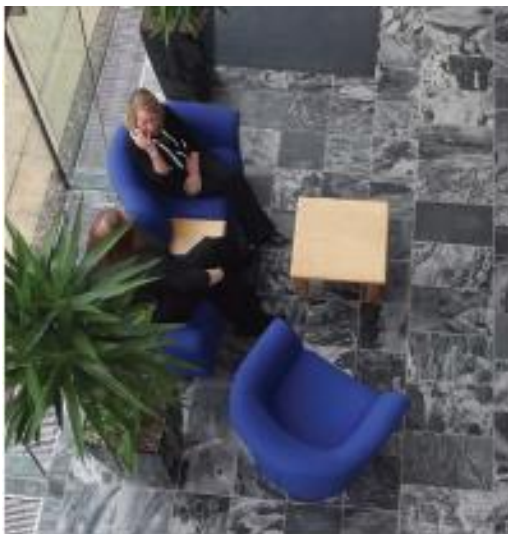


Education Scotland Annual Accounts

2012–13



An Executive Agency of the Scottish Government

Laid before the Scottish Parliament by the Scottish Ministers November 2013

Annual accounts authorised for issue August 2013

SG/2013/245 Published by Education Scotland November 2013

© Crown copyright, 2013

You may re-use this information (excluding images and logos) free of charge in any format or medium, under the terms of the Open Government Licence providing that it is reproduced accurately and not in a misleading context. The material must be acknowledged as Education Scotland copyright and the document title specified.

To view this licence, visit <http://www.nationalarchives.gov.uk/doc/open-government-licence/> or e-mail: psi@nationalarchives.gsi.gov.uk. Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

Any enquiries regarding this publication should be sent to us at:

Education Scotland

Denholm House

Almondvale Business Park

Almondvale Way

Livingston

EH54 6GA

Tel: 0141 282 5000

e-mail: enquiries@educationscotland.gov.uk

Management commentary

Accounts direction

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

History and statutory background

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

Principal activities

Education Scotland supports quality and improvement in Scottish education by:

- leading and supporting the implementation of Curriculum for Excellence;
- increasing the capacity for self-evaluation and self-improvement amongst education providers and practitioners;
- promoting high quality professional learning and leadership;
- identifying and stimulating innovation, sharing successful approaches widely with others;
- providing independent external evaluations of the quality of educational provision at individual provider, local authority and partners, and national levels; and
- supporting the development and implementation of policy at national level.

Financial results

The financial information presented in the accounts includes Education Scotland expenditure from 1 April 2012 to 31 March 2013. Comparative figures for previous years have been included.

Pensions

As civil servants the majority of pension benefits are provided through the Civil Service pension arrangements. More details of the Civil Service Pension Scheme can be found in the annual accounts notes 1.7 and 2.5 and in the remuneration report.

On 30 June 2011 all former LTS employees ceased contributing to either the Strathclyde Pension Fund (SPF) or the Scottish Teachers' Superannuation Scheme (STSS). On 1 July 2011 all former LTS employees were automatically entered in to the Scottish Government pension scheme and given the option to opt out. All employees were then given the option to transfer their accumulated SPF or STSS pensions into the Scottish Government scheme. A decision whether employees wished to transfer their pension was required prior to 31 March 2012. At the end of the 2011–12 financial year the pension liability stood at £1.9m and this liability was transferred to the Scottish Government.

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. For the year ended 31 March 2013, Education Scotland paid 96% of invoices within ten days. During the previous financial year, before realignment of the financial systems, some invoices were processed on the SG accounting system and the remainder on the LTS system. For 2011–12, 100% of invoices paid on the SG system were paid within 10 days. It took an average of 22 days on the LTS system.

Employees with disabilities

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

Equal opportunities and diversity

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

Employee involvement/consultation and well being

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

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

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

Sickness absence

Staff absences due to sickness are managed using Scottish Government guidance. For the 12 month period from 1 April 2012 to 31 March 2013, an average of 4.6 working days per employee were lost as a result of sickness absence (2011–12: 6 days).

Going concern

The results of the Statement of Comprehensive Net Expenditure derive from operating activities, all of which are continuing. The financial statements for the year ended 31 March 2013 show a net liabilities position of £3.4m (2011–12 £1.1m). This has arisen as a result of the requirement to account for activities on an accruals basis, whilst recording funding from the Scottish Government on a cash basis. Net current liabilities will be funded by the Scottish Government as they arise. As a consequence, the financial statements have been prepared on a going concern basis.

Personal data related incidents

There were no personal data related incidents during 2012–13 (2011–12 no incidents).

Governance and board structure

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

Dr Bill Maxwell – Chief Executive
Alan Armstrong – Director
Alastair Delaney – Director
Neil Mckechnie – Director
Kenneth Muir – Director
Craig Munro – Director
Sir Andrew Cubie – Non Executive Board Member
Graeme Ogilvy – Non Executive Board Member
Kate Dunlop – Non Executive Board Member
Michael Ewart – Non Executive Board Member

Audit and Risk Committee

The Audit and Risk Committee supports the Management Advisory 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.

Sir Andrew Cubie (Chairman)
Iain Nisbet
Kate Dunlop
Moi Ali

Appointment of Auditors

The *Public Finance and Accountability (Scotland) Act 2000* places personal responsibility on the Auditor General for Scotland to decide who is to undertake the audit of the agency. For the financial years 2011–12 to 2015–16, the Auditor General has appointed Audit Scotland to undertake our audit. The general duties of the auditors, including their statutory duties, are set out in the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General.

Auditor's remuneration is a notional charge, as notified to us by our auditors, in respect of audit work carried out during 2012–13. No other services were supplied by Audit Scotland during the period ended 31 March 2013.

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

Disclosure of relevant audit information

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

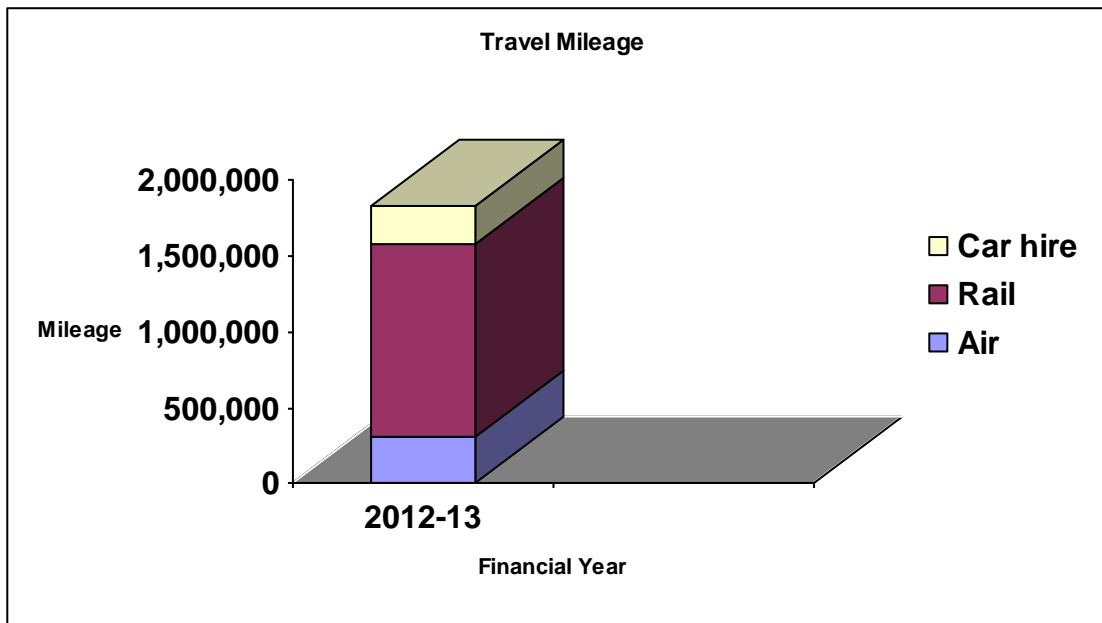
Sustainability report

Education Scotland is committed to reducing:

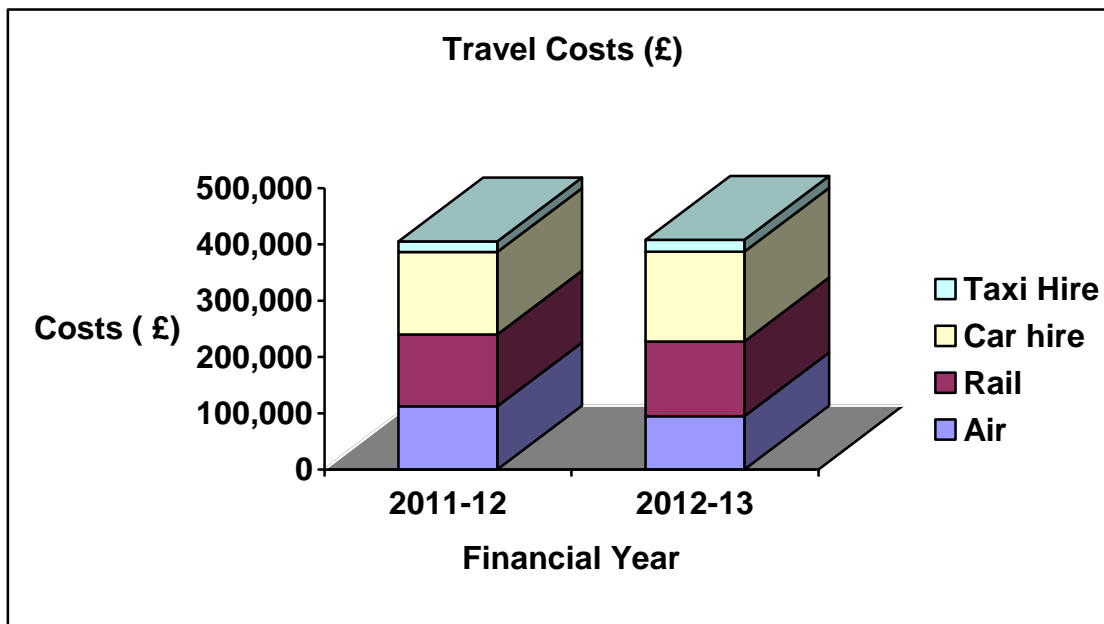
- (a) greenhouse gas emissions;
- (b) reducing waste sent to landfill;
- (c) use of finite resources such as water.

Travel

The availability of travel information was limited in financial year 2011–12 and not included in the annual report as information on mileage for all parts of the organisation was not available. Information is now included for 2012–13.



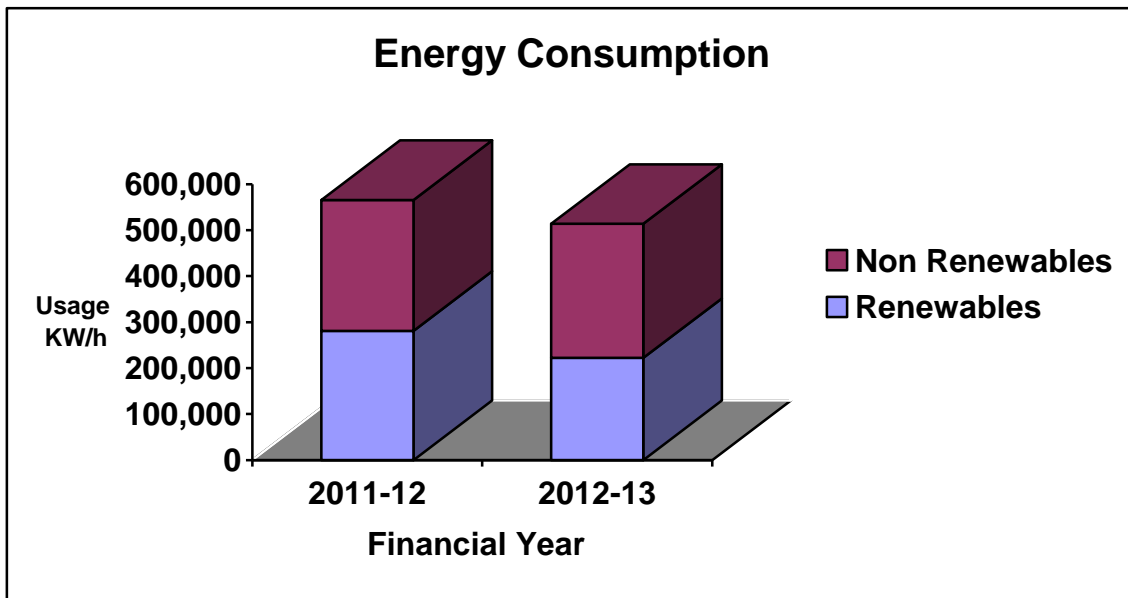
Travel costs for air travel reduced in financial year 2012–13. However, there were small increases (<1%) on other modes of travel. Education Scotland facilitate study visits as part of a Continuing Professional Development programme drawing on good practice from teaching in other countries. However, no study visits took place in financial year 2012–13. (5 study visits in 2011–12)



Energy

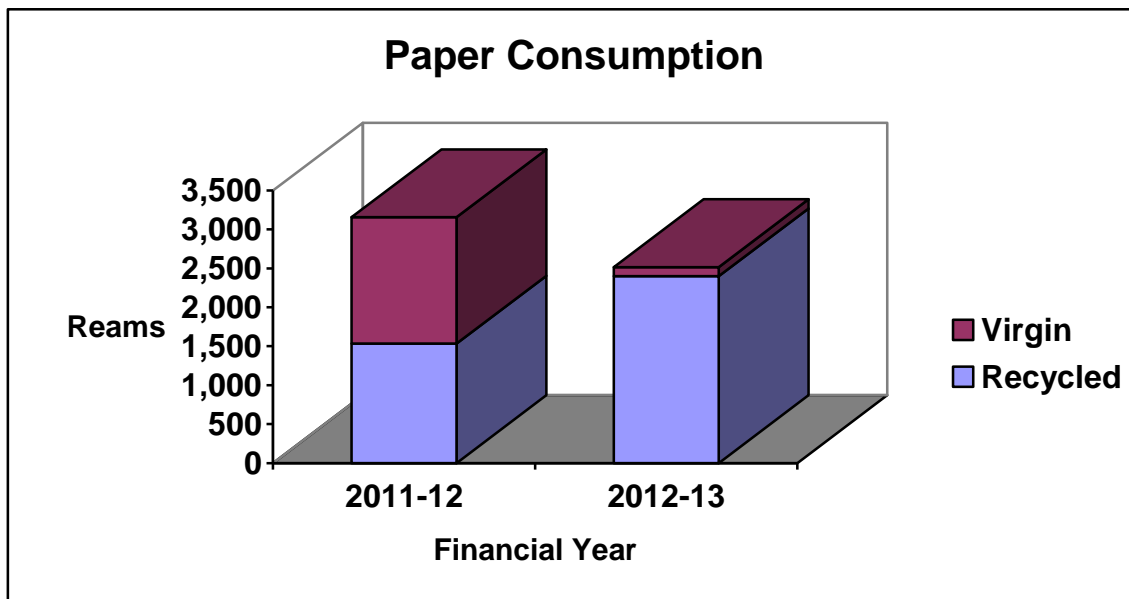
Energy use encompasses heating, hot water and lighting for all Education Scotland offices. The organisation seeks to maximise energy-efficiency and use energy from renewable resources where possible.

Total energy consumption has decreased by 9% (13% 2011–12) with 40% of the 2012–13 total consumption being sourced from renewable energy (50% in 2011–12).



Paper consumption

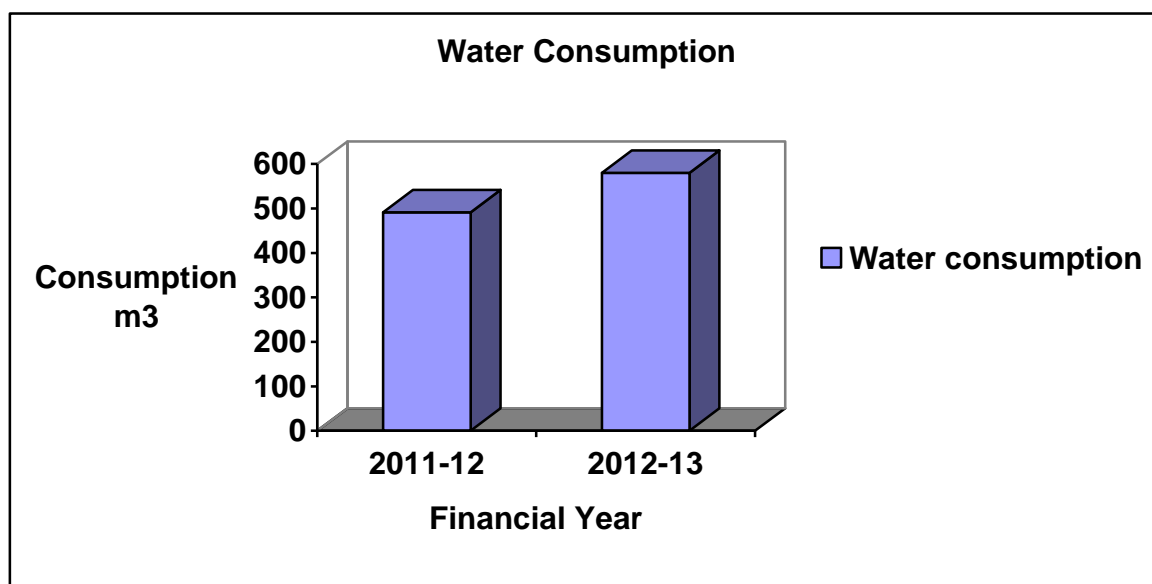
Education Scotland has made efforts to minimise the amount of paper used and increase the percentage of recycled paper. The percentage of recycled paper for the organisation increased to 95% (49% 2011–12) The total volume of paper usage decreased from 3,158 reams to 2,516, a 20% reduction (45% 2011–12) .



Water consumption

Water consumption for Education Scotland increased by 18% (15% increase 2011–12.)

Greater vigilance about water use and, good housekeeping will continue to be promoted throughout the Education Scotland estate.



Environmental matters and social and community issues

Education Scotland's aim is to reduce our impact on the environment by minimising waste and consumption of resources. We also have an obligation to contribute to Scotland's social and community environment by supporting quality and improvement in learning and teaching from early years to adult and community learning. This makes a significant contribution in expanding opportunities for all learners in Scotland to succeed.

Performance against key performance targets

Education Scotland continued to carry out the responsibilities of the predecessor bodies to ensure that all of the strategic objectives were met. Full details of the performance and action taken during 2012–13 to deliver on our strategic objectives can be found in the Annual Review.

Financial review

Results for the year

Education Scotland's expenditure is funded from the Scottish Government through Education and Lifelong Learning Portfolio's budget. Education Scotland's total budget for 2012–13 was £32.3m (2011–12 £32.6m) after declaring savings of £2m earlier in the year. The organisation undertook a review of the organisational structure to ensure that Education Scotland had the required mix of staff, skills and experience to meet current and future needs. A recruitment exercise was carried out during the year to fill vacant posts. There was a high level of interest in the vacancies and over 400 applications were received. As a result more time than we had originally anticipated had to be spent on sifting applications and running assessment centres. However, with a wide field of candidates, Education Scotland has been able to recruit staff with the required skills and experience and vacancies are now being filled. This has had an impact on the staff costs for this year as the vacancies were intended to be filled much earlier in the year and we have a significant underspend as a result.

During 2012–13, work commenced on developing new IT systems and updating IT equipment. At the inception of Education Scotland, we took a decision to make only essential IT purchases until a strategic review of the future IT requirements of the organisation had been carried out. Consequently there had been very little in the way of capital purchases in 2011–12. In 2012–13, £0.26m has been spent on IT capital. Further spend on IT capital is expected during 2013–14.

Resources

Education Scotland's budget comes from the Scottish Government. We had a baseline budget of £24.7m and were given budget transfers during the year to pay for support for Glow and its associated infrastructure costs. The Scottish Government also made an additional transfer of budget to cover the cost of support for the development of PE resources. Some of this funding was used to organise events to support practitioners and also as grants to individual bodies.

Education Scotland's budget and in year transfers are detailed below.

	£m
Education Scotland budget	24.7
Glow contracts	5.6
Community Learning and Development	2.5
Physical Education	1.1
Other transfers	0.4
Budget after transfers	34.3
Savings declared	<u>(2)</u>
Final budget	<u>32.3</u>

The financial results for the year are reported in the attached accounts. They record a net outturn of resource expenditure of £29.8m compared to a budget of £32.3m yielding a net underspend of £2.5m. Capital outturn was £0.26m compared to a budget of £0.02m.

Movements in Property Plant and Equipment

Total non-current asset purchases for the year were £0.26m (2011–12 £0.04m). The majority of this expenditure was IT hardware to support the new organisational structure and methods of working. Some IT kit was disposed of during the year, almost all of which was fully depreciated. The IT kit is disposed of through the Scottish Government and is recycled or sold as appropriate. The total net book value of non-current assets at 31 March 2013 was £1.67m compared to £1.87m in 2011–12.

Future developments

The Spending Review of 2011 set budgets for the next three years up to 2014–15 and show a gradual reduction in the level of funding to Education Scotland.

Scottish Ministers have allocated a budget of £23.3m for the financial year 2013–14. This does not include any budget for Glow.

Education Scotland's corporate plan is to be published in September 2013. We now have the structures in place which we believe will allow us to deliver on our objective of supporting quality and improvement in education.

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

Dr Bill Maxwell
Chief Executive

August 2013

Remuneration report

For the year ended 31 March 2013

Remuneration Policy

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

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

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

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

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

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

Service Contracts

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

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

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

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 2012–13 was £110k–115k. This was 3.1 times the median remuneration of the workforce which was £36,211.

In 2012–13, no employees received remuneration in excess of the highest paid director. Remuneration ranged from £15,792 to banded remuneration of £110k–£115k.

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

Remuneration

	2012–13			2011–12		
	Salary £'000	Bonus Payments £'000	Benefits in kind (to nearest £100)	Salary £'000	Bonus payments £'000	Benefits in kind (to nearest £100)
Bill Maxwell Chief Executive	110–115	–	–	110–115	–	–
Bernard McLeary ¹ former Chief Executive of LTS to 30 June 2011	–	–	–	25–30 (100–105 full year equivalent)	5–10	–
Alan Armstrong Strategic Director	70–75	–	–	70–75	–	–
Alastair Delaney Strategic Director	70–75	–	–	70–75	–	–
Alistair Gordon ² Director of Corporate Services for LTS to 30 June 2011	–	–	–	20–25 (70–75 full year equivalent)	–	–
Anne Jardine Director of Learning and Community (Left 27 July 2012)	20–25 (65–70 full year equivalent)	–	–	65–70	–	–
Kay Livingston ³ Director of International, Research and Innovation (Left 30 June 2012)	25–30 (75–80 full year equivalent)	–	–	75–80	0–5	–

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

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

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

Neil McKechnie Strategic Director (Part time from 1 September 2012)	55–60 (70–75 full year equivalent)	–	–	70–75	–	–
Kenneth Muir Strategic Director	70–75	–	–	65–70	–	–
Gillian Robinson HM Chief Inspector (Seconded to HMICS from 18 July 2012)	25–30 (75–80 full year equivalent)	–	–	75–80	–	–
Craig Munro ⁴ Strategic Director (Started 3 September 2012)	50–55 (85–90 full year equivalent)	–	–	–	–	–
Chris McIlroy HM Chief Inspector (retired 30 June 2011)	–	–	–	5–10 (30–35 full year equivalent)	–	–
Frank Crawford ⁵ HM Chief Inspector (left 29 July 2011)	–	–	–	10–15 (35–40 full year equivalent)	–	–
Moi Ali * Non Executive Board Member	0–5	–	–	0–5	–	–
Sir Andrew Cubie CBE * Non Executive Board Member	0–5	–	–	0–5	–	–
Kate Dunlop Non Executive Board Member (from 1 July 2012)	0–5	–	–	–	–	–

⁴ Craig Munro is on a three year secondment from Fife Council.

⁵ Frank Crawford accepted a voluntary severance package of £35k-£40k.

Louise Hayward Non Executive Board Member (contract ended 30 June 2012)	0–5	–	–	0–5	–	–
Michael Ewart Non Executive Board Member (from 1 July 2012)	0–5	–	–	–	–	–
Gary Kildare* Non Executive Board Member (resigned 9 January 2012)	–	–	–	0–5	–	–
Iain Nisbet* Non Executive Board Member	0–5	–	–	0–5	–	–
Graeme Ogilvy* Non Executive Board Member	0–5	–	–	0–5	–	–
Shirley Young* Non Executive Board Member (contract ended 30 June 2012)	0–5	–	–	0–5	–	–
Band of Highest Paid Director's Total remuneration (£000's)	110–115			110–115 (Scottish Government comparative 175–180)		
Median Total remuneration	£36,211			£32,792 (Scottish Government comparative £30,267)		
Ratio	3.1			3.3 (Scottish Government comparative 5.9)		

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

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

Salary

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

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. No bonus payments were made in 2012-13.

Pension Benefits

	Accrued pension at pension age as at 31/03/13 and related lump sum	Real increase in pension and related lump sum at pension age	Cash equivalent transfer value (CETV) at 31/3/13	CETV at 31/3/12	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Bill Maxwell Chief Executive	60–65	2.5–5	1058	939	57	–
Alan Armstrong ⁶ Strategic Director	25–30 plus lump sum 65–70	0–2.5 plus lump sum increase 0– 2.5	553	496	27	–
Alastair Delaney Strategic Director	20–25	0–2.5	322	282	22	–
Anne Jardine ⁷ Director of Learning and Community (Left 27 July 2012)	30–35	0–2.5	588	564	2	–
Neil McKechnie Strategic Director (Part time from 1 September 2012)	10–15	0–2.5	208	183	22	–
Kenneth Muir Strategic Director	30–35 plus lump sum 95–100	0–2.5 plus lump sum increase 0– 2.5	712	670	2	–
Gillian Robinson HM Chief Inspector (Seconded to HMICS from 18 July 2012)	45–50	2.5–5	876	774	50	–

⁶ Alan Armstrong was part of a TUPE transfer and has a preserved award and brought in 4.9 years of reckonable service.

⁷ Anne Jardine was part of a TUPE transfer and brought in 28.4 years of reckonable service.

Non-Executive Board member positions are non-pensionable.

No pension costs are disclosed for Kay Livingston or Craig Munro as they are not members of the Civil Service Pension Scheme.

Kay Livingston was seconded from the University of Glasgow and remained a member of her original pension scheme. The university invoiced Education Scotland for salary, national insurance and pension costs plus VAT. Craig Munro is currently on secondment from Fife Council and continues to be a member of the Scottish Teachers Superannuation Scheme. Fife Council invoice Education Scotland for his salary, national insurance and pension costs plus VAT.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (Classic, Premium or Classic plus) or a 'whole career' scheme (Nuvos). These statutory schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under Classic, Premium, Classic plus and Nuvos are increased annually in line with Pensions Increase legislation. Members 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 1.5% and 3.9% of pensionable earnings for Classic and 3.5% and 5.9% for Premium, Classic plus and Nuvos. Increases to employee contributions will apply from 1 April 2013. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For Premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike Classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in Premium. In Nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is up rated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for lump sum up to the limits set up by the Finance Act 2004.

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

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

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

Cash equivalent transfer values

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

The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are worked out in accordance with *The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008* and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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

Compensation for Loss of Office

No employees left under compulsory early retirement terms in the year 2012–13.

Anne Jardine left under the Voluntary Exit Scheme and received a compensation payment of £100k –£200k.

Dr Bill Maxwell

Chief Executive August 2013

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 (FRoM), and in particular to:

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

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

Governance Statement

Scope of Responsibility

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

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

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

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 2013 and up to the date of approval of the annual report and accounts.

Management Advisory Board

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

The role of the Management Advisory 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 MAB met four times during the year to progress the business of the agency and was provided with regular updates from other committees and groups including the Audit and Risk Committee and the Corporate Management Group. The MAB also attended a separate away day to consider the direction and support required following the restructure of the organisation.

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

Management Advisory Board				
Date of Meeting	2012			2013
	28 June	3 September	18 December	28 March
	Moi Ali	Sir Andrew Cubie	Sir Andrew Cubie	Kate Dunlop
	Sir Andrew Cubie	Kate Dunlop	Kate Dunlop	Michael Ewart
	Louise Hayward	Michael Ewart	Michael Ewart	Graeme Ogilvy
	Iain Nisbet	Graeme Ogilvy		
Apologies	Graeme Ogilvy		Graeme Ogilvy	Sir Andrew Cubie

Audit and Risk Committee

The purpose of the Audit and Risk Committee (ARC) is to support the Chief Executive and the MAB by reviewing the reliability and integrity of internal control processes and advising the Chief Executive and MAB 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 Sir Andrew Cubie who is an independent Non-Executive Board Member. The Audit and Risk Committee comprises three non-executive members and met four times during the year. Members of the committee attended a risk management away day during 2012–13.

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

Audit and Risk Committee				
Date of Meeting	2012			2013
	7 June	22 August	21 November	27 March
	Sir Andrew Cubie (Chair)	Sir Andrew Cubie (Chair)	Sir Andrew Cubie (Chair)	Sir Andrew Cubie (Chair)
	Charles Lovatt	Kate Dunlop	Kate Dunlop	Kate Dunlop
	David Morrison	Moi Ali	Moi Ali	Iain Nisbet
	Iain Nisbet		Iain Nisbet	
	Shirley Young			
Apologies		Iain Nisbet		Moi Ali

Internal and external auditors also attend the Audit and Risk Committee 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 was developed during the course of the year and sets out the strategic management priorities for the agency over a three year period from 2013–14 to 2015–16. It will be published in September 2013. The corporate plan is the basis for evaluating the performance of Education Scotland. At the end of the three year period, we will produce a report of our impact and effectiveness, which will link into the development of the next three year plan.

The corporate plan is used as the framework for the more detailed annual business plan.

Business Plan

An internal business plan is produced annually to reflect current priorities and targets.

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 framework document was formally approved in December 2012 although it was in existence in draft format throughout the year.

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

Register of Interests

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

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, 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 Advisory Board and Audit and Risk Committee
- A joint certificate of assurance is produced by the heads of directorate and programme managers;
- 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 sent 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 Advisory 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. It meets four times a year and receives regular reports on progress against performance targets.
- Education Scotland's Audit and Risk Committee is chaired by one of the four external Board members, who make regular reports to the Management Advisory 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 five senior staff at Director level.

- The remit of each Director and the directorate structure are designed to make clear the responsibilities for delivering Education Scotland's business objectives. 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 Advisory 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 2011 identified planned budgets up to 2014–15 and there is a year on year reduction in Education Scotland's budget.

As part of the organisational review there was full consideration of the organisation's future priorities and the workforce and skills needed to support them, in light of the planned budget reductions. Education Scotland uses the principles underpinning the Business Excellence Model and the framework of programme and policy boards to systematically review performance in best value terms.

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.

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 2013 and up to the signing of the accounts the organisation has carried out the following.

- Reviewed and maintained an overarching corporate level risk register which is informed and supported by comprehensive Risk Registers at the directorate/programme level.

Regular reports are sent to both the Corporate Management Group and the Audit and Risk Committee.

- Directorate/Programme boards review and monitor internal evaluation of all aspects of control and delivery.
- There were a number of corporate and directorate/programme level training events held during the year. These provided training and dissemination of good practice to Education Scotland staff and the wider teaching community.
- Held a risk management away day for members of the audit and risk committee to promote a better understanding of the risks facing the organisation and how to manage them.

Significant Risk Related Matters

2012–13 is the first full year of operation for Education Scotland and during the year we have been addressing the risks associated with realigning the internal control systems of predecessor organisations.

- Staff resources – In July 2012, the new organisational structure was put in place and this meant a period of significant change for all staff. Some staff experienced changes to the remit of their work; some were redeployed while others took the opportunity to leave on early departure terms. There was a risk that there would be insufficient resources to meet the planned workload and staffing levels had to be monitored and managed carefully in order to mitigate these risks.
- Estates Management – As part of the organisational restructure the organisation has reviewed the office accommodation it uses. There were two Glasgow office bases and these have now been collocated in the Optima building so there is now only one Glasgow base. Staff in Aberdeen have moved to different office accommodation. All of this has required careful management and assessment of risks to ensure that the moves are successful and do not impact on the continuing inspection and curriculum work.
- Business Planning – A business planning database is used to ensure that work programmes have sufficient resources in place at the correct time to support them. Work is underway to extend this detailed planning tool to encompass other aspects of programmes – for example budgetary information.
- Procurement – Some weaknesses were identified in the Procurement Capabilities Assessment (PCA) undertaken in October 2011. Actions taken to address these weaknesses resulted in an improved performance in the latest PCA in October 2012. The organisation has set out a procurement strategy and levels of delegated authority have been confirmed. Further work on improving performance and service provision in this area is continuing.
- Financial systems – A significant risk from 2011–12 was that the organisation was using two separate accounting systems. Education Scotland now uses the Scottish Government accounting system throughout the organisation. This has required additional work in training staff to use the purchasing and accounting systems and to inform staff of the policies underpinning the procedures.

- Financial Management – Financial reporting structures have been updated to reflect the organisational structure. Further improvements are planned for 2013–14.
- Financial risk – The agency continues to show a position of net liabilities. However, our status as part of the Scottish Government means that all liabilities will be met as they fall due.

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.

Dr Bill Maxwell
Chief Executive August 2013

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

I have audited the financial statements of Education Scotland for the year ended 31 March 2013 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 the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2012/13 Government Financial Reporting Manual (the 2012/13 FReM).

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of Accountable Officer and auditor

As explained more fully in the Statement of Accountable Officer’s Responsibilities, the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require me to comply with the Auditing Practices Board’s Ethical Standards for Auditors. I am also responsible for giving an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Scope of the audit of the financial statements

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 the body’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements. It also involves obtaining evidence about the regularity of expenditure and income. In addition, I read all the financial and non-financial information in the annual report

and accounts to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements, irregularities, or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2013 and of its net operating cost for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2012/13 FReM; and
- have been prepared in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Opinion on regularity

In my opinion in all material respects:

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

Opinion on other prescribed matters

In my opinion:

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

Matters on which I am required to report by exception

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

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or

- I have not received all the information and explanations I require for my audit; or
- the Governance Statement does not comply with guidance from the Scottish Ministers.

I have nothing to report in respect of these matters.

Alasdair Craik (FCCA)
Senior Audit Manager
Audit Scotland
18 George Street
Edinburgh
EH2 2QU

August 2013

**Statement of comprehensive net expenditure
for the year ended 31 March 2013**

	Notes	2012–13 £'000	2011–12 £'000
Administration costs			
Staff costs	2	16,665	20,515
Depreciation	5,6	457	613
Other administration costs	3	<u>14,677</u>	<u>13,521</u>
Gross administration costs		31,799	34,649
Operating income	4	(1,537)	(3,228)
Other income	4	(467)	(282)
Net operating costs for the year		<u>29,795</u>	<u>31,139</u>
Other comprehensive expenditure			
Net gain on revaluation of Property , Plant and Equipment	5		5
Total comprehensive expenditure for the year ended 31 March 2013		29,795	31,144

The notes on pages 37–52 form part of these accounts.

Statement of financial position as at 31 March 2013

	Notes	2012–13 £'000	2011–12 £'000
Non-current assets			
Plant and equipment	5	1,661	1,857
Intangible assets	6	9	11
Current assets			
Inventories	8	12	15
Trade and other receivables	9	488	650
Cash and cash equivalents	10	0	452
Current liabilities			
Trade and other payables	11	(5,176)	(3,797)
Provision for liabilities	12	(270)	(64)
Net current liabilities		(4,946)	(2,744)
Non current assets less net current liabilities		(3,276)	(876)
Non-current liabilities			
Non-current liabilities	11	(84)	(100)
Provision for liabilities	11,12	(64)	(102)
Net assets		(3,424)	(1,078)
Taxpayers equity:			
General reserve		(3,524)	(1,178)
Revaluation reserve		100	100
Pension reserve			
		(3,424)	(1,078)

Dr Bill Maxwell

Chief Executive August 2013

Authorised for issue August 2013

The notes on pages 37-52 form part of these accounts.

Statement of cash flows for the year ended 31 March 2013

	Notes	2012–13 £'000	2011–12 £'000
Cash flows from operating activities			
Net operating cost		(29,795)	(31,139)
Adjustment for non cash transactions:			
Depreciation	5,6	457	613
Audit fee	3	36	40
Provision for VAT	11,12	232	
Provision for early retirement utilised in year	12	(64)	(69)
Provision for voluntary severance utilised	12		(774)
Provision not required and written back	12		(45)
Movements in working capital:			
(Increase)/decrease in inventories	8	3	1
(Increase)/decrease in trade and other receivables	9	162	(140)
Increase/(decrease) in trade and other payables	11	1,363	(1,506)
Net cash outflow from operating activities		(27,606)	(33,019)
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(257)	(35)
Purchase of intangible assets	6	(2)	(9)
Loss on disposal of property plant and equipment	5	–	4
Net cash outflow from investing activities		(259)	(40)
Cash flows from financing activities			
Funding from Scottish Government		27,770	24,676
LTS final bank balance returned to Scottish Government	10	(357)	
Net financing			
Net increase/(decrease) in cash and cash equivalents in the period	10	(452)	(8,383)

The notes on pages 37–52 form part of these accounts.

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

	General fund £'000	Revaluation reserve £'000	Pension Reserve £'000	Total £'000
Balance at 31 March 2011	5,234	95	(1,999)	3,330
Changes in taxpayers equity for 2011–12				
Net gain on revaluation of property, plant and equipment		16		16
Non cash charges –auditors remuneration	40			40
Transfers between reserves	11	(11)		0
Transfer of Pension Liability			1,999	1,999
Net operating cost for the year	(31,139)			(31,139)
Net funding	24,676			24,676
Balance as at 31 March 2012	(1,178)	100	0	(1,078)
Balance at 1 April 2012	(1,178)	100	0	(1,078)
Changes in taxpayers equity for 2012–13				
Non cash charges –auditors remuneration	36			36
Transfer of remaining bank balance to SG	(357)			(357)
Net operating cost for the year	(29,795)			(29,795)
Net funding	27,770			27,770
Balance as at 31 March 2013	(3,524)	100	0	(3,424)

The notes on pages 37–52 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), these accounts have been prepared in compliance with the principles and disclosure requirements of the IFRS based Government Financial Reporting Manual (iFReM), which follows generally accepted accounting practice as defined in International Financial Reporting Standards (IFRS) as adopted by the European Union, International Financial Reporting Interpretation Committee (IFRIC) Interpretations and the Companies Act 2006 to the extent that it is meaningful and appropriate in the public sector context. The particular accounting policies adopted by the Education Scotland are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

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

1.1 Accounting convention

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

1.2 Going concern

The financial statements for the year ended 31 March 2013 show net liabilities of £3.4m. This has arisen as a result of the requirement to account for the activities of Education Scotland on an accruals basis, whilst recording funding from the Scottish Government on a cash basis. Net current liabilities will be funded by the Scottish Government as they arise. As a consequence, these financial statements have been prepared on a going concern basis.

1.3 Inventory

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

1.4 Property, plant and equipment

All property, plant and equipment (PPE) assets are accounted for as non-current assets unless they are deemed to be held for sale. PPE assets comprise leasehold improvements, furniture and fittings, computer equipment, computer software, plant and machinery and vehicles. They are capitalised at their cost of acquisition and installation. Plant and

equipment assets that have short useful lives or low values or both are reported at depreciated historic cost as a proxy for fair value.

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

1.5 Depreciation

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

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

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

1.6 Value added tax (VAT)

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 (PCSPS) which is an unfunded defined benefit scheme. The agency recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Relevant disclosures are reported in Note 2.5. Liability for payment of future benefits is a charge on the PCSPS.

Staff from the former LTS were automatically transferred to the PCSPS but were given the opportunity to opt out if they wished. Staff had previously contributed to the Strathclyde Pension Fund or the Scottish Teachers Superannuation Fund. The value of the pension liability as at 31 March 2011 stood at £1.9m and responsibility for any outstanding liabilities resulting from the scheme has reverted to the Scottish Government.

1.8 Operating income

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

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

1.11 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 costs and numbers

2.1 Staff costs during the year were:

	2012–13	2011–12
	£'000	£'000
Wages and salaries	10,235	12,148
Social security costs	894	1,102
Other pension costs	2,058	2,389
Temporary staff/secondees/contract personnel	2,750	2,851
Agency staff costs	507	329
Associate Assessors/supply staff	188	433
	<u>16,632</u>	<u>19,252</u>
Other staff costs		
Early severance costs	161	1,282
Holiday pay accrual	(128)	(19)
Total staff costs	<u>16,665</u>	<u>20,515</u>

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

	2012–13	Restated 2011–12
Senior management	5	8
Other permanent staff	231	272
Agency/temporary staff	24	16
	<u>260</u>	<u>296</u>

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

2.4 Costs of Civil Service Compensation Scheme and early severance payments

2012–13

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	0	0
£10,000–£25,000	0	3	3
£25,000–£50,000	0	2	2
£50,000–£100,000	0	1	1
£100,000–£200,000	0	1	1
Total number of exit packages	0	7	7
Total resource cost	0		£300k

2011–12

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

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.

2.5 Pensions

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

For 2012–13, employer's contributions of £2,037,431 were payable to the PCSPS at one of four rates in the range 16.7 to 25.8 per cent (2011–12 – 16.7 to 25.8 per cent) of pensionable pay, based on salary bands. Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and they reflect past experience of the scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £21.1k (2011–12 £16.5k) were paid to one or more of an appointed panel of stakeholder pension providers. Employer contributions are age related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions of up to 3% of pensionable pay. In addition, employers contributions (0.8% of pensionable pay) were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. There were no contributions due to the partnership pension or prepaid at the balance sheet date.

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

3. Other administration costs

	2012–13	2011–12
	£'000	£'000
3.1 Costs		
Cost of software sales	323	708
Grant payments	2,333	1,871
Interconnect infrastructure costs	2,737	2,325
Glow	2,719	
Practitioner events	649	736
External advice	110	141
Contractors	856	1,626
Consultancy	2	12
Associate members costs	47	70
Lay member costs	13	15
Travel and development	1,060	1,413
Training costs	101	157
Reports and inspections	199	266
Rent, rates, utilities and maintenance	1,788	1,809
Advertising costs (including recruitment)	57	72
Loss on disposal of non-current assets		4
Other office costs	1,711	2,370
	14,705	13,595
3.2 Non cash charges		
Audit fee	36	40
Provision created in year		
Provision utilised in year	(64)	(69)
Provision written back in year		(45)
Total (3.1 and 3.2)	14,677	13,521

4. Income

	Income Received 2012–13 £'000	Income Received 2011–12 £'000
Local authority and other grants	980	1,077
Software sales	283	1,454
Other income	274	697
	467	282
Total	2,004	3,510

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. The total income received from the SFC for the inspection of Scottish colleges has fallen this year because fewer college reviews were carried out.

Another large source of income is software sales. During 2012–13 there has been a reduction in the software sales to schools and local authorities. However, there has been a commensurate decrease on expenditure on the cost of software sales so the overall impact on the organisation is not significant.

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 2012	2,283	1,369	339	16	2,360	6,367
Additions					257	257
Transfers						
Disposals					(91)	(91)
Revaluation						
At 31 March 2013	2,283	1,369	339	16	2,526	6,533
Depreciation						
At 1 April 2012	1,033	1,054	292	6	2,125	4,510
Charge for year	163	93	13	4	180	453
Transfers						
Disposals					(91)	(91)
Revaluation						
At 31 March 2013	1,196	1,147	305	10	2,214	4,872
Net Book Value						
At 31 March 2013	1,087	222	34	6	312	1,661
At 31 March 2012	1,250	315	47	10	235	1,857

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

6. Intangible Assets

	Software Licences £'000	Other Software £'000	Total £'000
Cost			
At 1 April 2012	118	17	135
Additions	2		2
Transfers			
Disposals			
Revaluation			
At 31 March 2013	120	17	137
Amortisation			
At 1 April 2012	116	8	124
Charge for year	1	3	4
Transfers			
Disposals			
Revaluation	–	–	–
At 31 March 2013	117	11	128
Net book value			
At 31 March 2013	3	6	9
At 31 March 2012	2	9	11

	Software Licences £'000	Other Software £'000	Total £'000
Cost			
At 1 April 2011	118	8	126
Additions		9	9
Transfers			
Disposals			
Revaluation			
At 31 March 2012	118	17	135
Amortisation			
At 1 April 2011	115	8	123
Charge for year	1		1
Transfers			
Disposals			
Revaluation	–	–	–
At 31 March 2012	116	8	124
Net Book Value			
At 31 March 2012	2	9	11
At 31 March 2011	3	0	3

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. Inventory

	2012–13	2011–12
	£'000	£'000
General Inventory	12	15

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

9. Trade receivables and other current assets

	2012–13	2011–12
	£'000	£'000
Trade receivables	189	180
Prepayments and accrued income	299	470
	488	650
Owed by bodies external to Government	487	650
Owed by other Government bodies	1	
	488	650

10. Cash and cash Equivalents

	2012–13	2011–12
	£'000	£'000
Balance as at 1 April	452	8,835
Balances used instead of SG funding	(94)	(8,383)
Transferred to Scottish Government	(357)	
COSLA debtor	(1)	
Balance as at 31 March	0	452

The remaining LTS cash balance was transferred during the year to the Scottish Government.

11. Trade payables and other liabilities

	2012–13	2011–12
	£'000	£'000
Amounts falling due within one year		
Trade payables	447	470
Other payables	16	92
Accruals and deferred income	4,713	3,235
	<u>5,176</u>	<u>3,797</u>
Central government creditors	1,091	1,241
Local government creditors (including schools)	1,428	890
NHS	40	5
Other creditors	2,617	1,661
	<u>5,176</u>	<u>3,797</u>
Amounts falling due after more than one year		
Other creditors	84	100
	<u>84</u>	<u>100</u>
Total non-current liabilities		

12. Provision for liabilities

	Early Retirement Costs	VAT	Total
	£'000	£'000	£'000
Balance as at 1 April 2012	166		166
Reclassification of VAT liability		232	232
Provisions utilised in year	(64)		(64)
Provisions not required and written back			
Transfer of liability			
Balance as at 31 March 2013	102	232	334

Analysis of timings of early retirement costs

	2012–13	2011–12
	£'000	£'000
Provision for early retirement costs		
Payable in one year	38	64
Payable between 2–5 years	53	80
Payable between 6–10 years	11	22
Total	102	166

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

13. Leasing commitments

At 31 March 2013, Education Scotland was committed to making the following payments in respect of building leases:–

	2012–13	2011–12
	£'000	£'000
Payable in one year	506	482
In two to five years	673	1,727
More than five years	772	1,204

14. Related party transactions

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

15. Capital commitments and contingent liabilities

There were no capital commitments or contingent liabilities existing at 31 March 2013 (31 March 2012: nil).

16. Losses and special payments

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

17. Post balance sheet events

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



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