costs in 2016-17 to £147k from £213k in 2015-16.

Income

The largest regular source of income for Education Scotland is from the Scottish Funding Council. This income covers the costs of undertaking college reviews and reviews of specific subject areas.

Income from software sales has fallen. In the past Education Scotland has put in place a central contract to procure software on behalf of individual schools and local authorities and then sent them out from the Distribution Centre. With the imminent closure of the Distribution Centre, we have stopped providing this service and schools will need to contact the software providers direct. This will not result in any additional cost for the schools.

There was reduced income from SWAN services during 2016-17. The income in 2016-17 related to reimbursement for continued enhancements requested by Local Authorities as part of the transition work. The level of income is demand led and is dependent on the enhancements requested.

HM Inspectors have been supporting Guernsey's Inspection Service and have charged for this service generating additional income of £0.1m

Future Performance

Education Scotland's cash budget will be reduced by £2m to £21.3m in 2017-18. An additional non cash budget, to cover depreciation costs, has been approved resulting in a total budget of £21.5m for 2017-18. Given the structure of the ES budget there are only two areas which can realise the majority of the savings required. These are corporate services staffing and the office estate. With regard to corporate services staffing, some developments were already planned, especially around digital technology, which would

have resulted in a reduced staff requirement. However, a consequence of the 2017-18 budget settlement is that plans to digitise will be accelerated and staff likely to be impacted have been offered a voluntary exit package. There will be no compulsory redundancies.

With regard to estates, an estate strategy was already well advanced which included proposals to close certain offices where lease break points were reached. This work will also be accelerated. The Distribution Centre in Dundee will close in July 2017 when the lease ends and affected staff will be relocated to Endeavour House in Dundee. The lease for Clydebank will not be extended when it ends in September 2017 and affected staff will be relocated to the Optima building in Glasgow.

Education Scotland will be following the SG policy on working from home. We will also follow the SG policy on changes to working office. One key provision is that an excess fares allowance can be paid for up to 3 years if staff are posted to a new office and the normal home to office journey is more expensive as a result.

The annual business planning cycle for 2017-18 will prioritise work programmes to ensure that sufficient funds are available to deliver key tasks. All of this work is underpinned by our organisational improvement project which is intended to ensure that all staff within the organisation, both front line and support staff, are able to respond quickly and flexibly to current and future demands made of the organisation.

Investment Strategy

Education Scotland does not own any of the office accommodation which it uses. Accommodation is leased or shared with other parts of the Scottish Government. The current estates strategy does not include any plans to purchase office buildings but is designed to maximise the use of current leased buildings and to review our requirement in advance of options to terminate leases at the relevant break point without any financial penalty.

Education Scotland continues to invest in IT hardware and software at a level which is proportionate to the demands of the organisation. We maximise our use of SG systems (for example, accounting, payroll and banking) to ensure that overall costs to the taxpayers are minimised.

Payment of suppliers

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

However, the agency has a target of paying all invoices within ten days. This is above and beyond our contractual commitment. For the year ended 31 March 2017, Education Scotland paid 98% of invoices within ten days (2015-16 99%).

Sustainability report

The report includes key carbon management and other environmental sustainability information on how Education Scotland can demonstrate progress towards achieving the targets and actions set out in the Climate Change (Scotland) Act 2009 and other relevant

legislation. The Climate Change (Scotland) Act 2009 created a long-term framework that set out significant challenges for public bodies.






These are as follows:

- introduce a statutory target to reduce Scotland's greenhouse gas emissions by at least 80% by 2050;
- establish an interim target of at least 42% emissions reductions by 2020, with a power for this to be varied based on expert advice from the UK Committee on Climate Change;
- establish a framework of annual targets; and
- include emissions from international aviation and international shipping.

Education Scotland is committed to ensuring that we contribute to these targets by setting our own internal targets and monitoring our performance against them. We have been active in sustainable development work since inception in July 2011, building on predecessor organisation and teams' sustainability targets and actions.

The actions reported here relate to how we are responding to the challenges of the Climate Change Act across our estate and operations. In this sustainability report we show performance against existing targets to reduce CO2 emissions, energy and water used in buildings, work-related transport, and waste collected from estate, amount of materials recycled and associated costs.

Summary of performance

Area	Performance 2016/17	Status
CO2e	Target – year on year reduction of greenhouse gas emissions.	
Waste	Target – year on year reduction of waste generated.	
Recycling	Target – year on year increase in waste recycled.	
Water	Target – year on year reduction in water usage.	
Travel	Target – year on year reduction in our level of travel.	

Greenhouse Gas emissions and energy		2015/16	2016/17
Non-financial indicators (tonnes CO2e)	Total emissions	364*	351**
Related energy consumption (mWh)	Electricity non renewable	0	0
	Electricity renewable	734*	789**
Financial indicators (£k)	Expenditure on energy	75	113

Note: The figures used to work out CO2 emissions are as recommended by the Carbon Reduction Commission (CRC). Electricity is kwh multiplied by 0.00446 (2015-16 0.00496). Source CRC Energy Efficiency Scheme Order: Table of Conversion Factors Version 6: Published June 2016.

*2015-16 includes estimates for March (The Optima).

**2016-17 includes estimates for March (Tom Johnstone Road).

**Greenhouse Gas emissions and energy
Performance, targets and commentary**

There has been a small increase in electricity consumption which could be down to differing weather conditions between years. However, there is likely to be reductions in future years due to estate rationalisations.

Waste and recycling			2015/16	2016/17
Non-financial indicators (tonnes)	Total volume of waste (not inc. construction)		21	22*
	Non-hazardous waste	Recycled	13	22*
		Landfill (residual)	8	0
Financial indicators (£k)	Total waste disposal cost		5	16

*2016-17 includes estimates for Johnstone House

**Waste and recycling
Performance, targets and commentary**

Financial indicators for waste increased as contractors moved onto the Living Wage. Education Scotland are now Scottish Living Wage Accredited. Although overall tonnes for waste have increased slightly it is now all recycled. Contractors sort general waste to recover any recyclables, and the residue which can't be recycled is made into refuse derived fuel for energy from waste plants to produce heat and power. We introduced an electronic records management system in 2016/17 which will decrease our paper consumption.

Water		2015/16	2016/17
Non-financial indicators (m3)	Consumption	2,866	2,994
Financial indicators (£k)	Water supply costs	42	56

Note: Non-financial indicators include water supplied and waste management.

Water

Performance, targets and commentary

A supplier change took place in March 2016. A number of automated meters were installed which has increased the number of actual meter readings across the estate. The change from estimated to actual readings may have contributed to the increase of our usage. There is likely to be reductions in future years due to estate rationalisations. Provision of meter readings has also changed from quarterly to monthly, improving our ability to monitor usage more regularly and rectify issues quickly.

Travel	2015/16	2016/17
Rail (miles)	549,285	364,648
Air (miles)	370,848	180,314
Motor (miles)	1,102,715	756,287
Fleet (miles)	5,639	8,329
Financial indicators (£k)	773	519

Travel

Performance, targets and commentary

Education Scotland undertakes travel to carry out activities such as inspection and reviews. Provision of improved technologies such as Skype for business and video conference equipment enabled a significant reduction in our level of travel 2016/17. As we promote sustainable choices in the year ahead we anticipate this reduction to continue.

Other: Procurement

Performance, targets and commentary

Education Scotland follows the Scottish Government's principles of procurement and our procurement policy includes a requirement to ensure that contract specifications reflect the Scottish Ministers approach to sustainability and where appropriate form part of the evaluation of tenders and conditions of contract. Education Scotland recognises the importance of a good procurement service in helping us deliver our objectives with limited resources. We have therefore taken the opportunity to engage additional procurement support via the Scottish Government Procurement Shared Services team.

Education Scotland will continue to enforce a minimum order value for stationery to reduce the number of deliveries.

Public bodies Climate change duties

A Statutory Order came into force on 23 November 2015 requiring public bodies to report annually to Scottish Ministers on their compliance with climate change duties. Education Scotland contributed to the pilot of the report which covers 2014-15 data and completed the first mandatory report for 2015-16 submitted on 30 November 2016.

The Public Bodies Climate Change Duties Reporting mechanism provides a solid basis for tracking public sector action on climate change and driving continuous improvement. The reporting platform introduces standard methodology to improve data consistency. Reports and analysis are publically available, increasing accountability and transparency.

Dr Bill Maxwell

Chief Executive 21 June 2017

Accountability Report

Corporate Governance Report

Directors Report

The Directors of the agency during 2016-17 were:

Dr Bill Maxwell	Chief Executive
Alastair Delaney	Chief Operating Officer and Director of Inspections
Alan Armstrong	Strategic Director
Lesley Brown	Strategic Director
Graeme Logan	Strategic Director

None of the directors held any company directorships or other significant interests which conflicted with their management responsibilities.

Governance and board structure

The Management Board is chaired by the Chief Executive and includes the Education Scotland strategic directors and four Non-Executive Board Members.

The Non Executive Board Members are :

Kate Dunlop
Michael Ewart
Linn Phipps
Moi Ali

Audit and Risk Committee

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

The Non-Executive Directors of the Audit and Risk Committee are:

Kate Dunlop (Chair)
Moi Ali
Linn Phipps
Michael Ewart

Contracts for the Non-Executive Directors ended during 2016-17 and were extended. A recruitment campaign for Non-Executive Board Members is planned for 2017-18. The intention is to increase the overall number from 4 to 6 and re-introduce a membership difference between the Audit and Risk Committee and Management Board. In the longer-term the roles of the Management Board and Corporate Management Group will be considered as part of the overall review of Governance. One proposal is that these two boards merge to reduce duplication and provide direct external representation at our main strategic decision making-meeting.

Personal data related incidents

There was one personal data related incident during 2016-17. SG Data Protection Team and the Information Commissioners Office have been consulted on the matter (2015-16 no incidents).

Statement of Accountable Officer's Responsibilities

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

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

The Principal Accountable Officer of the Scottish Government appointed the Chief Executive of Education Scotland as the Accountable Officer. As Accountable Officer, the Chief Executive is responsible to the Scottish Ministers.

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

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

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

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.

Accounts direction

The accounts have been prepared in accordance with a direction given by the Scottish Ministers in pursuance of the *Public Finance and Accountability (Scotland) Act 2000*. This direction is shown as an appendix to the accounts. As the Accountable Officer, I confirm that the annual report and accounts as a whole is fair balanced and understandable. I take personal responsibility for the annual report and accounts and the judgements required for determining that it is fair balanced and understandable.

Governance Statement

Scope of Responsibility

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

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

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

Education Scotland Governance Framework

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

The governance framework accords with guidance from the Scottish Ministers provided in the SPFM and has been in place at Education Scotland for the year ended 31 March 2017 and up to the date of approval of the annual report and accounts.

Management Board

The Chief Executive has a responsibility to ensure the Agency effectively delivers ministerial policies and is supported in this by the Management Board (MB). The Chief Executive chairs the MB which comprises four staff at director level, who have responsibility for delivery of the outcomes in the programmes which they lead, and four non-executive directors.

The role of the Management Board is to:

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

The MB met five times during the year to progress the business of the Agency and it was provided with regular updates from the other committees and groups including the Audit and Risk Committee and the Corporate Management Group (CMG)

Details of the meetings held and attendance by non executive members is as follows:

Management Board					
Date of Meeting	20 April 2016	10 June 2016	27 September 2016	16 December 2016	31 March 2017
	Kate Dunlop	Kate Dunlop	Kate Dunlop	Kate Dunlop	Kate Dunlop
	Linn Phipps	Linn Phipps	Linn Phipps	Linn Phipps	Linn Phipps
		Mike Ewart	Mike Ewart	Mike Ewart	Mike Ewart
		Moi Ali	Moi Ali	Moi Ali	
Apologies	Moi Ali				Moi Ali
	Mike Ewart				

Audit and Risk Committee

The purpose of the ARC is to support the Chief Executive and the MB by reviewing the reliability and integrity of internal control processes and advising the Chief Executive and MB as to whether they meet the assurance needs of the organisation. It was set up in accordance with the principles set out in The Audit Committee Handbook as updated in March 2008.

The Committee is chaired by Kate Dunlop who is an independent Non-Executive Board Member. The ARC comprises four non-executive members and met five times during the year.

Details of the meetings held and attendance by non executive members is as follows:

Audit and Risk Committee					
Date of Meeting	5 April 2016	7 June 2016	16 September 2016	13 December 2016	9 March 2017
	Kate Dunlop	Kate Dunlop	Kate Dunlop	Kate Dunlop	Kate Dunlop
	Mike Ewart	Mike Ewart	Linn Phipps	Mike Ewart	Mike Ewart
		Moi Ali	Moi Ali	Moi Ali	Moi Ali
				Linn Phipps	Linn Phipps
Apologies	Linn Phipps	Linn Phipps	Mike Ewart		
	Moi Ali				

Internal and external auditors also attend the ARC and are able to offer opinion on the adequacy and effectiveness of Education Scotland's risk management, control and governance processes. The terms of reference of the committee state that the auditors have direct access to the Chair of the committee.

Corporate Plan

Education Scotland's Corporate Plan covering the period 2016-17 to 2018-19 was intended to be published in December 2016. However, this was put on hold as a result of the Scottish Government's consultation on the governance of education. As a national body, Education Scotland is in the scope of this review. The consultation ran from

September 2016 to January 2017. Now that the consultation has finished we are proceeding with plans to develop our next Corporate Plan and publish it later in 2017. The Corporate Plan will set out the overall vision of how we will work with stakeholders to improve Scottish education and the strategic objectives which underpin this vision. It will detail specific commitments for action and also what measures we will use to evaluate our success at delivering on these commitments.

Business Plan

Business plans are produced annually which align to the vision and objectives set out in the Corporate Plan. The annual Business Plan reflects current priorities and targets. It sets out our targets at a much more detailed level so that performance can be monitored and measured within individual teams within the organisation.

Framework Document

The Framework Document is published on Education Scotland's website and sets out the roles and responsibilities of Ministers, key officials and the authority which has been delegated to the Agency's Chief Executive. It provides the authority to commit expenditure to support the achievement of Education Scotland's objectives and confirms the responsibility to ensure that systems are in place so that funding can only be used in furtherance of those objectives.

The Chief Executive sub delegates financial and budgetary authority so that resources are managed effectively at an operational level and so ensure best value for the organisation as a whole.

Register of Interests

Education Scotland staff record interests in the appropriate section of the HR database. Non-Executive Directors are required to declare any interests at each meeting.

Complaints procedure

The complaints procedure for external stakeholders is published on Education Scotland's website. This gives clear instructions on how to contact the agency in order to make a complaint and the timescale within which a response should be expected.

Education Scotland adheres to the Scottish Government policy on whistleblowing and reporting fraud. There is a whistleblowing hotline which staff can contact directly.

Purpose of the system of Internal Control

The system of internal control is a significant part of the governance framework and is designed to manage rather than eliminate the risk of failure to achieve the organisation's policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Education Scotland's policies aims and objectives. Its purpose is to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

Review of the Effectiveness of Internal Control

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

- Regular review of and discussion of internal controls at Management Board and Audit and Risk Committee
- A joint certificate of assurance which is produced by Strategic Directors, programme managers and Corporate Service Team Leaders;
- Review of internal control systems through a process of self-evaluation. Weekly meetings of the executive managers within the organisation who have responsibility for the development and maintenance of the internal control framework;
- An annual report of performance of the Audit and Risk Committee which is given to the Management Board;
- The work of the internal auditors, who submit to the organisation's Audit and Risk Committee regular reports which include the Head of Internal Audit's independent and objective opinion on the adequacy and effectiveness of the organisation's systems of internal control together with recommendations for improvement; and
- Comments made by the external auditors in their management letters and other reports.

The following processes have been established.

- Education Scotland's Management Board sets and monitors the delivery of Corporate and Business Plans. The Board comprises the agency's Corporate Management Group and four independent, external members.
- Education Scotland's Audit and Risk Committee is chaired by one of the four external Board members, who make regular reports to the Management Board on matters concerning internal control. At least three external members must be present at each meeting of the Audit and Risk Committee.
- Through the Audit and Risk Committee, I receive regular reports from internal audit which include the Head of Internal Audit's opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement.
- I chair Education Scotland's Corporate Management Group, which comprises the four senior staff at Director level.
- Internal controls are reviewed by means of a process of self-evaluation which includes a peer review by the Strategic Directors, programme managers and Corporate Service Team Leaders. The self-evaluation process was reviewed and validated by Internal Audit in 2015-16 and has continued during 2016-17.

- The remit of each Strategic Director and the programme delivery structure are designed to make clear the responsibilities for delivering Education Scotland's business objectives. Each Director has established programme and policy boards to oversee the effective attainment of key outcomes and to feed performance information into Corporate Management Group, Management Board and the Audit and Risk Committee.
- Through the regular and frequent meetings of the Corporate Management Group and systematic business review meetings with each individual Director, I receive reports on the steps they are taking to manage the risks in their areas of responsibility, including progress reports on key priorities for Education Scotland. Improvements to our business planning system also support these reviews.

Best Value

The Scottish Spending Review 2016-17 set out the draft budget for core work. The 2016-17 budget saw a fall of £1.5m from the 2015-16 position. The 2015-16 budget was increased to cover costs of CLD and Youth work grants which are now administered by Education Scotland and therefore in order to continue to award the same level of grants, savings had to be found from other areas.

	2014-15 £m	2015-16 £m	2016-17 £m
Education Scotland core budget	21.8	24.8	23.3
Supplementary budget transfers to cover additional in year responsibilities	13.6	11.8	12.7
Final budget	35.4	36.6	36.0

- Education Scotland has continued to develop our organisational improvement programme in order to respond quickly to changing demands and to get best value from the limited resources we have available. The work we do reflects Government priorities and although we retain independence for specific aspects of our work, we need to be demonstrably delivering on the Government's policy agenda. In order to do this we need to be able to respond quickly and flexibly to new demands and requirements. The Improving Our Organisation (IOO) programme is underpinned by four workstreams:
 - Developing and agile and responsive delivery model
 - Optimising our People
 - Using our intelligence and evidence more effectively
 - Evaluating our methods of Achieving Impact

- During the last financial year we concluded the procurement and deployment of Enterprise Video Conferencing which has allowed Education Scotland staff to make greater use of this important technology to collaborate and engage with our wide range of stakeholders. Additionally, this investment programme has increased the productivity of our staff and has a positive impact on lowering our travel and subsistence expenditure across the organisation.
- On Mobile Telephony, we have successfully migrated all of the organisation away from O2 to the Scottish Government contract with Vodafone. This has resulted in lower overall expenditure, increased data allowance to allow staff to collaborate and work when out of the office, as well as having our Blackberry devices to be centrally managed by the Scottish Government's IT services part of our shared service arrangements.
- Education Scotland now makes full use of the SG Mitel Voice Platform. This provides our staff with the flexibility to move around from building to building and the wider Scottish Government estate by simply logging in to a Mitel phone and taking their personal number with them.
- As part of greater adoption of SCOTS services we have secured the organisation wide deployment of Skype for Business which allows staff to collaborate across the organisation and the wider 10,000 users of the Scottish Government's Shared Service. This technology has modernised the way staff can deliver against the organisational objectives and enhances the remote working opportunities for staff as part of the SG2020 vision.
- We have replaced and consolidated our printing estate by introducing high speed multi-functional devices (MFDs) which offer enhanced capabilities, including: reduced wastage, and lower operating costs. Staff can now print securely to any device within Education Scotland and the wider SG estate using technology that is integrated with their own personal ID badge.
- We recognise the importance of a good procurement service in helping us deliver our objectives with limited resources. We continue to access suppliers via Scottish Government frameworks. A senior procurement officer (engaged via Scottish Government Procurement Shared Services) supports the Digital Literacy and Learning project to ensure best value from all stages of the procurement process.

Risk and Control Framework

All bodies to which the Scottish Public Finance Manual 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

Comprehensive risk registers have been established, which identify owners for all key risks that may affect the delivery of our business objectives, and which categorise risks using a robust prioritisation methodology. The risk registers detail mitigating actions, status and the risk owner. The Audit and Risk Committee monitor performance in managing the corporate level risks contained in the registers. A new Head of Governance was appointed during the

year and one of the key tasks will be to take forward work in relation to risk management including establishing a comprehensive risk management strategy.

More generally, the organisation is committed to a process of continuous development and improvement: developing systems in response to any relevant reviews and developments in best practice in this area.

In particular, in the period covering the year to 31 March 2017 and up to the signing of the accounts the organisation has carried out the following.

- Reviewed and maintained an overarching corporate level risk register which is informed and supported by comprehensive risk registers at the directorate/programme level. Regular reports are sent to both the Corporate Management Group and the Audit and Risk Committee.
- A review of the risk management process is on-going and an updated risk management strategy is under development. Programme risk registers are now in place which align to Education Scotland's operational delivery model. Further work to regularly identify, manage and review corporate level risks will be completed in 2017-18
- Programme boards reviewed and monitored internal evaluation of all aspects of control and delivery. For 2017-18 programme board objectives will be supported by SMART targets set by programme boards/workstreams. These will be re-assessed regularly to ensure that they are programmes are fit for purpose, relevant and represent value for money.
- Financial controls have been improved and now include an additional system check which reviews transactions for anomalies such as duplicate payments and mispostings. Additional reconciliations are now undertaken to assist staff with financial management/ budget monitoring responsibilities.
- There were a number of corporate and directorate/programme level training events held during the year. These provided training and dissemination of good practice to Education Scotland staff and the wider teaching community.

Significant Risk Related Matters

The following list highlights the most significant risk related matters which arose during 2016-17.

Reputational Risk

There is a risk that the Scottish Government and Ministers lose confidence in the effectiveness and impact of Education Scotland which could lead to instability within the organisation and compromise our ability to influence stakeholders and key partners .

Mitigating Actions - It is essential that Scottish Government and Ministers understand the key role that Education Scotland has within the education landscape and that they have confidence in both our advice on matters of policy and our ability to deliver. We are able to influence national policy through direct, first-hand experience of educational delivery. This risk is primarily managed through: continuous involvement of Ministers and policy officials in

major developments; developing our relationships with our key stakeholders including the Scottish Government; and through our direct support to Ministers. We ensure that our work is aligned with Ministerial priorities and have a key role in significant multi-partner programmes such as the Scottish Attainment Challenge and the National Improvement Framework.

Resources

In a climate of increasingly limited budgets there is a risk that Education Scotland does not have sufficient resources and that they are not managed effectively in order to deliver our plans. Funding continues to reduce in real terms and for 2017-18 will mean a significant fall in the core budget.

Mitigating actions - Education Scotland has developed a set of proposals that seek to achieve budget reductions whilst safeguarding our ability to deliver on our objectives. These proposals include bearing down on remaining non-staff costs, realising benefits from service changes already implemented, accelerating plans for digitisation, restructuring to better meet current demands, where possible improving quality of service by reviewing traditional roles and bringing functions together more coherently and prioritising the work done by some corporate services teams.

Change management

Change is always with us and as an organisation we must be able to respond to changes. There is a risk that Education Scotland is not a flexible, proactive and responsive organisation which is able to adapt to change at a local and national level.

Mitigating Actions - In 2016-17 Education Scotland introduced a programme-based delivery model, which was designed to improve the organisation's ability to respond quickly and efficiently to additional or differing Ministerial or other national priorities. Other actions to address this risk include reviewing and improving the way the organisation collects and manages intelligence, conducting a skills review to identify any skills gaps in the organisation and introducing fit for purpose policies and processes to support the work of the organisation.

Scottish Attainment Challenge

The aim of Scottish Attainment Challenge is to focus and accelerate targeted improvement in literacy, numeracy and health and well-being in specific areas in Scotland. Support is provided to all local authorities to help practitioners and other related services within local authorities to help children and young people from the most deprived areas to achieve their full potential. Education Scotland has a significant role in this and there is a risk that that we do not continue to provide effective leadership and guidance in relation to this work. Specific key risks for the delivery of work included the requirement to meet tight deadlines and the reorganisation of staff resources in order to provide the required level of support at the right time to Local Authorities.

Mitigating Actions - The advisors attended professional learning events to enhance their knowledge and to keep up to date with developments. Senior leaders engaged with local authority managers, directors and other key stakeholders. The lead officers and advisors worked collaboratively with each other and with authority staff to share experiences. Support from other specialist resources was sought when required. Various channels

including meetings, events and online services, such as the National Improvement Hub, were used to promulgate guidance and examples of practice.

National Improvement Framework

The NIF will see new and better information gathered throughout primary and early secondary school years to support individual children's progress and to identify where improvement is needed. The data will be used to set milestones for closing the gap in attainment between children from the least and most deprived communities in Scotland.

There is a risk that Education Scotland does not provide effective leadership, advice and guidance in relation to National Improvement Framework. Key risks are that support is not based on recent up-to-date research evidence about "what works" and that Education Scotland does not have capacity to provide sufficient leadership and guidance.

Mitigating Actions – Staff keep up to date with current developments through learning and attendance at international, national and local conferences, reading current literature and regular discussions with leading academic researchers. Risks in relation to capacity are mitigated through careful management of people resources and the use of highly effective practitioners who have been seconded from their substantive local authority posts.

National Improvement Hub

There is a risk that we do not deliver the sites and that materials and resources are not available for our stakeholders and do not meet their needs.

Mitigating actions - We mitigated these risks through regular team engagement and through use of the programme governance we have in place. We held stakeholder engagement events and ensured that feedback was encouraged throughout the websites and used to make improvements to the overall user experience.

Digital Literacy and Learning Strategy

There is a risk that the Digital Literacy and Learning strategy is not successfully implemented.

Mitigating Actions – A clear ownership and engagement strategy was set out which assigned ownership of responsibilities. A Programme Board was established and tasked with focussing on delivery of the DLL strategy. The Programme Board assigned strategy action/commitment delivery owners to ensure there was clarity of responsibilities. The programme board engaged with all named stakeholders, ensuring good relationships were established and set up reporting mechanisms, including to the Programme Board. A Digital Leaders in Education Group was established and there was engagement with other stakeholder / strategy delivery partner groups to refocus direction where necessary.

Curriculum for Excellence

There is a risk that Education Scotland generates excessive/ over complex guidance and thereby impedes the successful implementation of Curriculum for Excellence.

Mitigating Actions - In Aug 2016, we published a CfE Statement for Practitioners which provided clear and concise guidance for teachers on learning, teaching and assessment, along with Benchmarks for literacy and English and numeracy and mathematics. The

introduction to the Statement says: 'There is currently too much support material and guidance for practitioners. This is contributing to the growth of over-bureaucratic approaches to planning and assessment in many schools and classrooms across the country'. Despite the recognition of these issues in the Tackling Bureaucracy report, progress has been far too slow. As a result we are taking action to significantly streamline all our support and guidance materials for the curriculum. This statement and the benchmarks to be published this session are key to this streamlined approach.'

In August 2016, we carried out a review of local authorities' actions to tackle unnecessary bureaucracy and undue workload in schools, and published a report on 19 September 2016 which made a number of recommendations for improvement. Following publication of the report, our Area Lead Officers monitored the actions taken by local authorities relating to the review's findings, with the aim of supporting improvement at local level. Examples of local authorities' good practice in tackle unnecessary bureaucracy and undue workload in schools were published on the National Improvement Hub in March 2017.

In creating our new websites, we have taken the opportunity to radically streamline its content relating to CfE guidance.

The introduction to the Benchmarks for other curriculum areas, published in March 2017, states: Benchmarks draw together and streamline a wide range of previous assessment guidance (including significant aspects of learning, progression frameworks and annotated exemplars) into one key resource to support teachers' and other practitioners' professional judgments of children's and young people's progress across all curriculum areas.

Independence of Inspections

The risk is set in the context of concerns expressed by some Ministers and sections of the media that Education Scotland is too close to Government in terms of policy and is therefore not sufficiently independent.

Mitigating Actions - All Education Scotland staff who are involved in inspection are aware of, and are instructed on, Education Scotland's independence. Senior leaders in Education Scotland are clear in their dealings with Ministers and SG policy colleagues on the scope of their influence. We understand Education Scotland's role and therefore what is legitimate for Ministers to ask of us in relation to inspection, and what is not. Ministers have the authority to direct us in matters related to inspection frequency and focus. However, in matters of the methodology of inspection, decisions sits firmly with Education Scotland and this is key in preserving our independence. Furthermore, all inspection judgements are based on solid evidence which is gathered and analysed during the inspection process. Inspection judgements are wholly independent of government or any other influence.

Recruitment

There is a risk that Education Scotland is not able to recruit staff with the required level of skills and experience.

Mitigating actions - Permanent staff recruitment relies upon a supply of highly experienced and credible educationalists wishing to join the organisation. However, we also need to supplement the skills set within Education Scotland as new pressures and projects arise. This is done primarily through the appointment of temporary staff on secondment either full-time for 23 months or in a part-time short-term basis, sometimes with the individual

remaining in their current employment. Applications for permanent staff posts have remained strong throughout the year. During the course of the year we have been using more flexible contract options for specialist staff to bring in specific expertise. We have liaised closely with local authorities and others to ensure that they are able to release the specific skills needed nationally.

Measuring impact

Where budgets are limited, it is vital to maximise the value that we obtain from the resources we use. There is a risk that we do not direct our limited resources appropriately if we do not measure and understand the impact of Education Scotland's aspirations.

Mitigating Actions - In 2016-17 Education Scotland introduced an outcome-based approach to business planning. Over the course of the year, programmes have been working to identify outcomes and measures to ensure the activities of the programmes have the maximum impact. We now have a comprehensive set of programme-based outcomes which will define the way forward for the organisation. This approach will be fully implemented in 2017-18.

Conclusion

No significant weaknesses or failures have arisen which have compromised good governance, risk management or internal controls. Any risks identified have been managed appropriately.

Remuneration and staff report for the year ended 31 March 2016

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.

Education Scotland sets the remuneration of Non-Executive Board Members 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.civilservicecommission.org.uk.

Remuneration (including salary) and pension entitlements

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

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

The banded remuneration of the highest paid director in Education Scotland in the financial year 2016-17 was £110-115,000 (2015-16, £110-115,000). This was 2.4 times (2015-16, 2.7) the median remuneration of the workforce which was £46,220 (2015-16, £41,596). The Scottish Government median in the financial year was £31,811 (2015-16, £31,340).

In 2016-17, no employees (2015-16, 0) received remuneration in excess of the highest paid director. Remuneration ranged from £18,412 to banded remuneration of £110-£115,000. (2015-16, £16,842 to banded remuneration of £110-£115,000).

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

Remuneration

Officials	Salary (£'000)		Pension benefits (to nearest £1,000) ²		Total (£'000)	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
Bill Maxwell Chief Executive	110-115	110-115	21,000	51,000	130-135	160-165
Alastair Delaney Chief Operating Officer	75-80	70-75	24,000	36,000	105-110	105-110
Alan Armstrong Strategic Director	75-80	70-75	18,000	22,000	90-95	90-95
Lesley Brown Strategic Director	70-75	65-70	31,000	34,000	100-105	95-100
Graeme Logan Strategic Director	70-75	65-70	29,000	28,000	95-100	90-95
Juliet McAlpine Strategic Director (From 10 August 2015 to 31 March 2016)	0	40-45 (70-75 full year equivalent)	-	12,000	-	80-85
Moi Ali Non Exec. Board Member *	0-5	0-5	-	-	0-5	0-5
Kate Dunlop Non Exec. Board Member *	0-5	0-5	-	-	0-5	0-5
Michael Ewart Non Exec. Board Member*	0-5	0-5	-	-	0-5	0-5
Linn Phipps Non Exec. Board Member *	0-5	0-5	-	-	0-5	0-5
Band of Highest Paid Director's Total remuneration	£110-£115,000 (2015-16 £110-£115,000) Scottish Government comparative £160-165,000 (2015-16 £175-£180,000)					
Median remuneration	£46,220 (2015-16 £41,596) Scottish Government comparative £31,811 (2015-16 £31,340)					
Ratio	2.4 (2015-16 2.7) Scottish Government comparative 5.1 (2015-16 5.2)					

¹ The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

*Non-Executive Board member positions are fixed term appointments and are non-pensionable. All payments to management board members were in the £0-5k band. The actual figures for salaries and performance related pay fall within the bandings quoted above. All the above information disclosed in the Remuneration Report has been audited by Education Scotland auditors. The other sections of the Remuneration Report were reviewed by the auditors to ensure they were consistent with the financial statements.

Salary

'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. It does not include amounts which are a reimbursement of expenses directly incurred in the performance of an individual's duties. This report is based on accrued payments made by Education Scotland and thus recorded in these accounts.

Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. No benefits in kind were paid in 2016-17.

Bonuses

The Scottish Government suspended non-consolidated bonus payments from 2011-12. No bonus payments were made in 2016-17.

Pension Benefits

	Accrued pension at pension age as at 31/03/17 and related lump sum	Real increase in pension and related lump sum at pension age	Cash equivalent transfer value (CETV) at 31/3/17 ¹	CETV at 31/3/16	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Bill Maxwell Chief Executive	70-75	0-2.5	1,454	1,367	20	-
Alastair Delaney Chief Operating Officer	30-35	0-2.5	470	439	9	-
Alan Armstrong ² Strategic Director	10-15	0-2.5	258	227	17	-
Lesley Brown Strategic Director	15-20	0-2.5	216	190	13	-
Graeme Logan Strategic Director	15-20	0-2.5	177	158	10	-
Juliet McAlpine Strategic Director (From 10 August 2015 to 31 March 2016)	-	-	-	216	-	-

Non-Executive Board member positions are non-pensionable.

¹ The factors used to calculate the CETV were reviewed by the scheme actuary in 2015, so the tables of factors used to calculate the CETV in 2015 are not the same as those used to calculate the CETV in 2016

² Alan Armstrong was part of a TUPE transfer. Non- aggregated preserved awards are no longer disclosed.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or **alpha**, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined **alpha**. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (**classic**, **premium** or **classic plus**) with a normal pension age of 60; and one providing benefits on a whole career basis (**nuvos**) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into **alpha** sometime between 1 June 2015 and 1 February 2022. All members who switch to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for members of **classic** (and members of **alpha** who were members of **classic** immediately before joining **alpha**) and between 4.6% and 8.05% for members of **premium**, **classic plus**, **nuvos** and all other members of **alpha**. 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 for 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. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of 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 0.5% 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**, 65 for members of **nuvos**, and the higher of 65 or State Pension Age for members of **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.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 member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is 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 2016-17 (2015-16 Nil). One senior employee left under voluntary exit terms in the year 2016-17. The estimated cost of the exit package is £94,445 (2015-16 Nil).

Staff Report

Staff Resources

The average number of whole-time equivalent persons employed by gender is shown in the attached table.

2016-17	All	Male	Female
SCS	5	4	1
Other permanent staff	257	76	181
Fixed term appointments	9	2	7
Secondees	28	4	24
Agency staff	5	2.5	2.5
Total	304	88.5	215.5

2015-16	All	Male	Female
SCS	6	4	2
Other permanent staff	259	81	178
Fixed term appointments	8	2	6
Secondees	51	14	37
Agency staff	14	8	6
Total	338	109	229

Staff costs	2016-17 £'000			2015-16 £'000
	Permanent Staff	Others	Total	
Wages and salaries	12,186	3,218	15,404	16,596
Social security costs	1,347		1,347	1,037
Other pension costs	2,675		2,675	2,550
Sub Total	16,208	3,218	19,426	20,183
Early Severance costs	853		853	47
Holiday pay accrual	10		10	(58)
Total Net Costs	17,071	3,218	20,289	20,172

Staff costs have increased slightly during 2016-17, however, the total includes £0.8m for the cost of the voluntary exit scheme. Permanent staff numbers have seen a slight overall decrease from 265 in 2015-16 to 262 in 2016-17. However, there has been a sharp decrease in seconded and agency staff numbers which have fallen from 65 in 2015-16 to 33 in 2016-17. At the start of 2016-17 we undertook a robust business planning exercise and identified key priorities. Permanent staff resources were allocated to these priorities and

only where there was insufficient permanent resource or a specific skill set was required, were gaps filled by temporary staff. Deliverables which were not business critical or key priorities for the organisation were not undertaken. Curriculum development activities, which are largely resourced by secondees, only took place in key national priority areas such as literacy, numeracy and STEM.

For 2016-17, employer's contributions of £2,558,875 (2015-16 £2,522,631) were payable to the PCSPS at one of four rates in the range 20% to 24.5% (2015-16 – 20% to 24.5%) of pensionable pay, based on salary bands. The scheme's Government Actuary reviews employer contributions every four years following a full scheme valuation. 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. Employer's contributions of £25,794 (2015-16 £27,353) were paid to one or more of an appointed panel of stakeholder pension providers. Employer contributions are age related and range from 8% to 14.75% of pensionable pay. Employers also match employee contributions of up to a limit of 3% of pensionable pay. In addition, employers contributions (0.5% 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 date of the Statement of Financial Position.

As an Agency of the Scottish Government, all Education Scotland Staff are Scottish Government employees and any existing pension liabilities will be met by the Scottish Government.

Sickness absence

Staff absences due to sickness are managed using Scottish Government guidance. For the 12 month period from 1 April 2016 to 31 March 2017, an average of 2.88% of working days were lost as a result of sickness absence (2015-16: 2.54% days).

Employees with disabilities

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

Equal opportunities and diversity

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

Employee involvement/consultation and well being

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

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

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

Consultancy

There was no expenditure on consultancy services during 2016-17 (2015-16 £5,400).

Exit Packages

There were 29 staff who left on early exit terms during 2016-17. No staff left on voluntary exits terms in 2015-16. The current policy is for no compulsory redundancies.

2016-17

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	12	12
£25,000-£50,000	0	8	8
£50,000-£100,000	0	4	4
£100,000-£200,000	0	0	0
Total number of exit packages	0	27	27
Total resource cost	0	£837,639	£837,639

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

Parliamentary Accountability Report

Fees and charges

Education Scotland follows the guidance outlined in the Scottish Public Finance Manual. Services provided to other bodies are charged at full cost.

Organisation	Service provided	Cost of service	Charge for service
Scottish Funding Council	College review services	£862,050	£862,050
States of Guernsey	Inspection Services	£79,416	£79,416

The Scottish Funding Council pays Education Scotland for college reviews and reviews of specific subject areas within Scotland's colleges. During 2016-17 we also undertook inspections of schools in Guernsey. For both of these areas the charge is set at a level to recover the full costs of providing the service.

Losses and special payments

There were no losses or special payments

Dr Bill Maxwell

Chief Executive 21 June 2017

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

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 120 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.

Report on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of Education Scotland for the year ended 31 March 2017 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and notes to the financial statements, including a summary of significant accounting policies. 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 2016/17 Government Financial Reporting Manual (the 2016/17 FReM).

In my opinion the accompanying 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 Education Scotland's affairs as at 31 March 2017 and of its net expenditure 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 2016/17 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.

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of Education Scotland in accordance with the ethical requirements that are relevant to my audit of financial statements in the UK including the Financial Reporting Council's Ethical Standards for Auditors, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of the Accountable Officer Responsibilities, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved

by the Auditor General for Scotland. Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures 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 Education Scotland'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.

My objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK&I) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Other information in the annual report and accounts

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with my audit of the financial statements in accordance with ISAs (UK&I), my responsibility is to read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on regularity of expenditure and income

Opinion on regularity

In my opinion in all material respects:

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

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Report on other requirements

Opinions on other prescribed matters

I am required by the Auditor General for Scotland to express an opinion on the following matters.

In my opinion, the auditable part of the Remuneration and Staff Report has been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

In my opinion, based on the work undertaken in the course of the audit

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been 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 Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Matters on which I am required to report by exception

I am required by the Auditor General for Scotland to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the auditable part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Dave Richardson (FCCA)
Senior Audit Manager
Audit Scotland
4th Floor
8 Nelson Mandela Place
Glasgow
G2 1BT

21 June 2017

Statement of Comprehensive Net Expenditure for the year ended 31 March 2017

	Notes	2016-17 £'000	2015-16 £'000
Operating Income	4	(1,679)	(2,294)
Other income	4	(320)	(197)
Total Operating income		<u>(1,999)</u>	<u>(2,491)</u>
Staff costs	2	20,289	20,173
Purchase of goods and services	3.1	10,749	12,172
Depreciation and impairment charges	5,6	404	351
Other Operating expenditure	3.2	6,109	5,759
Total Operating expenditure		<u>37,551</u>	<u>38,455</u>
Net expenditure for the year		<u>35,552</u>	<u>35,964</u>
Other comprehensive net expenditure			
Net gain on revaluation of Property, Plant and Equipment	5	0	3
Comprehensive net expenditure for the year ended 31 March 2017		<u>35,552</u>	<u>35,967</u>

The notes on pages 50-60 form part of these accounts.
Statement of Financial Position as at 31 March 2017

	Notes	2016-17 £'000	2015-16 £'000
Non-current assets			
Property plant & equipment	5	964	1,259
Intangible assets	6	96	71
Total non-current assets		1,060	1,330
Current Assets			
Trade receivables	8	83	125
Other current assets	8	210	232
Total current assets		293	357
Total assets		1,353	1,687
Current liabilities			
Trade payables	9	(327)	(763)
Other payables	9	(18)	(32)
Accruals and deferred income	9	(4,812)	(5,374)
Provision	10	(1,080)	(984)
Total current liabilities		(6,237)	(7,153)
Total assets less current liabilities		(4,884)	(5,466)
Noncurrent Liabilities			
Trade payables	9	(26)	(41)
Provisions	10	(12)	(22)
Total non-current Liabilities		(38)	(63)
Total assets less total liabilities		(4,922)	(5,529)
Taxpayer equity and other reserves			
General Fund		(4,964)	(5,589)
Revaluation Reserve		42	60
Total taxpayers equity		(4,922)	(5,529)

Dr Bill Maxwell

Chief Executive 21 June 2017

The notes on pages 50-60 form part of these accounts.

Statement of Cash Flows for the year ended 31 March 2017

	Notes	2016-17 £'000	2015-16 £'000
Cash flows from operating activities			
Net expenditure for the year		(35,552)	(35,964)
Adjustment for non-cash transactions:			
Depreciation	5,6	404	351
Audit fee	3	34	34
Provision for Dilapidations	10	100	0
(Increase)/decrease in inventories		0	37
(Increase)/decrease in trade and other receivables	8	64	(68)
Increase/(decrease) in trade and other payables	9	(1,026)	399
Provision for early retirement utilised in year	10	(14)	(14)
Net cash outflow from operating activities		(35,990)	(35,225)
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(64)	(420)
Purchase of intangible assets	6	(71)	(60)
Net cash outflow from investing activities		(135)	(480)
Cash flows from financing activities			
Funding from Scottish Government		36,125	35,705
Net increase/(decrease) in cash and cash equivalents in the period		0	0

The notes on pages 50-60 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2017

		General fund	Revaluation reserve	Total
	Notes	£'000	£'000	£'000
Balance as at 31 March 2016		(5,589)	60	(5,529)
Net funding		36,125		36,125
Non-cash charges –auditors remuneration	3	34		34
Net expenditure for the year		(35,552)		(35,552)
Transfers between reserves		18	(18)	0
Balance as at 31 March 2017		<u>(4,964)</u>	<u>42</u>	<u>(4,922)</u>
Balance as at 31 March 2015		(5,376)	69	(5,307)
Net funding		35,705		35,705
Non-cash charges –auditors remuneration	3	34		34
Net expenditure for the year		(35,964)		(35,964)
Revaluation gains and losses			3	3
Transfers between reserves		12	(12)	-
Balance as at 31 March 2016		<u>(5,589)</u>	<u>60</u>	<u>(5,529)</u>

The notes on pages 50-60 form part of these accounts.

Notes to the financial statements

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),

The financial statements have been prepared in accordance with the 2016-17 Government Financial Reporting Manual (FReM) issued by the Scottish Government. The accounting policies contained in the FReM apply International Financial Reporting Standards as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of Education Scotland for the purpose of giving a true and fair view has been selected. The particular policies adopted by Education Scotland are described below. They have been applied consistently in dealing with items that are considered material 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

These accounts have been prepared under the historical cost convention modified to account for 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 (FReM).

1.2 Going concern

The financial statements for the year ended 31 March 2017 show an underspend of £0.4m and net liabilities of £4.9m. The position of net liabilities has arisen as a result of the requirement to account for the activities of Education Scotland on an accruals basis, whilst recording funding from the Scottish Government on a cash basis. Net current liabilities will be funded by the Scottish Government as they arise. As a consequence, it has been considered appropriate to prepare these financial statements on a going concern basis.

1.3 Property, plant and equipment

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

The minimum level of capitalisation of a PPE asset is £1,000. Computer equipment, furniture and fittings include individual assets whose costs fall below the threshold, but as they are of a similar nature, are grouped together and capitalised.

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

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

1.4 Intangible Assets

Intangible Assets comprise ICT Software Licence and ICT Software. The minimum level of capitalisation of an Intangible asset is £1,000. Software includes individual assets whose costs fall below the threshold, but as they are of a similar nature, are grouped together and capitalised. They are capitalised at their cost of acquisition and installation.

1.5 Depreciation and Amortisation

Depreciation is provided at rates calculated to write off the valuation of non-current 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.

Depreciation is not charged in the month of acquisition but is charged over the useful economic life and in the month of disposal.

1.6 Value added tax (VAT)

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

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

1.7 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme. The defined benefit schemes are unfunded and are non-contributory except in respect of dependents benefits. The agency recognises the expected cost of

these elements 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. Liability for payment of future benefits is a charge on the PCSPS. Relevant disclosures are reported in the Staff Report.

1.8 Operating income

The main sources of operating income are the income received in respect of the service level agreement held with the Scottish Further and Higher Education Funding Council (SFC) and sales of software licences to schools. Income is recognised when the amounts can be reliably measured and services have been rendered and/or goods dispatched. Where income is received in advanced and services have not yet been performed, income is deferred.

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

Education Scotland leases its office accommodation and a data distribution centre. All of these leases are operating leases and the rentals are charged to the operating cost statement on a straight-line basis over the term of the lease.

1.11 Trade payables/receivables

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

2. Staff

Details of staff numbers and costs are provided in the staff report at page 38.

3. Purchase of Goods and Services

	2016-17	2015-16
3.1	£'000	£'000
Cost of software sales	102	370
SWAN	1,115	1,612
Glow	3,985	3,499
Practitioner events	264	786
External advice	71	235
Contractors	1,210	1,210
Associate members costs	33	52
Lay member costs	10	9
Travel and Subsistence	1,053	1,386
Training costs	137	86
Reports and publications	95	182
Rent, rates, utilities and maintenance	1,675	1,342
Advertising costs (including recruitment)	29	89
IT support	538	627
IT Maintenance & consumables	58	58
Legal costs	7	4
Telecoms	77	149
Postage	147	213
Stationery	17	42
Copier Rental	67	62
Catering	31	78
Health and Safety	5	5
Books and periodicals	5	12
Office Equipment	0	5
Consultancy	0	5
Stock write off	0	37
Other Office Expenditure	18	18
Total Purchases of Goods and Services	10,749	12,173
3.2 Other Operating Expenditure and Non-cash charges		
Grants	6,089	5,739
Audit fee	34	34
Provision utilised in year	(14)	(14)
Total Other Operating Expenditure	6,109	5,759

4. Income

	Income Received 2016-17 £'000	Income Received 2015-16 £'000
SFC Income	862	1,026
Local authority and other grants	54	139
Software sales	99	347
Income from distribution service	193	183
Conferences (income from attendees and other contributions)	78	85
SWAN reimbursements for additional services	81	202
Skills Development Scotland	232	77
Developing the Young Workforce	0	142
States of Guernsey strategic inspection work	79	93
Sales of publications	1	0
Total Operating Income	1,679	1,294
Creative Scotland	121	141
Other income	199	56
Total Other Income	320	197
Total Income	1,999	2,491

The largest source of income received is from the Scottish Funding Council for services provided under a Service Level Agreement. The SLA sets out Education Scotland's responsibilities for undertaking external review of colleges, reporting on specific areas and themes, as well as professional support and improvement activities. The aim is to recover the full cost of carrying out these activities. Costs are recovered by charging the full cost for each day spent carrying out SLA work.

Income from software sales has fallen significantly this year. In previous years, Education Scotland put a central contract in place to procure software on behalf of individual schools and local authorities. The software licences were sent out from the Distribution Centre. However, with the imminent closure of the Distribution Centre, we have stopped providing this service and schools will need to contact the software providers direct. This will not result in any additional cost for the schools.

There was reduced income from SWAN services during 2016-17. The income in 2016-17 related to reimbursement for continued enhancements requested by Local Authorities as part of the transition work. The level of income is demand led and is dependent on the enhancements requested.

We received income from Creative Scotland to cover the cost of grants issued via the Creative Learning Network.

Skills Development Scotland provided funding to support work in building capacity in digital skills within Scottish Education.

5. Property plant and equipment

	Leasehold improvements	Furniture and fittings	Plant and equipment	Vehicles	IT Systems	Total
Cost	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2016	2,273	476	394	16	781	3,940
Additions	-	-	-	-	64	64
Disposals	-	-	-	-	(81)	(81)
Revaluation Adjustments	-	-	-	-	-	-
At 31 March 2017	2,273	476	394	16	764	3,923
Depreciation						
At 1 April 2016	1,629	471	65	16	500	2,681
Charge for year	149	4	69	-	136	358
Disposals	-	-	-	-	(80)	(80)
Revaluation Adjustments	-	-	-	-	-	-
At 31 March 2017	1,778	475	134	16	556	2,959
Net Book Value						
At 31 March 2017	495	1	260	-	208	964
At 31 March 2016	644	5	329	-	281	1,259

	Leasehold improvements	Furniture and fittings	Plant and equipment	Vehicles	IT Systems	Total
Cost	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2015	2,316	476	312	16	693	3,813
Additions	-	-	326	-	94	420
Disposals	(55)	-	(244)	-	(6)	(305)
Revaluation Adjustments	12	-	-	-	-	12
At 31 March 2016	2,273	476	394	16	781	3,940
Depreciation						
At 1 April 2015	1,524	431	290	15	375	2,635
Charge for year	151	40	19	1	131	342
Disposals	(55)	-	(244)	-	(6)	(305)
Revaluation Adjustments	9	-	-	-	-	9
At 31 March 2016	1,629	471	65	16	500	2,681
Net Book Value						
At 31 March 2016	644	5	329	-	281	1,259
At 31 March 2015	792	45	22	1	318	1,178

6. Intangible Assets

	Software Licences £'000	Other Software £'000	Total £'000
Cost			
At 1 April 2016	79	12	91
Additions	71	-	71
Disposals	-	-	-
Revaluation			
At 31 March 2017	150	12	162
Amortisation			
At 1 April 2016	10	10	20
Charge for year	46	-	46
Disposals			
Revaluation			
At 31 March 2017	56	10	66
Net book value			
At 31 March 2017	108	2	96
At 31 March 2016	69	2	71

	Software Licences £'000	Other Software £'000	Total £'000
Cost			
At 1 April 2015	22	17	39
Additions	57	3	60
Disposals	-	(8)	(8)
Revaluation	-	-	-
At 31 March 2016	79	12	91
Amortisation			
At 1 April 2015	2	17	19
Charge for year	8	1	9
Disposals		(8)	(8)
Revaluation	-	-	-
At 31 March 2016	10	10	20

Net book value

At 31 March 2016	69	2	71
At 31 March 2015	20	0	20

7. Financial instruments

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

8. Trade receivables, financial and other assets

	2016-17	2015-16
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	83	125
Prepayments and accrued income	210	232
	293	357
Owed by bodies external to Government	293	351
Owed by other Government bodies	-	6
	293	357

9. Trade payables and other liabilities

	2016-17	2015-16
	£'000	£'000
Amounts falling due within one year		
Trade payables	327	763
Other payables	18	32
Accruals and deferred income	4,812	5,374
	5,157	6,169
Central government creditors	1,027	1,271
Local government creditors (including schools)	1,390	1,668
NHS	0	28
Other creditors	2,740	3,202
	5,157	6,169
Amounts falling due after more than one year		
Other payables	26	41

10. Provision for liabilities and charges

	Early Departure Costs £'000	VAT £'000	Other £'000	Total £'000
Balance as at 1 April 2016	36	970		1,006
Dilapidations			100	100
Provisions utilised in year	(14)			(14)
Provisions not required and written back				
Balance as at 31 March 2017	22	970	100	1,092

Analysis of timings of early departure costs

	2016-17 £'000	2015-16 £'000
Provision for early retirement costs		
Payable in one year	10	14
Payable between 2-5 years	12	22
Payable between 6-10 years	0	0
Total	22	36

Provision for early retirement costs

Education Scotland meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The agency provides for this in full when the early retirement programme becomes binding by estimating a provision for the estimated payments.

Provision for VAT

HMRC have agreed that the costs relating to inspection work are not liable to VAT. However, discussions with HMRC are still on-going in relation to the VAT treatment of non Education Scotland staff undertaking work on Curriculum for Excellence. The provision for VAT liability set up in 2014-15 is therefore still in place until a final decision on VAT is reached on all supplies of education.

11. Leasing commitments

At 31 March 2017, Education Scotland was committed to making the following payments in respect of building leases:-

	2016-17 £'000	2015-16* restated £'000
Obligations under operating leases for the following periods compromise:		

Not later than one year one year	453	463
Later than one year and not later than five years	685	1,021
Later than five years	73	153

Education Scotland occupies space in the Optima building in Glasgow. The lease for the Optima building is held by the Scottish Government and rent and service charges are paid to the landlord directly by the lessor. The Optima is therefore accounted for by the Scottish Government.

12. Related party transactions

Education Scotland is an Executive Agency of the Scottish Government Education and Lifelong Learning Portfolio, which is therefore regarded as a related party. During the year, Education Scotland had a number of material transactions with the Scottish Government. In addition, Education Scotland has had a small number of various material transactions with other Government Departments and other central Government bodies, such as the SFC. No board member, key manager or other related parties has undertaken any material transactions with Education Scotland during the year.

13. Capital commitments and contingent liabilities

There were no capital commitments or contingent liabilities existing at 31 March 2017 (31 March 2016: nil).

14. Losses and special payments

No bad debts were written off during 2016-17 (2015-16: £7,416).

15. Post balance sheet events

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

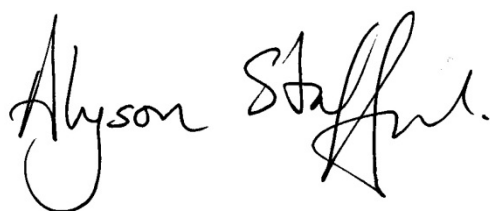
The Accountable Officer authorised these financial statements for issue on 21 June 2017



Education Scotland

Direction by the Scottish Ministers

1. The Scottish Ministers, in accordance with section 19(4) of the *Public Finance and Accountability (Scotland) Act 2000* hereby give the following direction.
2. The statement of accounts for the financial year ended 31 March 2012, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.
3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
4. This direction shall be reproduced as an appendix to the statement of accounts.



Signed by the authority of the Scottish Ministers

Dated 10 January 2012

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Transforming lives through learning

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