



# Annual accounts

2015-16

**An Executive Agency of the Scottish Government**

Laid before the Scottish Parliament by the Scottish Ministers 15 August 2016

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

Education Scotland  
Denholm House  
Almondvale Business Park  
Almondvale Way  
Livingston  
EH54 6GA  
Tel: 0131 244 3000

e-mail: [enquiries@educationscotland.gov.uk](mailto:enquiries@educationscotland.gov.uk)

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## **Performance Report**

### **Overview**

#### **Chief Executive's Statement**

We are certainly living in exciting times in Scottish education. Education Scotland has been part of a huge collective effort to put in place major reforms in every sector, including early years, Curriculum for Excellence and Developing the Young Workforce, workforce reform for teachers and others, major reform of the Post-16 landscape and new strategies for adult learning and youth work. The focus will now increasingly be on using all of these reformed approaches to education in Scotland to provide real benefits for our learners, benefits such as improved levels of achievement, progress in closing the equity gap, and better pathways for young people into the world of work. The last two Programmes for Government, created by the First Minister and her Cabinet, should have left no-one in any doubt that realising these benefits is a key priority for the Government, with a central place in achieving their ambitions for the nation.

Education Scotland has the lead role in relation to the Scottish Attainment Challenge, collaborating closely with Learning Directorate within the Scottish Government. It is both an opportunity and a challenge as we apply our full expertise and resources to drive progress towards eradicating inequity in education outcomes. The work that flows from it will certainly draw on most if not all parts of the organisation and I am sure it will help to inform our broader direction of travel as we continue to develop Education Scotland as an innovative new type of improvement agency.

We also play a lead role on the National Improvement Framework. The Framework sets out a vision based on achieving excellence and equity for all, regardless of pupils' social background and circumstances, and it sets out four priority areas for change, which provide a shared focus for all partners to work together to make that vision a reality. One of Education Scotland's key roles will be working with our partners to develop a concerted programme of guidance, exemplification and professional development to support this push for more consistent, high quality assessment practice in schools, with a focus on its use to improve learning in the classroom (or elsewhere).

Education Scotland also appeared in front of the Parliament's Education and Culture Committee at Holyrood. This was the first time since our establishment in 2011 that the Committee had invited us in to scrutinise what we have been doing and to discuss what we see as our key priorities going forward. The Chief Operating Officer and I attended and engaged in one and a half hours of wide-ranging dialogue with the Committee. We left the session feeling we had enjoyed a challenging but constructive dialogue with the Committee which had given us a good opportunity to explain how we see our role in driving improvement in the system and to talk through some of the challenges and opportunities that are around us in the present context.

Scottish education attracted a lot of attention at International Congress for School Effectiveness and Improvement (ICSEI), not least as a result of the publication of the OECD report. The OECD report on 'Improving Schools in Scotland' was published in December 2015. The report presented a very positive account of a successful, progressive and ambitious reform agenda in Scotland and over the coming weeks we will now need to

engage strongly in planning how we respond to its recommendations regarding the next steps we need to take to ensure Curriculum for Excellence fulfils its potential. The OECD set us a challenging agenda, but a very positive one which aligns with our direction of travel and which explicitly states that it is designed to help Scottish education become a world exemplar for a 21st century education system!

The year ahead will certainly be full of challenges and opportunities on a whole wide range of fronts. Besides the election and all that flows from that, there is a real sense that we are moving into a new phase of reform and improvement in Scottish education, in relation to Curriculum for Excellence but also in many other areas from early years to post-16 and adult learning.

All the more important then, that we continue to develop the capacity of our organisation and address effectively the issues that can get in the way of us realising our full potential.

## **Purpose and Activities**

### History and statutory background

Education Scotland was established on 1 July 2011 as an Executive Agency of Scottish Ministers under the terms of the Scotland Act 1998. Education Scotland brought together the work of Learning and Teaching Scotland (LTS), HM Inspectorate of Education (HMIE) and some functions previously carried out by the Scottish Government, in particular the teams responsible for Continuing Professional Development and Positive Behaviour. The organisation is an Executive Agency of the Scottish Government and 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 347 staff (338 Full time equivalent) who are based at seven offices and a data distribution centre in Dundee. Four offices are within the central belt, (Glasgow, Clydebank, Livingston and Edinburgh) with other offices in Dundee, Aberdeen and Inverness. During 2015-16 we engaged a number of education practitioners as secondees who bring with them the most current thinking and practice within the education profession and are able to take back to their employing organisations, ideas and practice to support improvements.

### Principal activities

Education Scotland supports quality and improvement in Scottish education by:

- 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.

### **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.

### **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's expenditure for 2015-16 was £0.2m under budget.

### **Key issues and risks**

The principal risks currently faced by Education Scotland are:

- Ensuring that we continue to provide effective leadership and guidance in relation to the Scottish Attainment Challenge.

- Ensuring that we continue to provide effective leadership and guidance in relation to Developing the Young Workforce.
- Ensuring that we continue to provide effective leadership and guidance in relation to National Improvement Framework.
- Ensuring successful implementation of the Digital Learning and Teaching strategy.
- Continuing to provide an independent inspection process.
- Resources. Increasingly limited funding together with difficulties in recruiting staff with the necessary skills and experience.
- Measuring Impact to ensure that we direct our limited resources appropriately.
- Compliance with new legislation on data storage and procurement.

### **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 2016 show an underspend against budget of £0.2m (2014-15 £3.8m overspend) and a net liabilities position of £5.5m (2014-15 £5.3m). The position of net liabilities has arisen as a result of the requirement to account for activities on an accruals basis, whilst recording funding from the Scottish Government on a cash basis. Net current liabilities will be funded by the Scottish Government as they arise. As a consequence, the financial statements have been prepared on a going concern basis.

### **Auditors**

The *Public Finance and Accountability (Scotland) Act 2000* places personal responsibility on the Auditor General for Scotland to decide who is to undertake the audit of the agency. For the 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 2015-16. No other services were supplied by Audit Scotland during the period ended 31 March 2016. Internal audit is covered by a service level agreement with the Scottish Government Internal Audit Division.

### **Performance Summary**

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

### **Performance Analysis**

#### Financial review

- Overall expenditure for the year was £36.4m compared to a total budget of £36.6m.

#### Families Inclusion and Local Authorities

- How Good is our Early Learning and Childcare? Has been developed and is available on the National Improvement Hub. This is a self-evaluation toolkit to assist practitioners make improvements in the services they provide.
- The programme of inspection and support for Early Learning and Childcare Centres has been completed.

### Inclusion

- Fourteen validated self-evaluation of Educational Psychology services were completed from a target of fifteen.
- A programme of support work for schools on provision for complex difficulties and social, emotional and behavioural needs was delivered
- The programme of inspections in special schools and units was completed

### Local Authorities

- Local Partnerships are in place with all 32 Local Authorities.
- Completed joint inspections of Children's services
- On-going bespoke and targeted support and challenge for each Local Authority.

### Creativity and Transformational Change

- Delivered digital resources to take forward transformational change and creativity.
- Organise and support a series of conversations and events.
- Awarded Creative Learning Network grants.

### Curriculum, learning, teaching assessment and learning technologies

- Fourth edition of How Good is our School was published in September 2015
- Publication of Evaluating and Improving the Curriculum – Primary Resource
- Five secondary leadership events held.
- Supported creation of a national network of Local Authority Officers with responsibility for expressive arts.
- National Numeracy and Mathematics Hub was launched. Delivered support to National Numeracy Hub Champions within Local Authorities (30 out of 32 LAs have Numeracy Hub champions)
- Materials for improving RME/RERC education have been produced
- Five 'sharing practice' events have been held to provide support for sciences
- Developed a new Digital Skills and Computing Science progression framework.
- Provided support to the 'Learning for Sustainability' National Implementation Group.

### Developing the Young Workforce

- Worked with Skills Development Scotland, Local Authorities and employer networks to agree standards in Careers Education and work placements
- Supported teachers to facilitate key deliverables from the Youth Employment Strategy.

### Digital Learning and Teaching

- Developed a draft Digital Learning and Teaching strategy.
- Supported regional Digital Learning Key Contacts events and national Digital Learning Forum sessions.



School Inspections

<b>2015-16</b>	
Primary Inspections	99
Secondary & All-through Inspections	22
Primary Further Inspections	26
Secondary & All-through Further Inspections	8
Total Inspections	155
Planned Inspections	160

- The updates Inspection Advice note, including a focus on improving attainment and closing the gap was published in June 2015
- Three primary inspections and one primary further inspection included Gaelic provision.
- Publication of 'Evaluating and Improving the Curriculum-Primary resource'

Attainment and Improvement

- A narrative for universal support has been created and an attainment advisor for every Local Authority has been put in place.
- National Improvement Hub has been established.

Community Learning and Development

- Key policies including CLD regulations, Adult Learning Statement of Ambition and Youth Work strategy have been implemented and embedded.
- A new programme of inspection and inspections frameworks has been delivered to the Third Sector and learning communities
- Monitored and evaluated the work of the Strategic Funding Partnerships.

Post 16 education provision and career information guidance

<b>2015-16</b>	
Action Learning Pilots	3
External college reviews	8
Annual engagement visits with colleges	16
Prison inspections with HMIP	5
Annual engagement visits with Private Colleges and English Language Schools	10
External reviews of Modern Apprentice programmes	2
External review of Careers information and Guidance service	5
Total projects	49
Planned projects	49

Teacher Education

- A report on the first phase of partnership arrangements between Initial teacher Education Universities and Local Authorities has been published. Work on phase 2 has begun.
- The eighth run of the Flexible Routes to Headship has been completed

Corporate Governance and enabling functions

- A new delivery infrastructure for Digital Learning and Teaching has been implemented to provide improved internet access speeds for schools and Local Authorities
- A draft 'State of the Nation' report has been produced to summarise key findings from our evaluation work over the period 2012-15
- An electronic data management system has been implemented
- Internal planning processes have been improved
- A new digital strategy is in place to support improved internal and external ICT services.

International Engagement

- A partnership with the British Council has been agreed.
- Two visits with Malawi partners have been undertaken.

**Financial Review**

Education Scotland is funded by the Scottish Government through the Education and Lifelong Learning Portfolio. The total budget allocated at the start of the year was £24.8m and a further £11.8m of budget was transferred from the Scottish Government during the year to fund work which did not form part of the core work remit. The final budget for 2015-16 was £36.6m.

The largest budget transfer (£4.7m) was for costs associated with Digital Learning and Teaching which encompasses Glow, Glow content and the Scottish Wide Area Network (SWAN). Education Scotland was given a budget transfer of £1.6m to support education on health and wellbeing, including, promotion of PE initiatives in schools and food education. There were two other large budget transfers to cover costs of grant payments made as part of the Access to Education (£1.5m) programme and Strategic Funding Partnerships (£1.5m). The Access to Education programme supports learners from disadvantaged backgrounds by providing additional funds to schools in deprived areas. Strategic Funding Partnerships programme provides funding to organisations which support young people and their families.

	£m
<b>Education Scotland budget</b>	<b>24.8</b>
Digital Learning and Teaching	4.7
Health and Wellbeing	1.6
Access to Education	1.5
Strategic Funding Partnership	1.5
Developing the Young Workforce	0.5
Career Information, Advice and Guidance	0.3
Numeracy Hub	0.4
Other budget transfers	<u>1.3</u>
Total budget transfers	11.8
<b>Final Education Scotland budget</b>	<b>36.6</b>
<b>Final Education Scotland outturn</b>	<b>36.4</b>
<b>Underspend</b>	<b>0.2</b>

The financial results for 2015-16 are reported in the attached accounts. They show a net outturn of resource expenditure of £36m (2014-15 £39.1m) compared to a budget of £36.5m (2014-15 £35.35m) yielding a net underspend of £0.5m (2014-15 overspend £3.75m). Capital outturn was £0.4m (2014-15 £0.1m) compared to a budget of £0.1m. (2014-15 £0.05m)

### **Movements in Property, Plant and Equipment**

Total non-current asset purchases for the year were £0.4m. (2014-15 £0.1m) The majority of this expenditure was on Video Conferencing equipment to improve communication links both between Education Scotland offices as well as with stakeholders. This will reduce the level of travel and should generate savings in terms of both staff time and travel costs. Additional PCs were purchased as part of the routine cycle to replace out of date equipment and software licences were purchased to support work on the National Improvement Hub. 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**

**Staff costs** There was an overall increase in expenditure on staff costs in 2015-16 compared with the previous year (Note 2 of the Financial Statements). Costs in 2014-15 included £0.6m of payments relating to early exit/ retirement costs. Staff costs excluding adjustments rose from £19.4m in 2014-15 to £20.1m in 2015-16. This was due to the transfer of SG staff to Education Scotland to support the Digital Learning and Teaching programme and also because permanent staff vacancies were filled.

**SWAN/ ICT infrastructure costs** – Expenditure in this area has decreased from £3.6m in 2014-15 to £1.6m in 2015-16. The higher costs in 2014-15 were due to the additional non recurring costs of transitioning network circuits to the Scottish Wide Area Network (SWAN).

### **Income**

The largest regular source of income for Education Scotland is from the Scottish Funding Council. During 2015-16 there were a number of other sources of income for specific pieces of work. We received income from Creative Scotland to cover the cost of issuing grants via the Creative Learning Network (£0.1m). Skills Development Scotland provided funding (£0.1m) to support work in building capacity in digital skills within Scottish Education and is to cover the costs of engaging staff develop this project. A one off payment was received from the Scottish Government for the Developing the Young Workforce programme (0.1m).

There was also some income from Local Authorities in relation to SWAN. Where Local Authorities request additional work which goes beyond the standard service then they reimburse Education Scotland for the extra costs (£0.2m).

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

### **Future Performance**

Education Scotland's core budget will be reduced by £1.5m to £23.3m in 2016-17. This will have a significant impact on the level of funding available for individual projects. The annual business planning cycle for 2016-17 has been rigorous and work programmes have been

prioritised to ensure that sufficient funds are available to deliver key tasks. An organisational improvement project is underway to ensure that all staff within the organisation, both front line and support staff, are able to respond quickly and flexibly to current and future demands made of the organisation.

### **Investment Strategy**

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

Education Scotland continues to invest in IT hardware and software at a level which is proportionate to the demands of the organisation. During the current year we have purchased additional VC equipment to reduce travel costs and staff time spent travelling. We maximise our use of SG systems (for example, accounting, payroll and banking) to ensure that overall costs to the taxpayers are minimised.

### **Payment of suppliers**

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

However, the agency has a target of paying all invoices within ten days. This is above and beyond our contractual commitment. For the year ended 31 March 2016, Education Scotland paid 99% of invoices within ten days (2014-15 97%).

### **Sustainability report**

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

The Climate Change (Scotland) Act 2009 created a long-term framework that set out significant challenges for public bodies. These are as follows:





- introduce a statutory target to reduce Scotland's greenhouse gas emissions by at least 80 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 2015/16	Status
CO2e	<b>Target</b> – year on year reduction of greenhouse gas emissions.	
Waste	<b>Target</b> – year on year reduction of waste generated.	
Recycling	<b>Target</b> – year on year increase in waste recycled.	
Water	<b>Target</b> – year on year reduction in water usage.	

Greenhouse Gas emissions and energy		2013/14	2014/15	2015/16
<b>Non-financial indicators (tonnes CO2e)</b>	Total emissions	354	401** (379)	364***
<b>Related energy consumption (mWh)</b>	Electricity non renewable	0	0	0
	Electricity renewable	653*	751** (687)	734***
<b>Financial indicators (£k)</b>	Expenditure on energy	78	82** (76)	75

Note: The figures used to work out CO2 emissions are as recommended by the Carbon Reduction Commission (CRC). Electricity is kwh multiplied by 0.000496 (2014/15 0.000533). Gas is kwh multiplied by 0.0001840 (2014/15 0.0001846) to give tonnes of CO2 emissions. Source CRC Energy Efficiency Scheme Order: Table of Conversion Factors Version 5: Published June 2015.

\*2013-14 excludes Tom Johnstone Road.

\*\*2014-15 includes actuals for March previously omitted. 2014/15 original comparator included in brackets

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

WASTE		2013/14	2014/15	2015/16	
<b>Non-financial indicators (tonnes)</b>	Total volume of waste (not inc. construction)	22	22	21	
	Non-hazardous waste	Recycled	12	13	13
		Landfill (residual)	10	9	8
<b>Financial Indicators (£k)</b>	Total waste disposal cost	5	5	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 reduced. Recyclable waste has marginally increased, with the amount sent to landfill decreasing.

WATER		2013/14	2014/15	2015/16
<b>Non-financial indicators (m3)</b>	Consumption	2,423	2,403	2,866
<b>Financial indicators (£k)</b>	Water supply costs	40	40	42

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

Following a supplier change in March 2016, new automated meters are to be installed across the estate in 2016-17. This should allow actual readings to be taken. 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.

**Other: PROCUREMENT Performance, Targets and Commentary**

Education Scotland follows the Scottish Government's principles of procurement and our procurement policy includes a requirement to ensure that contract specifications reflect the Scottish Ministers approach to sustainability and where appropriate form part of the evaluation of tenders and conditions of contract.

Education Scotland recognises the importance of a good procurement service in helping us deliver our objectives with limited resources. We have therefore taken the opportunity to engage additional procurement support via the Scottish Government Procurement Shared Services team.

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

Education Scotland have invested in ICT solutions, such as, introducing VOIP telephony, updating our video conferencing equipment/capacity across the estate, which aim to reduce levels of travel.

**Dr Bill Maxwell**

Chief Executive 10 June 2016

## **Accountability Report**

### **Corporate Governance Report**

#### **Directors Report**

The Directors of the agency during 2015-16 were:

<b>Dr Bill Maxwell</b>	<b>Chief Executive</b>
<b>Alastair Delaney</b>	<b>Chief Operating Officer</b>
<b>Alan Armstrong</b>	<b>Strategic Director</b> School years
<b>Lesley Brown</b>	<b>Strategic Director</b> Families, Inclusion and Local Authorities
<b>Juliet McAlpine</b>	<b>Strategic Director</b> Lifelong Learning (From 10th August 2015)
<b>Graeme Logan</b>	<b>Strategic Director</b> Attainment and Improvement

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

#### **Governance and board structure**

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

The Non Executive Board Members are :

Kate Dunlop  
Michael Ewart  
Linn Phipps  
Moi Ali

#### **Audit and Risk Committee**

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

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

Kate Dunlop (Chair)  
Moi Ali  
Linn Phipps  
Michael Ewart

Contracts for three Non Executive Directors are due to end on 30 June 2016 and one on the 31 August 2016. The contracts will be extended and a recruitment exercise for new Non Executive is likely to take place during 2016-17.

#### **Personal data related incidents**

There were no personal data related incidents during 2015-16 (2014-15 no incidents).



## **Statement of Accountable Officer's Responsibilities**

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

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

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

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

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

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

### **Disclosure of relevant audit information**

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

### **Accounts direction**

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

## **Governance Statement**

### **Scope of Responsibility**

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

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

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

### **Education Scotland Governance Framework**

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

The governance framework accords with guidance from the Scottish Ministers provided in the SPFM and has been in place at Education Scotland for the year ended 31 March 2016 and up to the date of approval of the annual report and accounts.

### **Management Board**

The Chief Executive has a responsibility to ensure the Agency effectively delivers ministerial policies and is supported in this by the Management Board (MB). The Chief Executive chairs the MB which comprises 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 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.

For the first time the MB did not meet for the usual number of meetings during the year, as set out in the terms of reference (four meeting per year.) The MB met only once during 2015-16 although MB members were provided with regular updates from other committees and groups including the Audit and Risk Committee (ARC) and the Corporate Management Group (CMG). The scheduled meeting in October 2015 was replaced by a half day workshop on 24 November which focussed on development of the next corporate plan. This

workshop was scheduled to ensure that Non-Executive Directors were also able to attend a session with the Senior Leadership Team on business planning, which was held later on the same day. The December meeting was cancelled to await publication of the OECD report and the National Improvement Framework. The March meeting was scheduled to discuss these issues but it was held over until April to ensure that the required attendees were present. MB meetings for 2016-17 have already been scheduled to ensure that the required number of meetings are held.

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

Management Board		
Date of Meeting	2015	2016
	25 June	20 April *
	Kate Dunlop	Kate Dunlop
	Linn Phipps	Linn Phipps
	Moi Ali	Moi Ali
	Mike Ewart	Mike Ewart
Apologies		

\* Cancelled and rescheduled 18 March 2016

### **Audit and Risk Committee**

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

The Committee is chaired by Kate Dunlop who is an independent Non-Executive Board Member. The ARC comprises three non-executive members and met three times during the year. The final meeting scheduled for March was held over until April to ensure attendance of key staff, however, the meeting was not quorate and a record of discussions was forwarded to absent members for their comments.

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

Audit and Risk Committee				
Date of Meeting	2015			2016
	11 June	14 September	2 December	5 April*
	Kate Dunlop	Kate Dunlop		Kate Dunlop
	Linn Phipps	Linn Phipps	Linn Phipps	
	Moi Ali	Moi Ali	Moi Ali	
	Mike Ewart	Mike Ewart	Mike Ewart	Mike Ewart
Apologies			Kate Dunlop	Linn Phipps
				Moi Ali

\* Held over from 16 March 2015

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. It 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. We will report on our performance against targets in the existing corporate plan by December 2016. This performance report will link into the development of the next Corporate Plan which will run from 2016-17 to 2018-19 and is also due to be published by December 2016.

### **Business Plan**

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

### **Framework Document**

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

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

### **Register of Interests**

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

### **Complaints procedure**

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

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

### **Purpose of the system of Internal Control**

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

### **Review of the Effectiveness of Internal Control**

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

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

The following processes have been established.

- Education Scotland's Management Board sets and monitors the delivery of Corporate and Business Plans. The Board comprises the agency's Corporate Management Group and four independent, external members.
- Education Scotland's Audit and Risk Committee is chaired by one of the four external Board members, who make regular reports to the Management Board on matters concerning internal control. At least three external members must be present at each meeting of the Audit and Risk Committee.
- Through the Audit and Risk Committee, I receive regular reports from internal audit which include the Head of Internal Audit's opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement.
- I chair Education Scotland's Corporate Management Group, which comprises the five senior staff at Director level.
- Internal controls are reviewed by means of a process of self-evaluation which includes a peer review by the heads of directorates and programme managers. The self-evaluation process was reviewed and validated by Internal Audit.
- The remit of each Director and the directorate structure are designed to make clear the responsibilities for delivering Education Scotland's business objectives. Each Director

has established programme and policy boards to oversee the effective attainment of key outcomes and to feed performance information into Corporate Management Group, Management Board and the Audit and Risk Committee.

- Through the regular and frequent meetings of the Corporate Management Group and systematic business review meetings with each individual Director, I receive reports on the steps they are taking to manage the risks in their areas of responsibility, including progress reports on key priorities for Education Scotland. Improvements to our business planning system also support these reviews.

### Best Value

The Scottish Spending Review 2014-16 identified planned budgets up to 2015-16 for core work. The 2014-15 budget was reduced by £1.5m from 2013-14 position. The 2015-16 budget was increased to cover costs of CLD and Youth work grants which are now administered by Education Scotland.

	2013-14 £m	2014-15 £m	2015-16 £m
Education Scotland core budget	23.3	21.8	24.8
Supplementary budget transfers to cover additional in year responsibilities	11.6	13.6	11.8
Final budget	34.9	35.4	36.6

During 2015-16, Education Scotland was tasked with delivering a number of key ministerial priorities and this required us to respond quickly and to effectively manage the resources we have available. We have taken forward the following pieces of work to ensure that we achieve the maximum value and benefits we can from our resources:

- **Improving our Organisation (IOO)** – The overall aim of the programme is to get best value from the limited resources we have available. The work we do reflects Government priorities and although we retain independence for specific aspects of our work, we need to be demonstrably delivering on the Governments policy agenda. In order to do this we need to be able to respond quickly and flexibly to new demands and requirements. The IOO programme is underpinned by four workstreams:

Developing and agile and responsive delivery model - As an improvement agency, we want to manage and undertake our activities in the most effective way possible which delivers the most positive overall impact. This workstream brings together people, processes, information and technology to ensure we maximise the benefits to our stakeholders in terms of improving education in Scotland. The aim is to develop an operational environment with the ability to balance fast action and rapid delivery to

achieve what is required of us in the short term, with the need to maintain organisational clarity, stability, systems and structures to support future delivery.

Optimising our People - We want to optimise our people by ensuring we have the right people in the right place at the right time. We want to be a flexible and responsive organisation, while offering the best possible career development and opportunities for our people. To do this, we need to identify our current, emerging and future skills gaps across the organisation. We will use this information to inform our staffing model which will reflect the obligations of the organisation to individuals and of individuals to the organisation.

Using our intelligence and evidence more effectively - It is important, as an organisation, that we gather, store and use both internal and external intelligence and evidence in the most useful and effective way. The aim of this workstream is to ensure staff have easy access to the range of intelligence, evidence and data available to help in their decision making, planning and monitoring the effectiveness of actions in delivery of our objectives.

Evaluating our methods of Achieving Impact - Education Scotland has a number of ways in which we engage, inform and support our stakeholders. These range from online resources, events and conferences, our inspection programme and local training and support. It is vital that we evaluate these activities to help ensure our work is fully aligned with our strategic objectives, as well as determining which have the greatest impact. This will help us prioritise our efforts and focus our time and resource where it is most needed. This workstream will also look at ways of further developing our performance management framework to ensure we can measure and report on our impact in a meaningful way.

- **Sustainability** – We have invested in digital solutions to reduce the amount of travel undertaken by staff. For example, video conference facilities have been installed in all ES offices and the telephone system has been updated. Staff are also being encouraged to use teleconferencing, Microsoft Lync and Skype. This will have a positive impact both in terms of costs and to the environment.
- **Procurement** - We recognise the importance of a good procurement service in helping us deliver our objectives with limited resources. We have therefore taken the opportunity to engage additional procurement support via the Scottish Government Procurement Shared Services Team for another year.

### **Risk and Control Framework**

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

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

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

In particular, in the period covering the year to 31 March 2016 and up to the signing of the accounts the organisation has carried out the following.

- Reviewed and maintained an overarching corporate level risk register which is informed and supported by comprehensive risk registers at the directorate/programme level. Regular reports are sent to both the Corporate Management Group and the Audit and Risk Committee.
- A comprehensive review of the risk management process will take place during 2016-17 to reflect significant shifts in Education Scotland's operational delivery model.
- Directorate/programme boards review and monitor internal evaluation of all aspects of control and delivery.
- There were a number of corporate and directorate/programme level training events held during the year. These provided training and dissemination of good practice to Education Scotland staff and the wider teaching community.

### **Significant Risk Related Matters**

The following list highlights the most significant risk related matters which arose during 2015-16.

- **Scottish Attainment Challenge** – The aim of Scottish Attainment Challenge is to focus and accelerate targeted improvement in literacy, numeracy and health and well-being in specific areas in Scotland. The work is set within Curriculum for Excellence and Education Scotland is providing support to all local authorities to help practitioners and other related services within local authorities to help children and young people from the most deprived areas to achieve their full potential. Key risks for the delivery of work on the Scottish Attainment Challenge were the requirement to meet tight deadlines and the reorganisation of staff resources in order to provide the required level of support at the right time to Local Authorities.
- **Developing the Young Workforce (DYW)** – DYW aims to better prepare children and young people for the world of work. It builds on the foundations already in place by Curriculum for Excellence. Throughout 2015-16 a key risk for the DYW programme has been the challenge of delivering the required outcomes with limited staff and financial resources. Risks have been mitigated by reviewing and reprioritising work where necessary.
- **Digital Learning and Teaching** - Enhanced learning through the use of digital technologies and the development of digital skills continue to be of growing importance in Scotland. Education Scotland is playing a leading role in providing new and upgrades of existing services to support digital learning and teaching. These services include Glow (Office 365, Blogs, Wikis, Web-conferencing and a range of apps) and the Scottish Wide Area Network (which enables internet connectivity to



schools). These services are used by 100,000+ learners, practitioners and education partnering organisations. In addition Education Scotland is supporting collaboration and educational change through delivering a framework of improvement for learning and teaching outcomes through the use of digital technologies. Key risks in this area are the need to ensure that resources and services provided are fit for purpose and that we have staff with the correct skills and experience to undertake this work.

- National Improvement Framework (NIF) – The NIF will see new and better information gathered throughout primary and early secondary school years to support individual children’s progress and to identify where improvement is needed. The data will be used to set milestones for closing the gap in attainment between children from the least and most deprived communities in Scotland. This is a new initiative and work has been fast paced and challenging. The key risks were identifying and allocating the resources necessary to undertake this work.
- Review of the Inspection process – We have continued with our review of inspection models during 2015-16. Work has included trying out a range of new approaches to inspection and review, and on-going engagement with our external reference group. We are on schedule to introduce new approaches to school inspection in September 2016. Issues relating to staff resource for the review have been managed through reprioritisation of staff time.
- Resources– Funding continued to reduce in real terms and this has impacted on availability of both staff and non staff resources. Even where funding is available there continued to be challenges around recruiting staff who had the required specialist skills. This was particularly problematic in terms of recruiting staff with an educational background and also for recruiting staff with specialist IT skills.
- Measuring Impact – A key issue for Education Scotland is to ensure that the work that we do has a positive impact on Scottish Education. Work on this area will be taken forward as a separate workstream in the Improving Our Organisation programme.
- Compliance with Legislation- In order to meet legislation on the management of information, Education Scotland has implemented eRDM (electronic data and records management). This has meant a considerable change in how we store information and all staff have received additional training. The Procurement Reform (Scotland) Act 2014 mandates changes in the way procurements are undertaken in public bodies in Scotland. Education Scotland policies and procedures have been updated accordingly.

## **Conclusion**

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

## **Remuneration and staff report for the year ended 31 March 2016**

### **Remuneration Policy**

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

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

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

Further information about the work of the Review Body can be found at [www.ome.uk.com](http://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.civilservicecommission.org.uk](http://www.civilservicecommission.org.uk).

**Remuneration (including salary) and pension entitlements**

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

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

The banded remuneration of the highest paid director in Education Scotland in the financial year 2015-16 was £110-115,000. (2014-15, £110-115,000). This was 2.7 times (2014-15, 2.7) the median remuneration of the workforce which was £41,596 (2014-15, £41,184). The Scottish Government median in the financial year was £31,340 (2014-15, £31,029).

In 2015-16, no employees (2014-15, 0) received remuneration in excess of the highest paid director. Remuneration ranged from £16,842 to banded remuneration of £110-£115,000. (2014-15, £16,442 to banded remuneration of £110-£115,000).

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

Remuneration

Officials	Salary (£'000)		Pension benefits (to nearest £1,000) <sup>1</sup>		Total (£'000) <sup>2 3</sup>	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
<b>Bill Maxwell</b> Chief Executive	110-115	110-115	51,000	-	160-165	110-115
<b>Alastair Delaney</b> Chief Operating Officer	70-75	70-75	36,000	9,000	105-110	80-85
<b>Alan Armstrong</b> Strategic Director	70-75	70-75	22,000	19,000	90-95	90-95
<b>Lesley Brown</b> Strategic Director	65-70	65-70	34,000	4,000	95-100	70-75
<b>Stephen Coulter</b> Strategic Director (Left 19 October 2014)	-	40-45 (70-75 full year equivalent)	-	14,000	-	55-60
<b>Graeme Logan</b> Strategic Director	65-70	65-70	28,000	27,000	90-95	90-95
<b>Neil McKechnie</b> <sup>4</sup> Programme Director (Left on 31 December 2014)	-	40-45 (70-75 full year equivalent)	-	14,000	-	55-60
<b>Juliet McAlpine</b> Strategic Director (From 10 August 2015)	40-45 (70-75 full year equivalent)	-	12,000	-	80-85	-
<b>Moi Ali</b> Non Exec. Board Member *	0-5	0-5	-	-	0-5	0-5
<b>Kate Dunlop</b> Non Exec. Board Member *	0-5	0-5	-	-	0-5	0-5
<b>Michael Ewart</b> Non Exec. Board Member*	0-5	0-5	-	-	0-5	0-5
<b>Linn Phipps</b> Non Exec. Board Member *	0-5	0-5	-	-	0-5	0-5
<b>Band of Highest Paid Director's Total remuneration</b>	£110-£115,000 (2014-15 £110-£115,000 ) Scottish Government comparative £175-£180,000 (2014-15 £175-£180,000)					
<b>Median Total remuneration</b>	£41,596 (2014-15 £41,184) Scottish Government comparative £31,340 (2014-15 £31,029)					
<b>Ratio</b>	2.7 (2014-15 2.7) Scottish Government comparative 5.2 (2014-15 5.7)					

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 2014-15 or 2015-16

3 No Bonus Payments were paid in 2014-15 or 2015-16

4 Neil McKechnie left Education Scotland on 31st December 2014 under the Voluntary Exit Scheme and received a compensation payment of £25,000 -£50,000.

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

### **Salary**

'Salary' includes 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. 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. The Scottish Government suspended non consolidated bonus payments from 2011-12. No bonus payments were made in 2015-16.

**Pension Benefits**

	Accrued pension at pension age as at 31/03/16 and related lump sum	Real increase in pension and related lump sum at pension age	Cash equivalent transfer value (CETV) at 31/3/16 <sup>1</sup>	CETV at 31/3/15	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
<b>Bill Maxwell</b> Chief Executive	70-75	0-5	1,367	1,220	49	-
<b>Alastair Delaney</b> Chief Operating Officer	25-30	0-5	439	382	18	-
<b>Alan Armstrong</b> <sup>2</sup> Strategic Director	10-15	0-5	227	187	21	-
<b>Lesley Brown</b> Strategic Director	10-15	0-5	190	155	15	-
<b>Stephen Coulter</b> Strategic Director (Left 19 October 2014)	-	-	-	171	-	-
<b>Graeme Logan</b> Strategic Director	5-10	0-5	158	129	7	-
<b>Juliet McAlpine</b> Strategic Director (From 10 August 2015)	10-15	0-5	216	192	11	-
<b>Neil McKechnie</b> Strategic Director (Left on 31 December 2014)	-	-	-	237	-	-

Non-Executive Board member positions are non-pensionable.

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

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

## **Civil Service Pensions**

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

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

Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for members of **classic** (and members of **alpha** who were members of **classic** immediately before joining **alpha**) and between 4.6% and 8.05% for members of **premium**, **classic plus**, **nuvos** and all other members of **alpha**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% up to 30 September 2015 and 8% and 14.75% from 1 October 2015 (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution).

Employers also contribute a further 0.8% of pensionable salary up to 30 September 2015 and 0.5% of pensionable salary from 1 October 2015 to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus**, 65 for members of **nuvos**, and the higher of 65 or State Pension Age for members of **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

### **Cash Equivalent Transfer Values**

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

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

### **Real increase in CETV**

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

### **Compensation for Loss of Office**

No employees left under compulsory early retirement terms in the year 2015-16 (2014-15 Nil). No employees left under voluntary exit terms in the year 2015-16 (2014-15 Nil).



## Staff Report

### Staff Resources

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

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

2014-15	All	Male	Female
<b>SCS</b>	5	4	1
<b>Other permanent staff</b>	248	77	171
<b>Fixed term appointments</b>	9	2	7
<b>Secondees</b>	54	15	39
<b>Agency staff</b>	18	10	8
<b>Total</b>	334	108	226

### Sickness absence

Staff absences due to sickness are managed using Scottish Government guidance. For the 12 month period from 1 April 2015 to 31 March 2016, an average of 2.5 working days per employee were lost as a result of sickness absence (2014-15: 6.2 days).

### Employees with disabilities

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

### Equal opportunities and diversity

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

### Employee involvement/consultation and well being

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

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

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

### Consultancy

During 2015-16 a consultant was engaged to work with the CLD standards council on “i-develop” which is an e-learning and development toolkit for CLD practitioners.

### Exit Packages

There were no staff who left on early exit terms during 2015-16. The current policy is for no compulsory redundancies. Costs of Civil Service Compensation Scheme and early severance payments for 2014-15 are shown below for comparative purposes

#### 2014-15

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	1	1
£10,000-£25,000	0	2	2
£25,000-£50,000	0	4	4
£50,000-£100,000	0	4	4
£100,000-£200,000	0	1	1
<b>Total number of exit packages</b>	0	12	12
<b>Total resource cost</b>	0	£513k	£513k

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.

**Accountability and Audit Report**

Education Scotland's auditors have reviewed the performance report and the accountability report for consistency with other information in the financial statements and will provide an opinion on:

- Regularity of expenditure;
- Fees and charges.

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

<b>Organisation</b>	<b>Service provided</b>	<b>Cost of service</b>	<b>Charge for service</b>
Scottish Funding Council	College review services	£1.03m	£1.03m
States of Guernsey	Inspection Services	£0.09m	£0.09m

**Dr Bill Maxwell**  
Chief Executive 10 June 2016

## **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 2016 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows and 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 2015/16 Government Financial Reporting Manual (the 2015/16 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 accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements, 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 2016 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2015/16 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 and Staff 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 Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which I am required to report by exception**

I 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 and Staff 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.

Mark Ferris (FCCA)  
Senior Audit Manager  
Audit Scotland  
4th Floor  
102 West Port  
Edinburgh  
EH3 9DN

13th June 2016

**Statement of Comprehensive Net Expenditure for the year ended 31 March 2016**

	<b>Notes</b>	<b>2015-16 £'000</b>	<b>2014-15 £'000</b>
Operating Income	4	(2,294)	(1,985)
Other income	4	(197)	(26)
<b>Total Operating income</b>		<b>(2,491)</b>	<b>(2,011)</b>
Staff costs	2	20,173	20,028
Purchase of goods and services	3.1	12,172	14,733
Depreciation and impairment charges	5	351	356
Other Operating expenditure	3.2	5,759	5,956
<b>Total Operating expenditure</b>		<b>38,455</b>	<b>41,073</b>
<b>Net expenditure for the year</b>		<b>35,964</b>	<b>39,062</b>
<b>Other comprehensive net expenditure</b>			
Net gain on revaluation of Property, Plant and Equipment	5	3	3
<b>Comprehensive net expenditure for the year ended 31 March 2016</b>		<b>35,967</b>	<b>39,065</b>

The notes on pages 41-52 form part of these accounts.

**Statement of Financial Position as at 31 March 2016**

	Notes	2015-16 £'000	2014-15 £'000
<b>Non-current assets</b>			
Property plant & equipment	5	1,259	1,178
Intangible assets	6	71	20
<b>Total non-current assets</b>		<u>1,330</u>	<u>1,198</u>
<b>Current Assets</b>			
Inventories	8	0	37
Trade receivables	9	125	156
Other current assets	9	232	133
<b>Total current assets</b>		<u>357</u>	<u>326</u>
<b>Total assets</b>		<u>1,687</u>	<u>1,524</u>
<b>Current liabilities</b>			
Trade payables	10	(763)	(520)
Other payables	10	(32)	(20)
Accruals and deferred income	10	(5,374)	(5,210)
Provision	11	(984)	(984)
<b>Total current liabilities</b>		<u>(7,153)</u>	<u>(6,734)</u>
<b>Total assets less current liabilities</b>		<u>(5,466)</u>	<u>(5,210)</u>
<b>Noncurrent Liabilities</b>			
Trade payables	10	(41)	(61)
Provisions	11	(22)	(36)
<b>Total non-current Liabilities</b>		<u>(63)</u>	<u>(97)</u>
<b>Total assets less total liabilities</b>		<u>(5,529)</u>	<u>(5,307)</u>
<b>Taxpayer equity and other reserves</b>			
General Fund		(5,589)	(5,376)
Revaluation Reserve		60	69
<b>Total taxpayers equity</b>		<u>(5,529)</u>	<u>(5,307)</u>

**Dr Bill Maxwell**

Chief Executive 10 June 2016

The notes on pages 41-52 form part of these accounts.

**Statement of Cash Flows for the year ended 31 March 2016**

	<b>Notes</b>	<b>2015-16 £'000</b>	<b>2014-15 £'000</b>
<b>Cash flows from operating activities</b>			
Net expenditure for the year		(35,964)	(39,062)
Adjustment for non cash transactions:			
Depreciation	5,6	351	356
Audit fee	3	34	35
Movement in provision for VAT	11	0	953
(Increase)/decrease in inventories	8	37	15
(Increase)/decrease in trade and other receivables	9	(68)	68
Increase/(decrease) in trade and other payables	10	399	2,027
Provision for early retirement utilised in year	11	(14)	(14)
<b>Net cash outflow from operating activities</b>		<b>(35,225)</b>	<b>(35,622)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	5	(420)	(84)
Purchase of intangible assets	6	(60)	(20)
Loss on disposal of intangibles	6	(5)	(5)
Net cash outflow from investing activities		<b>(480)</b>	<b>(109)</b>
<b>Cash flows from financing activities</b>			
Funding from Scottish Government		35,705	35,731
<b>Net financing</b>		35,705	35,731
<b>Net increase/(decrease) in cash and cash equivalents in the period</b>		<b>0</b>	<b>0</b>

The notes on pages 41-52 form part of these accounts.



**Statement of Changes in Taxpayers' Equity for the year ended 31 March 2016**

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

		General fund	Revaluation reserve	Total
	Notes	£'000	£'000	£'000
<b>Balance at 1 April 2014</b>		(2,095)	81	(2,014)
Non-cash charges –auditors remuneration		35		35
	3			
Net operating cost for the year		(39,062)		(39,062)
Net funding		35,731		35,731
Transfers between reserves		15	(12)	3
<b>Balance as at 31 March 2015</b>		<u>(5,376)</u>	<u>69</u>	<u>(5,307)</u>

The notes on pages 41-52 form part of these accounts.

## **Notes to the financial statements**

### **1. Accounting policies**

In accordance with the Accounts Direction issued by Scottish Ministers under section 19(4) of the *Public Finance and Accountability (Scotland) Act 2000*, (reproduced at the end of the notes to the accounts),

The financial statements have been prepared in accordance with the 2015-16 Government Financial Reporting Manual (FReM) issued by the Scottish Government. The accounting policies contained in the FReM apply International Financial Reporting Standards as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of Education Scotland for the purpose of giving a true and fair view has been selected. The particular policies adopted 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 2016 show an underspend of £0.2m and net liabilities of £5.5m. The position of net liabilities has arisen as a result of the requirement to account for the activities of Education Scotland on an accruals basis, whilst recording funding from the Scottish Government on a cash basis. Net current liabilities will be funded by the Scottish Government as they arise. As a consequence, it has been considered appropriate to prepare these financial statements on an on-going 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.

Indexation has been applied to only part of the assets within leasehold improvements. This treatment will cease at the end of the lease period and in future leasehold improvements will not be subject to revaluation.

### **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.

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

### **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 2.2.

## 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. Income is recognised when the amounts can be reliably measured and services have been rendered and/or goods dispatched. Where income is received in advanced and services have not yet been performed, income is deferred.

## 1.10 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

### 2.1

Staff costs	2015-16 £'000			2014-15 £'000
	Permanent Staff	Others	Total	
Wages and salaries	11,682	4,914	16,596	16,176
Social security costs	1,037	-	1,037	968
Other pension costs	2,550	-	2,550	2,252
<b>Sub Total</b>	<b>15,269</b>	<b>4,914</b>	<b>20,183</b>	<b>19,396</b>

Early Severance costs	47	47	607
Holiday pay accrual	(58)	(58)	25
<b>Total Net Costs</b>	<b>15,258</b>	<b>4,914</b>	<b>20,172</b>

Staff costs have increased during 2015-16. Permanent staff numbers have increased from 253 in 2014-15 to 265 in 2015-16 while temporary staff numbers have decreased to 73 (2014-15 - 81).

## 2.2 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 2012. Details can be found in the separate scheme statement of the PCSPS Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2015-16, employer's contributions of £2,522,631 (2014-15 £2,222,659) were payable to the PCSPS at one of four rates in the range 20% to 24.5% per cent (2014-15 – 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 £27,353 (2014-15 £29,382) were paid to one or more of an appointed panel of stakeholder pension providers. Employer contributions are age related and range from 8% to 14.75% of pensionable pay. Employers also match employee contributions of up to a limit of 3% of pensionable pay. In addition, employers contributions (0.8% 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 date of the Statement of Financial Position.

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

### 3. Purchase of Goods and Services

	2015-16	2014-15
<b>3.1</b>	<b>£'000</b>	<b>£'000</b>
Glow	3,499	4,029
Contractors	1,210	1,251
SWAN	1,612	3,617
Travel and Subsistence	1,386	1,307
Rent, rates, utilities and maintenance	1,342	1,396
Practitioner events	786	690
IT support	627	495
Cost of software sales	370	398
External advice	235	299
Postage	213	248
Reports and publications	182	197
Telecoms	149	128
Advertising costs (including recruitment)	89	113
Training costs	86	73
Catering	78	68
Copier Rental	62	59
IT Maintenance & consumables	58	213
Associate members costs	52	48
Stationery	42	57
Books and periodicals	12	10
Lay member costs	9	6
Legal costs	4	10
Office Equipment	5	5
Consultancy	5	1
Health and Safety	5	1
Loss on disposal of non-current assets	0	5
Stock write off	37	0
Other Office Expenditure	18	9
<b>Total Purchases of Goods and Services</b>	<b>12,173</b>	<b>14,733</b>
<b>3.2 Other Operating Expenditure and Non cash charges</b>		
Grants	5,739	5,935
Audit fee	34	35
Provision utilised in year	(14)	(14)
<b>Total Other Operating Expenditure</b>	<b>5,759</b>	<b>5,956</b>
<b>Total Purchases and Other Operating expenditure</b>	<b>17,932</b>	<b>20,689</b>

#### 4. Income

	<b>Income Received 2015-16 £'000</b>	<b>Income Received 2014-15 £'000</b>
SFC Income	1,026	1,056
Local authority and other grants	139	92
Software sales	347	381
Income from distribution service	183	201
Conferences (income from attendees and other contributions)	85	90
Reimbursement of payments made on behalf of SCEL		155
SWAN reimbursements for additional services	202	
Skills Development Scotland	77	
Developing the Young Workforce	142	
States of Guernsey strategic inspection work	93	
Sales of publications	0	10
<b>Total Operating Income</b>	<b>2,294</b>	<b>1,985</b>
Creative Scotland	141	
Other income	56	26
<b>Total Other Income</b>	<b>197</b>	<b>26</b>
<b>Total Income</b>	<b>2,491</b>	<b>2,011</b>

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

Income from software sales has fallen slightly. 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.

The increase in income in 2015-16 is due to additional funding received from other organisations. We received income from Creative Scotland to cover the cost of grants issued via the Creative Learning Network. Skills Development Scotland provided funding to support work in building capacity in digital skills within Scottish Education. Funding was received from the Scottish Government to the Developing the Young Workforce programme.

**5. Property plant and equipment**

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



	<b>Leasehold improvements</b>	<b>Furniture and fittings</b>	<b>Plant and equipment</b>	<b>Vehicles</b>	<b>IT Systems</b>	<b>Total</b>
<b>Cost</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 April 2014	2,307	1,004	339	16	2,062	<b>5,728</b>
Additions					84	<b>84</b>
Disposals		(528)	(27)		(1,453)	<b>(2,008)</b>
Revaluation Adjustments	9					<b>9</b>
<b>At 31 March 2015</b>	<b>2,316</b>	<b>476</b>	<b>312</b>	<b>16</b>	<b>693</b>	<b>3,813</b>
<b>Depreciation</b>						
At 1 April 2014	1,368	873	311	12	1,716	<b>4,280</b>
Charge for year	150	81	6	3	112	<b>352</b>
Disposals		(523)	(27)		(1,453)	<b>(2,003)</b>
Revaluation Adjustments	6					<b>6</b>
<b>At 31 March 2015</b>	<b>1,524</b>	<b>431</b>	<b>290</b>	<b>15</b>	<b>375</b>	<b>2,635</b>
<b>Net Book Value</b>						
<b>At 31 March 2015</b>	<b>792</b>	<b>45</b>	<b>22</b>	<b>1</b>	<b>318</b>	<b>1,178</b>
<b>At 31 March 2014</b>	<b>939</b>	<b>131</b>	<b>28</b>	<b>4</b>	<b>346</b>	<b>1,448</b>

**6. Intangible Assets**

	<b>Software Licences £'000</b>	<b>Other Software £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 1 April 2015	22	17	39
Additions	57	3	60
Disposals	-	(8)	(8)
Revaluation	-	-	-
<b>At 31 March 2016</b>	<b>79</b>	<b>12</b>	<b>91</b>
<b>Amortisation</b>			
At 1 April 2015	2	17	19
Charge for year	8	1	9
Disposals	-	(8)	(8)
Revaluation	-	-	-
<b>At 31 March 2016</b>	<b>10</b>	<b>10</b>	<b>20</b>
<b>Net book value</b>			
<b>At 31 March 2016</b>	<b>69</b>	<b>2</b>	<b>71</b>
<b>At 31 March 2015</b>	<b>20</b>	<b>0</b>	<b>20</b>
	<b>Software Licences £'000</b>	<b>Other Software £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 1 April 2014	120	17	137
Disposals	20	-	20
	(118)	-	(118)
Revaluation	-	-	-
<b>At 31 March 2015</b>	<b>22</b>	<b>17</b>	<b>39</b>
<b>Amortisation</b>			
At 1 April 2014	119	14	133
Charge for year	1	3	4
Disposals	(118)	-	(118)
Revaluation	-	-	-
<b>At 31 March 2015</b>	<b>2</b>	<b>17</b>	<b>19</b>
<b>Net book value</b>			
<b>At 31 March 2015</b>	<b>20</b>	<b>0</b>	<b>20</b>
<b>At 31 March 2014</b>	<b>1</b>	<b>3</b>	<b>4</b>

## 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

	2015-16 £'000	2014-15 £'000
General Inventory	0	37

The inventory includes all publications and software held for sale by Education Scotland. The stock of publications has been reviewed and due to the age and the likelihood of sales it has been decided to revalue the stock to zero.

## 9. Trade receivables, financial and other assets

	2015-16 £'000	2014-15 £'000
Amounts falling due within one year:		
Trade receivables	125	156
Prepayments and accrued income	232	133
	<b>357</b>	<b>289</b>
<b>Owed by bodies external to Government</b>	<b>351</b>	<b>289</b>
<b>Owed by other Government bodies</b>	<b>6</b>	<b>-</b>
	<b>357</b>	<b>289</b>

## 10. Trade payables and other liabilities

	2015-16 £'000	2014-15 £'000
Amounts falling due within one year		
Trade payables	763	520
Other payables	32	20
Accruals and deferred income	5,374	5,210
	<b>6,169</b>	<b>5,750</b>
Central government creditors	1,271	1,330
Local government creditors (including schools)	1,668	1,429
NHS	28	8
Other creditors	3,202	2,983
	<b>6,169</b>	<b>5,750</b>
Amounts falling due after more than one year		
Other payables	41	61

## 11. Provision for liabilities and charges

	Early Departure Costs £'000	VAT Other £'000	Total £'000
Balance as at 1 April 2015	50	970	1,020
VAT liability			
Provisions utilised in year	(14)		(14)
Provisions not required and written back			
<b>Balance as at 31 March 2016</b>	<b>36</b>	<b>970</b>	<b>1,006</b>

### Analysis of timings of early departure costs

	2015-16 £'000	2014-15 £'000
<b>Provision for early retirement costs</b>		
Payable in one year	14	14
Payable between 2-5 years	22	36
Payable between 6-10 years	0	0
<b>Total</b>	<b>36</b>	<b>50</b>

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.

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

## 12. Leasing commitments

At 31 March 2016, Education Scotland was committed to making the following payments in respect of building leases:-

	2015-16 £'000	2014-15 £'000
Obligations under operating leases for the following periods compromise:		
Not later than one year one year	477	508
Later than one year and not later than five years	1,695	1,736
Later than five years	153	262

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

### **13. 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.

### **14. Capital commitments and contingent liabilities**

There were no capital commitments or contingent liabilities existing at 31 March 2016 (31 March 2015: nil).

### **15. Losses and special payments**

During 2015-16, a debt of £7,416 was written off (2014-15: £448.26).

### **16. Post balance sheet events**

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

The Accountable Officer authorised these financial statements for issue on 10 June 2016



## **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

**T** +44 (0)131 244 3000  
**E** enquiries@educationscotland.gov.uk  
**W** [www.educationscotland.gov.uk](http://www.educationscotland.gov.uk)

Education Scotland  
Denholm House  
Almondvale Business Park  
Almondvale Way  
Livingston  
EH54 6GA

### **Transforming lives through learning**

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