

Education Scotland

Annual Accounts 2014

and Auditor General for Scotland's Report

Management Commentary

STRATEGIC REPORT

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 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 is responsible for supporting quality, improvement and equity in learning and teaching from early years to adult and community learning.

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.

The organisation's status as an Executive Agency means that it operates independently and impartially, whilst remaining directly accountable to Scottish Ministers for its standards of work.

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 326 staff 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. We also engage 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.

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.

Education Scotland expenditure for 2013-14 was £1.1m under budget. Resource expenditure was underspent by £1.3m and capital expenditure was overspend by £0.2m.

Key Performance Targets

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

- Delivery of the required number of inspections for delivery of the National Performance Framework has been challenging. Additional inspections have been planned for the coming months and HM Inspector deployment and recruitment is under review.
- Course materials were published for the new national qualifications. These provided suggestions on approaches to teaching and learning which will promote the development of knowledge understanding and skills.
- Education Scotland has led on delivery of the Teaching Scotland's Future agenda. This includes the Flexible routes to Headship programme and development and support of Scotland's College for Educational Leadership.
- Ten college reviews were planned and carried out during 2013-14. An additional two bespoke reviews were undertaken and all reports were published to the agreed timetables.
- There was a target of introducing seven partnership agreements with specific local authorities. During the year we were able to develop and take forward thirteen local partnership agreements which have provided a framework to promote structured engagement with local authorities.
- A target of ten school improvement partnerships (SIPPs) which focussed on tackling inequality were planned for 2013-14. Ten SIPPs were established and the project outcomes will be evaluated during 2014-15.
- Education Scotland hosted the Scottish Learning Festival in September 2013. A total of 4,381 visitors attended the event, which was held over two days. Delegates attended from all Scottish local authorities. There were approximately 150 international delegates and 170 exhibitors.
- The Community Learning and Development Standards Council has delivered a 'Learning Village', has established a membership and registration scheme and approved a range of higher and further education courses. All principal targets and milestones were delivered on or ahead of schedule.

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 2014 show a net liabilities position of £1.9m (2012-13 £3.4m). 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.

Principal risks and uncertainties

The principal risks currently faced by Education Scotland are:

- Reputational risk;
- Continuing reduction of the budget allocated as part of the overall squeeze on public sector funding;
- Recruitment and retention of suitably qualified staff to meet operational needs;
- Successful implementation of Curriculum for Excellence;
- Successful implementation of Glow.

Investment Strategy

Education Scotland does not own any of the office accommodation which it uses. 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 a 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.

Sustainability report






This is the first of a new style of reporting using a format that conforms to the public sector sustainability reporting guidance produced by the Scottish Government. The format of 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 per cent by 2050;
- establish an interim target of at least 42 per cent 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
- 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 2013/14 | Status |
|--------------------|---|---|
| CO2e | Target – year on year reduction of greenhouse gas emissions. First year of monitoring CO2 emissions |  |
| Waste | Target – year on year reduction of waste generated. Reduction of waste by 2 Tonnes |  |
| Recycling | Target – year on year increase in waste recycled. Increase of recycled waste by 2 Tonnes. Waste recycled is 58% of total waste. |  |
| Transport & Travel | Target – year on year reduction in miles travelled. 15% Reduction in miles travelled. |  |
| Water | Target – year on year reduction in water usage. Water consumption is showing an increase but this is due to the inclusion of usage data in 2013-14 which was not available in 2012-13. Costs are showing a decrease. |  |

| Greenhouse Gas emissions and energy | | 2011/12 | 2012/13 | 2013/14 |
|---|--|---------|---------|---------|
| Non-financial indicators (tonnes CO2e) | Total emissions | - | - | 354 |
| | Electricity non renewable | 285 | 292 | 0 |
| Related energy consumption (mWh) | Electricity renewable * | 281 | 222 | 653 |
| | Expenditure on energy | 77 | 85 | 78 |
| Financial indicators (£k) | Expenditure on business travel - official travel and fleet costs | 405 | 408 | 550 |

Note: The figures used to work out CO2 emissions are as recommended by the Carbon Reduction Commission (CRC). Electricity is kwh multiplied by 0.000541. Gas is kwh multiplied by 0.0001836 to give tonnes of CO2 emissions. Source CRC Energy Efficiency Scheme Order: Table of Conversion Factors 2013/14 Version 2: Published January 2014.

*Electricity consumption for 2011-12 reflected only partial information and for 2012-13 included estimated usage. 2013-14 now reflects actual consumption.

| WASTE | | 2011/12 | 2012/13 | 2013/14 | |
|--|---|---------------------|---------|---------|----|
| Non-financial indicators (tonnes) | Total volume of waste (not inc. construction) | 23 | 24 | 22 | |
| | Non-hazardous waste | Recycled | 8 | 10 | 12 |
| | | Landfill (residual) | 15 | 14 | 10 |
| Financial Indicators (£k) | Total waste disposal cost | 8 | 6 | 5 | |

Waste Performance, Targets and Commentary

Waste recycling stations are placed in office kitchen areas are located in each of the offices. Overall tonnes for waste have decreased by 2 tonnes, however the recyclable waste has also increased by 2 tonnes.

| WATER | | 2011/12 | 2012/13 | 2013/14 |
|--------------------------------------|--------------------|---------|---------|----------------|
| Non-financial indicators (m3) | Consumption | 491 | 580 | 2,423 (367) |
| Financial indicators (£k) | Water supply costs | 34 | 42 | 40 |

**Finite Resources (Water)
Performance, Targets and Commentary**

Bills between consecutive years are compared and where there are significant increases site visits arranged and/or leak detection reports commissioned and any problems rectified. Non-financial indicators include water supplied and waste management. Consumption by volume for 2013-14 includes data for the Optima building, Clydebank and Tom Johnston Road which was not available in 2012-13. Comparative information for 2013-14 which excludes the aforementioned buildings is shown in brackets.

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

We will encourage the use of videoconferencing and other ICT solutions to reduce the use of hire cars and taxis.

Our procurement processes are evaluated annually by the Scottish Government's Procurement and Commercial Directorate. Education Scotland's overall procurement capability assessment was 53% in 2013-14 (2012-13 42%).

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.

Financial Review

Financial Resources

Education Scotland is funded by the Scottish Government through the Education Lifelong Learning Portfolio. The total budget allocated at the start of the year was £23.3m. £11.6m of budget transfers from the Scottish Government were made during the year to fund work which did not form part of the core work remit. The final budget for 2013-14 was £34.9m. The largest budget transfers were to cover the costs of Glow and its associated infrastructure costs. There were also transfers to cover the costs of work in the area of community, learning and development, for supporting promotion of PE initiatives in schools and for promoting health and well-being through education around food and nutrition. We were given a budget transfer to allow us to issue grants as part of the Strategic Partnership fund.

A full list of the budgets transfers and the resulting final budget is shown below.

| | £m |
|--|-------------|
| Education Scotland budget | 23.3 |
| Glow contracts | 4.0 |
| Glow infrastructure | 2.9 |
| Community, Learning and Development | 1.8 |
| Health and wellbeing- Physical education | 1.2 |
| Health and wellbeing- Food education | 0.5 |
| Strategic partnership funding | 0.7 |
| Other budget transfers | 0.5 |
| Final Education Scotland budget | 34.9 |

The financial results for 2013-14 are reported in the attached accounts. They show a net outturn of resource expenditure of £33.6m compared to a budget of £34.9m yielding a net underspend of £1.3m. Capital outturn was £0.19m compared to a budget of £0.02m.

Staff Resources

The breakdown of staff resources by gender is shown in the attached table.

| | All | Male | Female |
|-------------------------|------------|------------|------------|
| SCS | 5 | 5 | 0 |
| Other permanent staff | 247 | 77 | 170 |
| Fixed term appointments | 11 | 2 | 8 |
| Secondees | 51 | 17 | 34 |
| Agency staff | 13 | 7 | 6 |
| Total | 327 | 109 | 218 |

Movements in Property, Plant and Equipment

Total noncurrent asset purchases for the year were £0.19m. All of this expenditure related to the purchase of IT hardware and software to support the new IT platform or to replace out of date equipment. There were a number of disposals recorded on the assets register all of which were fully depreciated. Education Scotland's policy on disposals is to recycle equipment where possible.

Significant variances

There was an increase in expenditure on non staff costs in 2013-14 compared with the previous year. The most significant variances are as follows:

Glow – Expenditure on Glow content development was £5.49m (2012-13 £2.72m). The increase was due to the fact that Education Scotland only took over responsibility for Glow development part way through 2012-13 and therefore the expenditure during that year only covered six months. Costs for 2013-14 cover the full year.

Grant payments – Additional budget transfers were made during 2013-14 to take forward support for health and well-being initiatives, community learning and development and strategic partnership work. A large part of this was intended to be issued as grants to allow organisations to take forward their own plans to improve and develop learning. This resulted in an additional £1m of grants being issued during the year.

Contractors – Expenditure on contractors increased significantly in 2013-14. IT and procurement contractors were employed to provide the necessary level of technical skills and expertise to take forward the system aspects of the Glow project. Work was also commissioned for specific initiatives, such as health and well-being. There have also been a number of activities to evaluate initiatives so that we understand the impact which our work has and ensure that projects are being delivered effectively.

Travel and subsistence – There were additional T&S costs as a result of work to implement the additional initiatives we took responsibility for during the year. The PE project in particular required a significant amount of staff travel/ accommodation. Costs of T&S for the core business remained broadly the same as in 2012-13.

Future Performance

Education Scotland's budget is set to decrease by 6.3% from £23.3m in 2013-14 to £21.8m in 2014-15. Continuing limitation on public spending means that that future budgets are unlikely to increase and could potentially decrease further. We are continuing to plan and prioritise our work and activities to ensure that we are able to deliver our core objectives within budget.

Dr Bill Maxwell

Chief Executive 24 June 2014

DIRECTORS REPORT

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.

The Directors

The Directors of the agency during 2013-14 were:

| | | |
|------------------|--------------------|------------------------|
| Dr Bill Maxwell | Chief Executive | |
| Alan Armstrong | Strategic Director | |
| Stephen Coulter | Strategic Director | (From 7 October 2013) |
| Alastair Delaney | Strategic Director | |
| Graeme Logan | Strategic Director | (From 10 January 2014) |
| Kenneth Muir | Strategic Director | (To 6 September 2013) |
| Craig Munro | Strategic Director | (To 20 December 2013) |

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

Governance and board structure

The Management Advisory 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 :

Graeme Ogilvy
Kate Dunlop
Michael Ewart
Linn Phipps

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. The committee is made up of the following non-executive directors:

Kate Dunlop (Chair)
Iain Nisbet
Moi Ali
Linn Phipps

Pension Liabilities

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 1.8 and 2.5 and in the remuneration report.

Auditors

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

Auditors' remuneration is a notional charge, as notified to us by our auditors, in respect of audit work carried out during 2013-14. No other services were supplied by Audit Scotland during the period ended 31 March 2014.

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.

Sickness absence

Staff absences due to sickness are managed using Scottish Government guidance. For the 12 month period from 1 April 2013 to 31 March 2014, an average of 4.8 working days per employee were lost as a result of sickness absence (2012-13: 4.6 days).

Personal data related incidents

There were no personal data related incidents during 2013-14 (2012-13 no incidents).

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 2014, Education Scotland paid 95% of invoices within ten days. For 2012-13, 96% of invoices paid on the SG system were paid within 10 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.

Dr Bill Maxwell

Chief Executive 24 June 2014

Remuneration report

For the year ended 31 March 2014

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 2013-14 was £110k-115k. This was 2.8 times the median remuneration of the workforce which was £40,575. The Scottish Government median in the financial year was £29,751.

In 2013-14, no employees received remuneration in excess of the highest paid director. Remuneration ranged from £16,042 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

| Officials | Salary (£'000) | | Pension benefits (£'000) ¹ | | Total (£'000) ^{2 3} | |
|--|------------------------------------|------------------------------------|---------------------------------------|---------|------------------------------|---------|
| | 2013-14 | 2012-13 | 2013-14 | 2012-13 | 2013-14 | 2012-13 |
| Bill Maxwell Chief Executive | 110-115 | 110-115 | 28 | 70 | 135-140 | 175-180 |
| Alan Armstrong Strategic Director | 70-75 | 70-75 | 29 | 17 | 100-105 | 85-90 |
| Stephen Coulter Strategic Director (from 7th October 2013) | 25-30 (70-75 full year equivalent) | - | 10 | - | 35-40 | - |
| Alastair Delaney Strategic Director | 70-75 | 70-75 | 18 | 18 | 90-95 | 90-95 |
| Anne Jardine Director of Learning and Community (Left 27 July 2012) | - | 20-25 (75-70 full year equivalent) | - | - | - | 20-25 |
| Graeme Logan Strategic Director (Temporary Responsibilities Supplement from 10 Jan 2014) | 65-70 | - | - | - | 65-70 | - |
| Kay Livingston Director of International, Research and Innovation(Left | - | 25-30 (75-80 full year equivalent) | - | - | - | 25-30 |

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.

² No Benefits in kind were paid in 2012-13 or 2013-14

³ No Bonus Payments were paid in 2012-13 or 2013-14

| | | | | | | |
|---|------------------------------------|------------------------------------|----|----|-------|-------|
| 30 June 2012) | | | | | | |
| Neil McKechnie Programme Director (Part time from 1 September 2012) | 40-45 (70-75 full year equivalent) | 55-60 (70-75 full year equivalent) | 12 | 23 | 50-55 | 75-80 |
| Kenneth Muir Strategic Director (Left 6 Sept 2013) | 35-40 (70-75 full year equivalent) | 70-75 full year equivalent | 50 | 2 | 85-90 | 70-75 |
| Gillian Robinson HM Chief Inspector (Seconded to HMICS from 18 July 2012) | - | 25-30 (75-80 full year equivalent) | - | - | - | 25-30 |
| Craig Munro ⁴ Strategic Director (Started 3 September 2012) (Left 05 Jan 2014) | 65-70 (85-90 full year equivalent) | 50-55 (85-90 full year equivalent) | - | - | 65-70 | 50-55 |
| Moi Ali * Non Executive Board Member | 0-5 | 0-5 | - | - | 0-5 | 0-5 |
| Sir Andrew Cubie CBE* Non Executive Board Member (contract ended 30 June 2013) | 0-5 | 0-5 | - | - | 0-5 | 0-5 |
| Kate Dunlop Non Executive Board Member (from 1 July 2012) | 0-5 | 0-5 | - | - | 0-5 | 0-5 |
| Michael Ewart Non Executive Board Member (from 1 July 2012) | 0-5 | 0-5 | - | - | 0-5 | 0-5 |

| | | | | | | |
|--|---|-----|---|---|-----|-----|
| Louise Hayward Non Executive Board Member (contract ended 30 June 2012) | - | 0-5 | - | - | - | 0-5 |
| Linn Phipps Non Executive Board Member (from 1 July 2013) | 0-5 | - | - | - | 0-5 | - |
| Iain Nesbitt Non Executive Board Member | 0-5 | 0-5 | - | - | 0-5 | 0-5 |
| Graeme Ogilvy Non Executive Board Member | 0-5 | 0-5 | - | - | 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 (2012-13 110-115) Scottish Government comparative 175-180 (2012-13 175-180) | | | | | |
| Median Total remuneration | £40,575 (2012-13 £36,211) Scottish Government comparative £30,570 (2012-13 £30,276) | | | | | |
| Ratio | 2.8 (2012-13 3.1) Scottish Government comparative 5.8 (2012-13 5.7) | | | | | |

⁴ Craig Munro was on a three year secondment from Fife Council

*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 pensionable and non-pensionable amounts , 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 and any ex-gratia payments. 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.

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 2013-14. (2012-13 £Nil)

Pension Benefits

| | Accrued pension at pension age as at 31/03/14 and related lump sum | Real increase in pension and related lump sum at pension age | Cash equivalent transfer value (CETV) at 31/3/14 | CETV at 31/3/13 | Real increase in CETV | Employer contribution to partnership pension account |
|--|--|--|--|-----------------|-----------------------|--|
| | £'000 | £'000 | £'000 | £'000 | £'000 | Nearest £100 |
| Bill Maxwell Chief Executive | 65-70 | 2-2.5 | 1,157 | 1,058 | 23 | - |
| Alan Armstrong ² Strategic Director | 30-35 | 0-2.5 | 601 | 553 | 10 | - |
| Alastair Delaney Strategic Director | 25-30 | 0-2.5 | 356 | 322 | 10 | - |
| Stephen Coulter Strategic Director | 5-10 | 0-2.5 plus lump sum increase 0-2.5 | 158 | 144 | 10 | - |
| Graeme Logan Strategic Director | 10-15 | 0-2.5 | 112 | 112 | - | - |
| Neil McKechnie Strategic Director (Part time from 1 September 2012) | 10-15 | 0-2.5 | 224 | 208 | 11 | - |

² Alan Armstrong was part of a TUPE transfer and has a preserved award and brought in 4.9 years of reckonable service.

| | | | | | | |
|---|-------|-------------------------------------|-----|-----|----|---|
| Kenneth Muir Strategic Director (Left 6 Sept 2013) | 35-40 | 2.5-5 plus lump sum increase 7.5-10 | 782 | 712 | 55 | - |
|---|-------|-------------------------------------|-----|-----|----|---|

Non-Executive Board member positions are non-pensionable.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (**classic**, **premium** or **classic plus**); or a whole career scheme (**nuvos**). These statutory arrangements 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 6.25% of pensionable earnings for **classic** and 3.5% and 8.25% for **premium**, **classic plus** and **nuvos**. Increases to employee contributions will apply from 1 April 2014. 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. 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 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 <http://www.civilservice.gov.uk/pensions>

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 senior employees left under compulsory early retirement terms in the year 2013-14 (12-13 Nil). No senior employees left under Voluntary Exit Scheme in the year 2013-14 (12-13 1 senior employee £100-£200K).

Dr Bill Maxwell

Chief Executive 24 June 2014

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.

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 2014 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise the Statement of Financial Position, the Statement of Comprehensive Net Expenditure, the Statement of Cash Flow, the Statement of Changes in Taxpayers' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2013/14 Government Financial Reporting Manual (the 2013/14 FReM).

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

Respective responsibilities of Accountable Officer and auditor

As explained more fully in the Statement of the Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors. I am also responsible for giving an opinion on the regularity of expenditure and income 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 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, 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 2014 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 2013/14 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

25 June 2014

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 2014 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 three 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.

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

| Management Advisory Board | | | | |
|---------------------------|------------------|-------------------|---------------|---------------|
| Date of Meeting | 2013 | | | 2014 |
| | 29 May | 24 Sept | 18 Dec | 5 March |
| | Kate Dunlop | Meeting Cancelled | Kate Dunlop | Kate Dunlop |
| | Mike Ewart | | Mike Ewart | Mike Ewart |
| | Graeme Ogilvy | | Graeme Ogilvy | Graeme Ogilvy |
| | | | Linn Phipps | Linn Phipps |
| Apologies | 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 Kate Dunlop who is an independent Non-Executive Board Member. The ARC comprises three non- executive members and met four 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 | 2013 | | | 2014 |
| | 5 June | 17 Sept | 11 Dec | 21 Feb |
| | Kate Dunlop | Kate Dunlop | Kate Dunlop | Kate Dunlop |
| | Moi Ali | Moi Ali | Moi Ali | Moi Ali |
| | Iain Nisbet | Iain Nisbet | Iain Nisbet | Iain Nisbet |
| | | Linn Phipps | Linn Phipps | Linn Phipps |
| Apologies | Sir Andrew Cubie | | | |

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 was published in September 2013 and sets out the strategic management priorities for the agency over a three year period from 2013-14 to 2015-16. The corporate plan sets out the overall vision of how we will work with stakeholders to improve Scottish education and the strategic objectives which underpin this vision. The corporate plan details the specific commitments for action we have made and also what measures we will use to evaluate our success at delivering on these commitments. 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.

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, 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 MAB and ARC;
- a joint certificate of assurance is produced by the strategic directors and programme managers;
- weekly meetings of the strategic directors who have responsibility for the development and maintenance of the internal control framework;
- an annual report of performance of the ARC which is sent to the MAB;
- 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 MAB sets and monitors the delivery of Corporate and Business Plans. The MAB comprises the agency's Corporate Management Group and four independent, external members. It is scheduled to meet four times a year and receives regular reports on progress against performance targets. During 2013-14 one board meeting was cancelled.
- Education Scotland's ARC is chaired by one of the four external Board members, who make regular reports to the MAB on matters concerning internal control. At least three external members must be present at each meeting of the ARC.
- Through the ARC, 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 (CMG), 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 CMG, MAB and the ARC.
- Through the regular and frequent meetings of the CMG 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.

Education Scotland carried out an organisational review in 2012-13 to consider the organisation's future priorities and the workforce and skills needed to support them, in light of the planned budget reductions. A 'People Board' and a 'Resources Board' were set up during 2013-14 and are tasked with reviewing our requirements and recommending actions to ensure we have the staff and resources to deliver our objectives. During 2013-14 the Resources Board considered current and future staffing requirements to ensure that we have the correct mix of permanent staff and secondees. This is intended to allow development and consolidation of the skills and experience of permanent staff while encouraging a fresh view from current practitioners who are seconded to Education Scotland. The exchange of ideas is critical to the cycle of improvement and benefits both Education Scotland and Local Authorities.

Education Scotland has begun the process of examining how we can use procurement shared services to ensure that we maximise the value we get from the goods and services we procure while keeping procurement costs down. This will allow us to continue to meet front line service commitments in a climate of lower public spending.

During 2013-14 we continued our review of office accommodation. In March 2013 staff based at Europa building in Glasgow were co-located with other Education Scotland staff in the Optima building. This has resulted in savings of £217k.

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

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 ARC monitors performance in managing the corporate level risks contained in the registers.

More generally, we are 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 2014 and up to the signing of the accounts we have 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 CMG and the ARC.
- Directorate/Programme boards reviewed and monitored 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.

Significant Risk Related Matters

The following list highlights the most significant risk related matters which arose during 2013-14.

- Curriculum for Excellence – Curriculum for Excellence (CfE) aims to bring about improvement in education by providing a coherent and flexible curriculum for learners from 3 to 18. Education Scotland is leading and supporting this project and continues to engage with stakeholders so that the benefits of CfE can be fully realised. We therefore have regular engagement with stakeholders and a process of continuous review, assessment and evaluation. The risks associated with not realising the benefits are high and we continue to work with stakeholders and commission independent evaluations to manage risks.
- Glow – Glow is a national learning platform which is used to support learning and teaching in Scottish education. A new version of Glow is currently being developed and we have been working with the Scottish Government to take this forward. There are significant risks involved in creating a system which is able to meet a wide ranging user base. Risks in this area are being managed by ensuring that system developers have the necessary technical skills to produce the system itself. A communications strategy has been implemented to engage with stakeholders to ensure that the Glow is able to provide support in a way which meets their needs. Finally, programme management processes have been implemented so that the system is delivered on time to ensure that stakeholders do not revert to using other support systems and Glow fails to be used as a national resource.
- Education Scotland IT platform – Education Scotland brought together HMIE and Learning and Teaching Scotland, both of which used separate IT systems. There was therefore a requirement to move to a single IT platform to remove the risks associated with the inability to readily share and store information. A ‘taking stock’ review is about to be undertaken of work already completed to ensure that our IT system takes account of the recent Cabinet Office guidance on document security.

- Staff resources – There is a continuing risk associated with failure to recruit sufficient staff, of the required high quality, to meet operational needs. Additionally, the impact of reductions in public sector funding is that staff are being asked to continue to deliver existing objectives, together with additional ministerial commitments, with fewer resources. The challenge of limited recruitment and development of existing staff needs to be managed carefully. The remits of the Resources Board and the People Board are to ensure we have the correct mix of the numbers and grades of staff resources who have the skills and experience that the organisation needs.
- Financial Management – Financial reporting structures are routinely updated to reflect the organisational structure and programmes of work. A set of financial reports was added to the Business Planning tool during 2013-14. These have improved the quality and consistency of financial reporting but we are keen to develop these further during the coming year. Financial management will remain a significant risk as budgets continue to tighten. The risk is being mitigated by ensuring that staff have the requisite level of training and that the importance and value of good financial management is understood throughout the organisation.
- Procurement – Additional work has been done on procurement governance and processes and this was reflected in a score of 53% in our Procurement Capabilities Assessment (PCA), compared with 42% in 2012. We have recently had an independent assessment carried out of our procurement requirements to consider whether we could make use of the Scottish Government shared services for procurement.

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 June 2014

**Statement of comprehensive net expenditure
for the year ended 31 March 2014**

| | | 2013-14 £'000 | | 2012-13 £'000 | |
|---|-------|------------------|----------------|------------------|---------------|
| | Notes | Staff Costs | Other Costs | Income | Total |
| Administration costs | | | | | |
| Staff costs | 2 | 16,839 | | | 16,839 |
| Depreciation | 5,6 | | 413 | | 413 |
| Other administration costs | 3 | | 19,074 | | 19,074 |
| Gross administration costs | | | | | 36,326 |
| Operating income | 4 | | | (2,381) | (2,381) |
| Other income | 4 | | | (352) | (352) |
| Totals | | 16,839 | 19,487 | (2,733) | 33,593 |
| Net operating costs for the year | | | | | 33,593 |
| Net gain on revaluation of Property, Plant and Equipment | | | | | 8 |
| Total comprehensive expenditure for the year ended 31 March 2014 | | | | | 33,601 |
| | | | | | 29,795 |

The notes on pages 37-50 form part of these accounts.

**Statement of financial position
as at 31 March 2014**

| | Notes | 2013-14 £'000 | 2012-13 £'000 |
|--|-------|------------------|------------------|
| Non Current Assets | | | |
| Property Plant & Equipment | 5 | 1,448 | 1,661 |
| Intangible Assets | 6 | 4 | 9 |
| Total Non Current Assets | | <u>1,452</u> | <u>1,670</u> |
| Current Assets | | | |
| Inventories | 8 | 52 | 12 |
| Trade Receivables | 9 | 94 | 189 |
| Prepayments and accrued income | 9 | 263 | 299 |
| Total Current Assets | | <u>408</u> | <u>500</u> |
| Total Assets | | <u>1,860</u> | <u>2,170</u> |
| Current Liabilities | | | |
| Trade Payables | 11 | (256) | (447) |
| Other payables | | (15) | (16) |
| Accruals and deferred income | | (3,452) | (4,713) |
| Financial Liabilities | | | |
| Provisions | 12 | (31) | (270) |
| Other Liabilities | | | |
| Total Current Liabilities | | <u>(3,754)</u> | <u>(5,446)</u> |
| Non-current assets less net current liabilities | | <u>(1,894)</u> | <u>(3,276)</u> |
| Non Current Liabilities | | | |
| Trade Payables | | (70) | (84) |
| Provisions | 12 | (50) | (64) |
| Financial Liabilities | | | |
| Total Non Current Liabilities | | <u>(120)</u> | <u>(148)</u> |
| Assets less Liabilities | | <u>(2,014)</u> | <u>(3,424)</u> |
| Taxpayer Equity | | | |
| General Fund | | (2,095) | (3,524) |
| Revaluation Reserve | | 81 | 100 |
| Total Taxpayers Equity | | <u>(2,014)</u> | <u>(3,424)</u> |

Dr Bill Maxwell

Chief Executive 24 June 2014

The notes on pages 37-50 form part of these accounts.

**Statement of cash flows
for the year ended 31 March 2014**

| | Notes | 2013-14 £'000 | 2012-13 £'000 |
|---|--------------|--------------------------|--------------------------|
| Cash flows from operating activities | | (33,583) | (29,795) |
| Net operating cost | | - | |
| Adjustment for non cash transactions: | | | |
| Depreciation | 5,6 | 413 | 457 |
| Audit fee | 3 | 36 | 36 |
| Movement in provision for VAT | 11,12 | (215) | 232 |
| Provision for early retirement utilised in year | 12 | (38) | (64) |
| Exchange Gain/Loss | | 1 | |
| Movements in working capital: | | | |
| (Increase)/decrease in inventories | 8 | (40) | 3 |
| (Increase)/decrease in trade and other receivables | 9 | 131 | 162 |
| Increase/(decrease) in trade and other payables | 11 | (1,477) | 1,363 |
| Net cash outflow from operating activities | | <u>(34,772)</u> | <u>(27,606)</u> |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 5 | (187) | (257) |
| Purchase of intangible assets | 6 | 0 | (2) |
| Loss on disposal of property plant and equipment | 5 | | - |
| Net cash outflow from investing activities | | <u>(187)</u> | <u>(259)</u> |
| Cash flows from financing activities | | | |
| Funding from Scottish Government | | 34,959 | 27,770 |
| LTS final bank balance returned to Scottish Government | 10 | | (357) |
| Net financing | | | |
| Net increase/(decrease) in cash and cash equivalents in the period | 10 | 0 | (452) |
| Cash and Cash Equivalents at beginning of period | | <u>0</u> | <u>452</u> |
| Cash and Cash Equivalents at end of period | | <u>0</u> | <u>0</u> |

The notes on pages 37-50 form part of these accounts.

Statement of Changes in Taxpayer's Equity
For the year ended 31 March 2014

| | General fund £'000 | Revaluation reserve £'000 | Total £'000 |
|--|-----------------------------------|--|------------------------|
| Balance at 1 April 2012 | (1,178) | 100 | (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 | (3,424) |
| Balance at 1 April 2013 | (3,524) | 100 | (3,424) |
| Changes in taxpayers equity for 2013-14 | | | 0 |
| Non cash charges –auditors remuneration | 36 | | 36 |
| Net operating cost for the year | (33,593) | | (33,583) |
| Net funding | 34,959 | | 34,959 |
| Transfers between reserves | 27 | (19) | 8 |
| Balance as at 31 March 2014 | (2,095) | 81 | (2,014) |

The notes on pages 37-50 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 2013-14 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 the Education Scotland for the purpose of giving a true and fair view has been selected. The particular policies adopted 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 2014 show net liabilities of £1.9m. 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, it has been considered appropriate to prepare these financial statements on an ongoing 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, 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.

1.5 Intangible Assets

Intangible Assets comprise of 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.

1.6 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.

1.7 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.

1.8 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 Note 2.5.

1.9 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.

1.10 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.

1.11 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.

1.12 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 | 2013-14 | | | 2012-13 |
|------------------------|-----------------|--------------|---------------|---------------|
| | £'000 | | | £'000 |
| | Permanent Staff | Others | Total | |
| Wages and salaries | 10,097 | 3,625 | 13,722 | 13,680 |
| Social security costs | 927 | | 927 | 894 |
| Other pension costs | 2,142 | | 2,142 | 2,058 |
| Sub Total | 13,166 | 3,625 | 16,791 | 16,632 |
| Early Severance costs | 13 | | 13 | 161 |
| Holiday pay accrual | 35 | | 35 | (128) |
| Total Net Costs | 13,214 | 3,625 | 16,839 | 16,665 |

2.2 The average number of whole time equivalent persons employed during the year was follows:

| | 2013-14 | | |
|-------------------|------------------------|---------------|--------------|
| | Permanent Staff | Others | Total |
| Directly Employed | 252 | 11 | 263 |
| Agency staff | | 13 | 13 |
| Secondees | | 51 | 51 |
| Total | 252 | 75 | 327 |

| | 2012-13 | | |
|-------------------|------------------------|---------------|--------------|
| | Permanent Staff | Others | Total |
| Directly Employed | 236 | 16 | 252 |
| Agency staff | | 8 | 8 |
| Secondees | | 54 | 54 |
| Total | 236 | 78 | 314 |

2.3 Staff numbers and associated costs have risen from the position in 2012-13. Staff vacancies are being filled and additional agency staff were recruited to assist with the technical aspects of the Glow development project.

2.4 Costs of Civil Service Compensation Scheme and early severance payments

2013-14

| 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 | 1 | 1 |
| £25,000-£50,000 | 0 | 0 | 0 |
| £50,000-£100,000 | 0 | 0 | 0 |
| £100,000-£200,000 | 0 | 0 | 0 |
| Total number of exit packages | 0 | 1 | 1 |
| Total resource cost | 0 | £15k | £15k |

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 | £300k |

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 2013-14, employer's contributions of £2,114,881 were payable to the PCSPS at one of four rates in the range 16.7 to 24.3 per cent (2012-13 – 16.7 to 24.3 per cent) 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 £26.9k (2012-13 £21.1k) 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.

3. Other administration costs

| | 2013-14 £'000 | 2012-13 £'000 |
|---|------------------|------------------|
| 3.1 Costs | | |
| Costs of Software sales | 620 | 323 |
| Grants | 3,290 | 2,333 |
| Interconnect infrastructure costs | 2,268 | 2,737 |
| Glow | 5,490 | 2,719 |
| Practitioner events | 539 | 649 |
| External advice | 249 | 110 |
| Contractors | 1,604 | 856 |
| Consultancy | 2 | 2 |
| Associate members costs | 52 | 47 |
| Lay members costs | 9 | 13 |
| Travel and subsistence | 1,289 | 1,060 |
| Training costs | 136 | 101 |
| Reports and publications | 177 | 199 |
| Rent, rates, utilities and maintenance | 1,782 | 1,788 |
| Advertising costs (including recruitment) | 109 | 57 |
| Other office costs | | |
| IT system support | 626 | 897 |
| IT maintenance and consumables | 214 | 171 |
| Office equipment | 1 | 116 |
| Telecoms costs | 126 | 114 |
| Postage | 257 | 210 |
| Stationery | 52 | 58 |
| Copier rental | 67 | 46 |
| Catering | 75 | 66 |
| Books and periodicals | 10 | 12 |
| Legal costs | 18 | 6 |
| Other office expenditure | 13 | 15 |
| | 19,075 | 14,705 |
| 3.2 Non cash charges | | |
| Audit fee | 36 | 36 |
| Exchange rate loss | 1 | |
| Provision utilised in year | (38) | (64) |
| Total (3.1 and 3.2) | 19,074 | 14,677 |

4. Income

| | Income Received 2013-14 £'000 | Income Received 2012-13 £'000 |
|--|--|--|
| SFC Income | 1,015 | 980 |
| Local authority and other grants | 829 | 283 |
| Software sales | 537 | 274 |
| Income from distribution service | 191 | 265 |
| Conferences (income from attendees and contributions from other organisations) | 150 | 192 |
| Sales of publications | 11 | 10 |
| Total | 2,733 | 2,004 |

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 Scottish Government transferred £450k during the year to fund additional costs of implementing work on Improving Teacher Education. This is reflected in the significant increase in income recorded as 'other grants'.

There has been an increase in the income from software sales during 2013-14. Education Scotland has a central software contract which is used to purchase software for schools at a significant discount. This is then issued to schools as requested and schools are recharged only the cost of the software at the discounted rate. The level of income is demand led and varies each year depending on the number of requests that come in from schools.

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 2013 | 2,283 | 1,369 | 339 | 16 | 2,526 | 6,533 |
| Additions | | | | | 187 | 187 |
| Disposals | | (365) | | | (651) | (1,016) |
| Revaluation Adjustments | 24 | | | | | 24 |
| At 31 March 2014 | 2,307 | 1,004 | 339 | 16 | 2,062 | 5,728 |
| Depreciation | | | | | | |
| At 1 April 2013 | 1,196 | 1,147 | 305 | 10 | 2,214 | 4,872 |
| Charge for year | 156 | 91 | 6 | 2 | 153 | 408 |
| Disposals | | (365) | | | (651) | (1,016) |
| Revaluation Adjustments | 16 | | | | | 16 |
| At 31 March 2014 | 1,368 | 873 | 311 | 12 | 1,716 | 4,280 |
| Net Book Value | | | | | | |
| At 31 March 2014 | 939 | 131 | 28 | 4 | 346 | 1,448 |
| At 31 March 2013 | 1,087 | 222 | 34 | 6 | 312 | 1,661 |

| | Leasehold Improvements | Furniture and fittings | Plant and equipment | Vehicles | IT Systems | Total |
|-----------------------------|-----------------------------------|---------------------------------------|--------------------------------|-----------------|-----------------------|--------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost | | | | | | |
| At 1 April 2012 | 2,283 | 1,369 | 339 | 16 | 2,360 | 6,367 |
| Additions | | | | | 257 | 257 |
| Disposals | | | | | | |
| Revaluation | | | | | (91) | (91) |
| 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 in year | 163 | 93 | 13 | 4 | 180 | 453 |
| 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 |

6. Intangible Assets

| | Software Licences £'000 | Other Software £'000 | Total £'000 |
|-------------------------|--|-------------------------------------|------------------------|
| Cost | | | |
| At 1 April 2013 | 120 | 17 | 137 |
| Disposals | | | |
| Revaluation | | | |
| At 31 March 2014 | 120 | 17 | 137 |
| Amortisation | | | |
| At 1 April 2013 | 117 | 11 | 128 |
| Charge for year | 2 | 3 | 5 |
| Disposals | | | |
| Revaluation | - | - | - |
| At 31 March 2014 | 119 | 14 | 133 |
| Net book value | | | |
| At 31 March 2014 | 1 | 3 | 4 |
| At 31 March 2013 | 3 | 6 | 9 |
| | Software Licences £'000 | Other Software £'000 | Total £'000 |
| Cost | | | |
| At 1 April 2012 | 118 | 17 | 135 |
| Additions | 2 | | 2 |
| At 31 March 2013 | 120 | 17 | 137 |
| Amortisation | | | |
| At 1 April 2012 | 116 | 8 | 124 |
| Charge for year | 1 | 3 | 4 |
| At 31 March 2013 | 117 | 11 | 128 |
| Net book value | | | |
| At 31 March 2013 | 3 | 6 | 9 |
| At 31 March 2012 | 2 | 9 | 11 |

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

| | 2013-14 £'000 | 2012-13 £'000 |
|-------------------|------------------|------------------|
| General Inventory | 52 | 12 |

The inventory includes all publications and software held for sale by Education Scotland. The stock level has increased this year as a number of publications for new national qualifications have been produced but not yet distributed.

9. Trade receivables, financial and other assets

| | 2014-13 £'000 | 2012-13 £'000 |
|--|------------------|------------------|
| Amounts falling due within one year: | | |
| Trade receivables | 94 | 189 |
| Prepayments and accrued income | 263 | 299 |
| | 357 | 488 |
| Owed by bodies external to Government | 357 | 487 |
| Owed by other Government bodies | - | 1 |
| | 357 | 488 |

10. Cash and cash Equivalents

| | 2013-14 £'000 | 2012-13 £'000 |
|-------------------------------------|------------------|------------------|
| Balance as at 1 April | - | 452 |
| Balances used instead of SG funding | - | (94) |
| Transferred to Scottish Government | - | (358) |
| Balance as at 31 March | - | 0 |

The remaining LTS cash balance was transferred to the Scottish Government during 2012-13.

11. Trade payables and other liabilities

| | 2013-14 £'000 | 2012-13 £'000 |
|--|------------------|------------------|
| Amounts falling due within one year | | |
| Trade payables | 256 | 447 |
| Other payables | 15 | 16 |
| Accruals and deferred income | 3,452 | 4,713 |
| | <u>3,723</u> | <u>5,176</u> |
| Central government creditors | 934 | 1091 |
| Local government creditors (including schools) | 1,359 | 1,428 |
| NHS | 122 | 40 |
| Other creditors | 1,308 | 2,617 |
| | <u>3,723</u> | <u>5,176</u> |
| Amounts falling due after more than one year | | |
| Other payables | 70 | 84 |
| Total non-current liabilities | <u>70</u> | <u>84</u> |

12. Provision for liabilities and charges

| | Early Retirement Costs £'000 | VAT £'000 | Total £'000 |
|--|---------------------------------------|--------------|----------------|
| Balance as at 1 April 2013 | 102 | 232 | 334 |
| VAT liability | | 17 | 17 |
| Provisions utilised in year | (38) | | (38) |
| Provisions not required and written back | | (232) | (232) |
| Balance as at 31 March 2014 | <u>64</u> | <u>17</u> | <u>81</u> |

Analysis of timings of early retirement costs

| | 2013-14 £'000 | 2012-13 £'000 |
|---|------------------|------------------|
| Provision for early retirement costs | | |
| Payable in one year | 14 | 38 |
| Payable between 2-5 years | 45 | 53 |
| Payable between 6-10 years | 5 | 11 |
| Total | 64 | 102 |

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.

13. Leasing commitments

At 31 March 2014, Education Scotland was committed to making the following payments in respect of building leases:-

| | 2013-14 £'000 | 2012-13 £'000 |
|--|------------------|------------------|
| Obligations under operating leases for the following periods comprise: | | |
| Not later than one year one year | 486 | 506 |
| Later than one year and not later than five years | 1,791 | 1,673 |
| Later than five years | 341 | 772 |

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

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 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.

15. Capital commitments and contingent liabilities

There were no capital commitments or contingent liabilities existing at 31 March 2014 (31 March 2013: nil).

16. Losses and special payments

There were no losses or special payments made during the year. (31 March 2013: nil).

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.

Authorised for issue on 25 June 2014.



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