# SERVICE CHILDREN'S EDUCATION

# ANNUAL REPORT
# AND
# ACCOUNTS

# 2011-2012

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**Presented to Parliament in pursuant to the Government Resources and Accounts Act 2000 section 7(2)**

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# Foreword by the Acting Chief Executive

The period covered by this year's report has been dominated by budgetary constraints, significant staffing changes and uncertainty for the SCE community due to the rebasing proposals for troops in Germany. Despite this, the Agency's schools have continued to thrive and results have improved in all areas with the exception of the GCSE results, which have dipped by 7 percentage points. This is due to a number of students achieving a grade D in the English examination. This has also resulted in an attainment gap between English and Mathematics that has never been seen before in our schools.

Working for Service Families is a privilege. The SCE children's workforce has become very skilled in supporting the children of Service families. Working and living in the same military community gives us all a unique insight into the difficulties our children and families face when moving schools on a regular basis and when parents are deployed. I am pleased to report that this expertise has been recognised by organisations such as the National College of School Leadership and the Department for Education. As a result we have been asked to develop training materials for leadership programmes and for schools in England who support children from Service families. Sharing this best practice will certainly help promote the seamless transfer of children between schools both overseas and in England.

As the only Agency in the MoD dedicated to the education of children, the MoD Children's Trust Board has agreed to extend the role of SCE. During the past year, SCE has taken responsibility for the training and development of the workforce in nursery settings and child-minders. We are hopeful that this will make a difference to the quality of provision and ensure that Overseas Commands meet the requirements for a qualified workforce for children aged 0 to 3 years. Our work in this field will continue to grow with SCE becoming responsible for the delivery of child care in the next financial year.

It is recognised at all levels in the MoD and SCE that it is the quality of the children's workforce that makes a difference and fulfils the expectations of the families we serve. As such, despite the significant budgetary and recruiting restrictions the Agency's frontline education provision continues to be fully funded. This commitment to first class education from the Adjutant General recognises the critical nature of educational stability for families overseas especially during times of operational deployments. However, given the current financial climate and the pressure to reduce the costs of all support services across the MoD coupled with the drawdown of Germany, we have taken the decision to reduce the size of our headquarters staff as part of a comprehensive HQ restructuring project. We are confident that our 'leaner but fitter' team will continue to offer the support and challenge to the schools to ensure they are the best they can be and we will continue to work closely with our military colleagues to ensure we meet their needs and support them in their rebasing plans.

The significant changes in staffing have also affected the Executive Board of SCE. At the end of the academic year the Chief Executive, Lynda Fisher, announced her resignation as Chief Executive and the Deputy Chief Executive, Mark Revell, also departed to support the Afghanistan campaign. Despite this we have had a very positive and buoyant start to the new term. The Agency remains fully committed to providing high quality education and to the nation's obligations of 'no disadvantage to service families' as outlined in the Military Covenant. That dedication and determination will remain in our schools for as long as we are supporting our Service families overseas.

Kathryn Forsyth
Acting Chief Executive
14 January 2013

# Agency Mission Statement

## The Agency aims to:

**Provide a coherent and co-ordinated education service delivering high standards, from Foundation Stage through to Sixth Form, to cater for the needs of dependant children residing with MOD personnel serving outside United Kingdom in order that they benefit educationally and socially from their residence abroad. The aim is to ensure that the children of Service and Civilian personnel based overseas are fully supported educationally, with a consistent and coherent approach common to all British overseas military bases.**

## Vision:

SCE will be recognised for the quality and excellence of the inclusive, innovative and wide-ranging educational services that put children at the heart of all we do. The service will be delivered by confident, highly-skilled and passionate professionals who reflect and challenge themselves and each other in pursuit of excellence. The following values underpin our work and relationships with others: **Excellence, Respect, Integrity, Commitment and Collaboration.**

## To achieve our vision we will:-

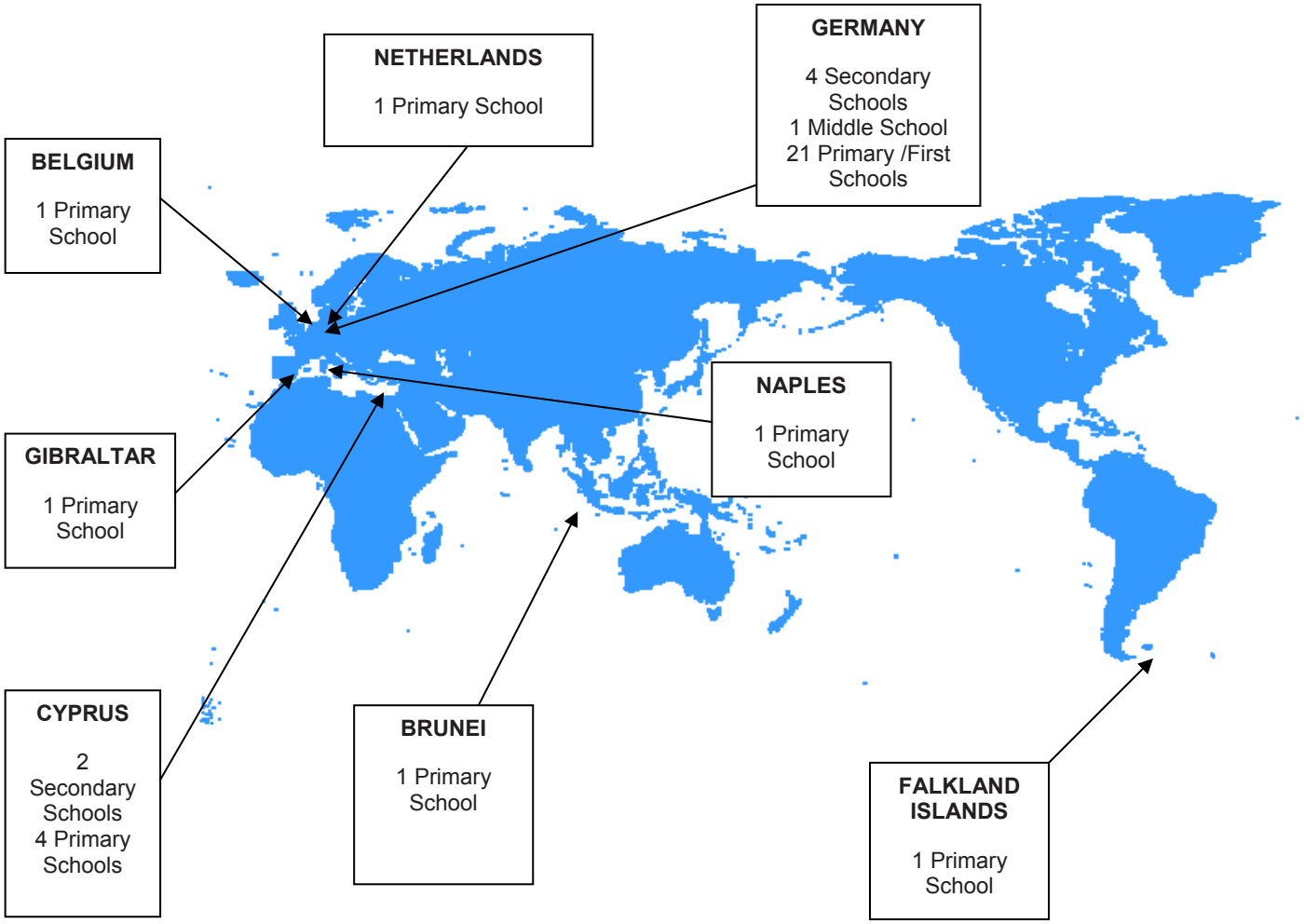
- Put the needs of the child at the centre of the decision making process.
- Identify, support & monitor the needs & provision for the most vulnerable children.
- Provide a safe, secure & healthy environment.
- Provide a high quality inclusive education which maximises opportunities for children & breaks down barriers to learning.
- Provide children with access to an exciting, stimulating & personalised curriculum.
- Maximise the learning benefits for service children (living abroad) whilst seeking to mitigate the adverse affects of mobility & deployment.
- Support, develop & value our staff & the contributions of our partner organisations to deliver high quality services.

# Management Commentary

## History

Service Children's Education was formally launched as an Executive Agency of the Ministry of Defence on 1 April 1996. In line with the Government Nursery Education Scheme in the UK, the Agency became responsible for the provision of Foundation Stage 1 education of three and four year-olds from January 2001. A Quinquennial Review of the Agency was undertaken in 2002, which confirmed that Service Children's Education's Agency status and ownership would remain unchanged.

## SCE Schools



As at 31 March 2012, Service Children's Education provided education in 38 schools in 8 countries around the world. The schools ranged from a small primary school of less than 20 pupils, to a large secondary school, with boarding facilities, of some 720 pupils. Provision for three-year olds is made in Foundation Stage 1 classes, each of which is directly linked to an SCE first or primary school.

Of the 38 schools, the majority are located in Germany and Cyprus, with larger Garrisons having up to six primary schools and a secondary school. The remaining schools support detachments of personnel around the world. SCE schools are located in the following countries:

## SCE Pupils

During the period of the report some 9700[1] pupils were being educated in SCE schools and Foundation Stage settings. SCE schools follow the National Curriculum in England and pupils pursue GCSE, A level and GNVQ courses in exactly the same way as their English-educated counterparts. SCE pupils continue to sit National Curriculum Tests (NCTs) at age 11 (Key Stage 2).

SCE also meets the cost of entitled children's education in certain overseas locations not served by SCE schools. The cost of the ISODET nursery allowance is also paid from SCE funds.

## SCE Personnel

SCE employs 1614 personnel around the world, including 735 teachers; the remainder being MOD Civil Servants, specialist educational staff and locally engaged support staff.

## SCE Headquarters

Service Children's Education has its Headquarters in Rheindahlen, Germany with satellite locations in Bielefeld and Cyprus. In addition, Pupil and Family Services Centres are located in Episkopi, Cyprus and at Fallingbostel, Sennelager and Rheindahlen in Germany. From August 2012 the Business Support team (mainly comprising of the secretariat, finance and SHEF) will be co-located with the Children's Education and Advisory Service based in Upavon in Wiltshire

## Principal Activities

The Agency provides an education service for dependant children and nursery education from three year old upwards residing with Ministry of Defence personnel overseas and supports parents with guidance and advice on independent and maintained schools in the United Kingdom.

The role of SCE is to provide an educational service to meet the needs of dependent Service children which, as far as possible within the resources available, conforms in type, scope and standard to that required by the relevant Education Acts in England and Wales (and takes into account developments in the education systems of Scotland and Northern Ireland).

[1] Average of 10,085 (Summer 2011 term) 9,539 (Autumn 2011 term) and 9,483 (Spring 2012 term)

## Financial Performance

The gross operating costs of the Agency for the year ended 31 March 2012 was £127.6M. This was offset by income of £2.4M. The balance, representing net operating costs, as detailed in the Statement of Comprehensive Net Expenditure was £125.203M.

The overall financial climate throughout the period of the report was extremely challenging due to MoD Departmental commitment controls which the Agency was directed to implement, which resulted in external restrictions being placed on recruitment, travel, overtime, training, advertising and the authority to commit expenditure.

Total Assets were £118.040M at 31 March 2012. This represented Total Current Assets of £0.583M and Non Current Assets of £117.457M. Non Current Assets comprise Land, Buildings (mainly School premises) ICT equipment in Schools and Plant and Machinery. Total liabilities and charges (including Provisions) were £32.567M resulting in total Net Assets of £85.473M.

## Basis of Accounts

The agency's financial statements cover the period from 1 April 2011 to 31 March 2012 and have been prepared in accordance with a direction issued by HM Treasury under Section 7 of the Government Resources and Accounts Act 2000 and in accordance with the government's Financial Reporting Manual (FReM).

The Agency is a Higher Level Budget reporting to Land Forces Top Level Budget. As such we also produce financial information for consolidation into the MOD Annual Resource Accounts.

## Pension Scheme

Pension benefits are provided through the civil service and teachers' pension arrangements. Following a review by Lord Hutton, the government is working to reform the way that public sector pensions, including schemes available to civil servants, are provided in future. The details of the benefit schemes currently available and information on liabilities are included in the remuneration report at section 3 below.

## Review of Activities

There have been no significant changes to the Agency's objectives and activities although SCE has assumed responsibility for the training and development of the workforce in non-SCE nursery settings and child-minders.

We remain fully committed to providing a high quality education for the dependent children and young people living within MOD communities overseas at a significant time of change, most notably the withdrawal from Germany. To do this, the Agency is reviewing its core business and its supporting headquarters structure against current statutory guidance and policy to determine what arrangements are needed to help it to continue its key focus on education and Early Years whilst also supporting schools to achieve good outcomes for children.

## Performance

Details of the overall achievement against the Key Performance Indicators set by the Agency's Owners Board for Financial Year 2011/12 and Academic Year 2011/12 are set out below.

| | | SCE | | |
|---|---|---|---|---|
| **Performance Indicator 1 - Early Years Foundation Stage** | **England** | **PI** | **Actual** | **Comments** |
| **Percentage of pupils achieving at least 78 points in the EYFS profile, with at least a score of 6 in each of the scales for Personal, Social and Emotional Development and Communication, Language and Literacy** - To match upper quartile of figures for local authorities in England | 64% | 68% | 69% | |
| **Performance Indicator 2 - Early Years Foundation Stage** | **England** | **PI** | **Actual** | **Comments** |
| **The gap between the lowest achieving 20% of children in the Early Years Foundation Stage Profile and the rest** - To match upper quartile of figures for local authorities in England | 30.1% | 28.4% | 24.7% | Target achieved (gap lower than national benchmark) |
| **Performance Indicator 3 - Key Stage 2** | **England** | **PI** | **Actual** | **Comments** |
| **Percentage of pupils achieving Level 4+ in both English and mathematics -** To equal or exceed the figure for England | 80% | 80% | 79% | |
| **Performance Indicator 4 - Key Stage 2** | **England** | **PI** | **Actual** | **Comments** |
| **4a Percentage of pupils achieving two levels of progress in English between the end of Key Stage 1 and the end of Key Stage 2** - To equal or exceed the figure for England | 89% | 89% | 89% | |
| **4b Percentage of pupils achieving two levels of progress in mathematics between the end of Key Stage 1 and the end of Key Stage 2** - To equal or exceed the figure for England | 87% | 87% | 85% | |
| **4c Number of schools below all three floor standards (Level 4+ in both English and mathematics, 2 levels progress in English, 2 levels progress in mathematics) -** To be equal to zero | | 0 | 0 | |
| **Performance Indicator 5 - Key Stage 4** | **England** | **PI** | **Actual** | **Comments** |
| **Percentage of students achieving 5+ A*-C including English and mathematics in GCSE and equivalent examinations, *as a three year moving average* -** To match upper quartile of figures for local authorities in England | 59% | 61.3% | [2]62% | |
| **Performance Indicator 6 - Key Stage 4** | **England** | **PI** | **Actual** | **Comments** |
| **Percentage of all students at the end of Key Stage 4 achieving the English Baccalaureate -** To equal or exceed the figure for England | 16% | 16.0% | 17% | |
| **Performance Indicator 7 - Key Stage 5** | **England** | **PI** | **Actual** | **Comments** |
| **Mean Section 96 point score per entry for students reaching the end of Key Stage 5** - To equal or exceed the figure for England | 211.1 | 211.1 | 207.1 | |

[2]SCE achievement is measured on a three year moving average, which currently is 62%. The actual achievement in 2012 was 58%.

| Performance Indicator 8 - Safeguarding | PI | Actual | Comments |
|---|---|---|---|
| **Percentage of schools as at 31st March 2012 to have both a Designated and Deputy Senior for Child Protection trained to Level 2 -** To be equal to 100% | 100% | 83% | |

| Performance Indicator 9 - OfSTED Inspections | PI | Actual | Comments |
|---|---|---|---|
| **Number of schools inspected from 1st April 2011 to 31st March 2012 given notice to improve -** To be equal to zero | 0 | 0 | |

| Performance Indicator 10 - Accounts | PI | Actual | Comments |
|---|---|---|---|
| **Financial Year 2011/12 Agency Accounts completed on time and without qualification; and laid before Parliament within the timeframe agreed by the Owners Board** | | | Timetable not achieved |

## Achievements

All the Agency performance indicators related to the assessments and examinations taken in 2012 were in line with the figures achieved in England apart from: the percentage of pupils achieving two levels of progress in mathematics between Key Stage 1 and Key Stage 2 and: the Key Stage 5 mean point score.

**Performance Indicators 1 & 2**. At the end of the Early Years Foundation Stage, the gap narrowed between the average score for all pupils and the average of the lowest performing 20% of children, with those two averages both rising. Figures for SCE continue to be better than those for England in both of these indicators.

**Performance Indicators 3, 4a, 4b & 4c.** In 2012, attainment and progress in English were broadly similar to that found in England, with the Key Stage 2 results in mathematics recording an improvement over 2011. The proportion of this cohort of 11 year olds in SCE in 2012 achieving Level 4+ in both English and mathematics was 79.3 percent, compared with 80 percent in England. The difference of 0.7 percentage points, based on 556 pupils taking the tests in SCE, is the equivalent of four pupils. Therefore, the percentage achieving the indicator compared to that in England is not significantly different. Due to the changes made to the assessment of English at the end of Key Stage 2 in 2012, assessments in English for 2012 are not comparable to those from previous years.

The percentage achieving two levels of progress in English between Key Stage 1 and Key Stage 2 in SCE was 0.5 percentage points above the national figure and therefore in line.

The percentage achieving two levels of progress in mathematics between the end of Key Stage 1 and Key Stage 2 improved from 82.6 percent in 2011 to 85 percent in 2012. However, the figure also improved in England from 83 percent to 87 per cent. This means that despite the improvement, SCE's results are below that found in England by the equivalent of 11 pupils.

There were no schools in SCE which fell below all three floor standards (Level 4 in both English and Mathematics, 2 levels of progress in English and 2 levels of progress in mathematics).

**Performance Indicators 5, 6 & 7.** The proportion of students in SCE achieving 5 or more GCSEs or equivalent at Grade C or above, including English and mathematics, fell by 8 percentage points in 2012 but remained in-line with the figure for England. There was some evidence that the grade boundary changes in GCSE English imposed by the examination boards impacted on this measure in SCE. Students in SCE continue, on average, to achieve a total point score at the end of Key Stage 4 which is significantly below that estimated by their prior attainment.

The three-year moving average for SCE was above the national figure, and also above the upper quartile of local authority results.

The percentage of pupils who achieved the English Baccalaureate in 2012 was slightly down from the previous year; however, the figure exceeded that for England.

The number of candidates taking Level 3 qualifications in 2012 rose slightly, from 113 in 2011 to 126. There were 357 entries compared to 339 in 2011. The average QCA points per entry fell slightly on the previous year to 207.1. However, it should be noted that every student taking a Level 3 qualification in 2012 in an SCE school achieved the equivalent of at least one A-Level pass.

**Performance Indicator 8.** Whilst all schools meet the requirements for safeguarding, 6 schools do not have a designated senior child protection officer trained to level 2. This was due to the high mobility of staff and new staff awaiting training.

**Performance Indicator 9.** It is encouraging to report that between April 2011 and March 2012 seven of the eleven SCE schools that were subject to formal inspection were judged as "Good". Four schools were judged to be “Satisfactory”.

## School Inspections from April 2011 to March 2012

| School | Overall Effectiveness | Achievement | Behaviour | Care, Guidance and Support | Leadership and Management |
|---|---|---|---|---|---|
| St Christopher’s School | 3 | 3 | 2 | 2 | 3 |
| Lister | 2 | 2 | 2 | 1 | 2 |
| BFS Naples | 2 | 2 | 2 | 2 | 2 |
| Slim | 3 | 3 | 2 | 2 | 2 |
| Montgomery | 2 | 2 | 2 | 2 | 2 |
| Akrotiri | 2 | 2 | 2 | 1 | 2 |
| John Buchan | 2 | 2 | 2 | 2 | 2 |
| Dhekelia | 3 | 3 | 3 | 3 | 3 |
| King’s School | 2 | 2 | 1 | 2 | 2 |
| Oxford | 3 | 3 | 2 | 3 | 3 |
| Mount Pleasant | 2 | 2 | 1 | 2 | 2 |

OFSTED grades are defined as follows: 1 outstanding; 2 good, 3 satisfactory, 4 inadequate.

## Behaviour

SCE schools have a justifiable reputation for good behaviour. During the last year OfSTED inspections reveal that most schools have outstanding or good behaviour with no school judged to have unsatisfactory behaviour.

## Care, Guidance and Support

SCE is on target to introduce Social and Emotional Aspects of Learning (SEAL) into 100% of schools by 2012. OfSTED inspections of SCE schools reveal that all SCE schools do very well on this aspect of work. Last year out of the 11 inspections, 2 schools were judged to be outstanding, 7 schools good and 2 were satisfactory.

## Leadership and Management

We have also implemented Commissioning Boards to increase school improvement and training capacity at a local level, with the aim of utilising expertise already in the system and the sharing of good practice.

To ensure our leaders in SCE schools remain at the cutting edge of educational developments we have also participated in the National College Middle Leaders' Development Programme and we now have National College accredited trainers in SCE able to provide bespoke middle leader training for our schools.

We have also negotiated SCE Headteacher participation in the National College Local Leaders' of Education programme. Five SCE Head Teachers have successfully applied and have been accepted on to the programme and are now being trained.

We have also developed a Headteacher Focus Group that uses the knowledge and expertise of our outstanding Head Teachers to support leadership throughout SCE.

## Safeguarding

Fundamental to everything that we do is the commitment to ensure that all children and young people are safe and fully supported in all SCE settings.

During the year, we have worked hard to ensure that all SCE personnel undertake mandated Level 1 safeguarding training, despite the challenge presented by the high mobility in staff. All SCE schools and music centres have a 'designated senior child protection officer' who are supported by resources, dedicated HQ SCE safeguarding staff and training. All designated personnel are required to undertake Level 2 safeguarding training, which focuses on inter agency working together.

Appropriate Agency representation is present on all Command level Safeguarding Children's Boards and the MoD Safeguarding Board. E-safety work is embedded throughout the Agency, both through the curriculum for pupils as well as to parents as an awareness raising agenda. Anti-bullying work is undertaken in all SCE schools. As an agency, SCE is fully compliant with all safer recruitment practices.

## Pupil Support

Pupil mobility remains very high in SCE schools. In order to minimise the impact of frequent changes of school on pupils' education, SCE schools continue to give priority to pastoral and assessment procedures, thus ensuring that pupils settle into school and progress with their learning as soon as possible.

School Councils continue to thrive and information gathered from children and young people through these councils help inform strategic plans where appropriate.

Significant work has taken place in developing materials and training to support pupils' families and teachers during periods of transition and deployment. Working in partnership with DfE, SCE took part in a conference designed to spread best practice in these areas.

The development of resources remains an important aspect of this work. Two awareness raising films were produced in 2011/12 for parents and for professionals in the service community outlining best practice in supporting children with issues linked to mobility.

Three deployment related training films were also produced by SCE in 2011 being; a) Deployment: Building resilience with children and young people; b) Coming Home: A guide for parents; c) Childhood bereavement in the service community.

## Raising the Participation Age

We have strengthen the membership of the 14-19 Strategy Group, which has resulted in greater involvement of the Garrisons and other partners in supporting SCE to increase the range of opportunities available to students.

In addition, a number of projects have been put in place to increase the number of work-based learning alternatives to school sixth form in readiness for Raising the Participation Age in 2013. We are working towards establishing a Participation, Skills and Progression Service to ensure all young people not in school are following a coherent programme of study including functional skills in line with the recommendations of the Wolf Report.

## Early Years

During the past year, SCE has assumed responsibility for the training and development of the workforce in non-SCE nursery settings and child-minders. We are hopeful that this will make a difference to the quality of provision and ensure Overseas Commands meet the requirements for a qualified workforce for children aged 0 to 3 years. Our work in this field will continue to grow, given that the MoD Children's Trust Board has agreed that SCE will become responsible for all Early Years provision in Germany from 1 April 2013.

## The SCE Estate

I am pleased to report that we opened a new purpose built Primary School in Naples, Italy in April 2011, as well as a new significant School building in Hornbill Primary School in Brunei in May 2011. Additional classrooms were also installed in a number of Schools in Hohne Garrison in Germany, namely Gloucester Secondary School, Montgomery and Heide Primary Schools in late 2011 in order to accommodate a short-term increase in pupil numbers. The design of the new School based at the Supreme Headquarters Allied Powers Europe has been completed and building work started in summer 2012.

The ongoing drawdown and closure of Rhine Garrison as part of Programme BORONA saw the closure of Tower Primary School in April 2011, St Georges Primary School in July 2011 and Andrew Humphrey Primary School in July 2012. In addition St Christopher's Primary School in Gibraltar and Mountbatten Primary School in Celle (Germany) closed in July 2012.

## Risks and Uncertainties

The final closure of Rhine Garrison is likely to take place in 2016 and will result in the closure of Windsor Secondary School and Ark Primary School in summer 2013 and the likely closure of Bruggen Primary school in summer 2015.

Work is underway to consider the secondary education options available for dependant children once Windsor Secondary School closes in summer 2013, which will see pupils either weekly board at King's Secondary School, Gutersloh or attend a local International School, as appropriate. Pupils starting Year 12 in September 2012 will be able to weekly board at King's Secondary School.

**Drawdown in Germany -** It is the Government's intention to rebase the British Army from Germany to the UK by 2020. This is in line with the findings of the Strategic Defence and Security Review (SDSR) 2010. In parallel, the Army is undergoing a period of significant change to ensure that it is prepared for future challenges. As part of these changes the size of the Army is reducing and a number of regiments are being disbanded.

The complexity of the drawdown from an SCE perspective cannot be underestimated, however until a firm re-basing plan has been developed no decisions can be made as to the best courses of action for SCE schools. The options, assumptions and risks identified so far have provided SCE with the ability to develop a planning foundation and doctrine, which will be improved upon as more details are known but our key priority will be to maintain educational standards during drawdown.

Although the detailed re-basing plan has yet to be published, the Government has announced that the disbandment of 28 Engineer Regiment will now take place by March 2015 resulting in the closure of Hameln Station. The disbandment of the regiment will have a significant impact on pupil numbers at both Weser Primary School, Hameln, and Prince Rupert Secondary School, Rinteln. As a result, the SCE Executive Board has decided that both schools will close at the end of the summer term 2014.

It was also announced in October 2011 that 8 Regiment RLC would disband and 1 Medical Regiment would move to Hohne Garrison in summer 2012. In addition, that 1 YORKS would not be replaced following their move to Cyprus in 2013. As a result the SCE Executive Board confirmed that Oxford Primary School in Munster will close in summer 2013.

All three Headteachers and their respective staffs have been notified and HQ SCE and the Headteachers, together with school staff will now work together to provide support and to ensure that there is minimal disruption to the children and young people during this difficult time.

**The Adjutant General's Review -** In August 2012, the Adjutant General commissioned a review into the future organisation and structure of SCE and the MOD's Directorate of Children and Young People (DCYP). The purpose of the review was, amongst other things, to make recommendations on the future business model for SCE schools in the light of Germany drawdown, specifically whether SCE should continue to be run as an Executive Agency and how the organisational relationship between DCYP and HQ SCE might be improved.

The review was conducted by the SCE Deputy Chief Executive and his recommendations have been sent out to the workforce via professional association representatives for consultation. In essence his recommendations relating to SCE included:

- Removal of Agency status on 31 March 2013.
- Some HQ posts to move into the Directorate of Children and Young People in Upavon (England)
- Developing a future business model for SCE schools worldwide.

## Priorities for 2012-13

The SCE Strategic Plan for the period 2011 to 2015 provides a comprehensive, realistic plan for carrying out the Agency's mission. An evaluation and review of the plan was undertaken in the early part of 2012 to reflect the changes to education and defence priorities. The SCE Strategic Plan nonetheless remains firmly focussed upon achieving our vision of securing a high-quality education for all children and young people at a significant time of change including draw-down in Germany and reduced resources across the Ministry of Defence.

It provides to the Chief Executive, Agency Executive Board and schools, a continuing strategy to manage and respond to the problems and challenges the Agency faces in the years ahead and achieve the goals and objectives we have set for ourselves whilst continuing to harness all opportunities. It is a reaffirmation of our fundamental commitment to provide high quality education for the dependent children and young people living within MOD communities overseas, and is our commitment to be accountable for our progress.

Key priorities for 2012/13 are:

- Preparing for the changes in the Military Footprint in Germany.

- Investing in maintaining a high quality and motivated workforce for children and young people.

- With a decreasing support arm the HQ must focus resources more productively. At the same time schools should have devolved authority to achieve the strategic aim within accepted governance but maximum freedom of manoeuvre.

- Developing and maintaining appropriate high-quality provision inside and outside schools to meet the needs of young people including Raising the Participation Age

- The Agency will continue to ensure that adequate levels of funding are secured, and managed effectively to assure the delivery of a high standard of education.

- The Agency continues to ensure that its schools and HQ locations worldwide are fit for purpose and capable of supporting the military footprint.

- Managing the transition of the 0-3 provision from Army Welfare Service to (Germany only).

- Preparing our schools for the new Ofsted Framework and Performance Management requirements

- Ensuring greater continuity in learning for secondary students as they transfer between SCE secondary schools in Germany and Cyprus.

## Management of the Agency

The day-to-day management of the Agency is carried out by the Agency's Executive Board, which is chaired by the Chief Executive, During the period of this report the Executive Board members were:

### Mrs L FISHER – Chief Executive

Lynda Fisher was appointed to the Agency on 6 April 2009 as Chief Executive of the Agency. She commenced her career as a Teacher and has worked in Education and Children's Services for over 25 years. Lynda joined Local Government in 1997 as Head of Research and Planning with Staffordshire County Council. She was appointed to Wokingham Unitary Council in 1999 as Assistant Director for Education and Cultural Services. Prior to being appointed to the department Lynda was Statutory Children's Services Director at Portsmouth City Council from 2003 to 2009. She also had a corporate portfolio of responsibilities including Cultural Services, Customer Services and Audit and Performance. Lynda is also the Director of Children and Young People (DCYP) for the Ministry of Defence.

### Mr M R REVELL Deputy Chief Executive

Mark Revell took up the appointment of Deputy Chief Executive in 2010 and has worked in the Ministry of Defence for some 20 years having been a Merchant Navy Engineering Officer prior to that. He had numerous postings within the department with Defence Estates, as an infrastructure consultant, property manager and project manager in the UK, Falkland Islands and Canada working on partnerships such as VANGUARD and the regional Prime Contract before moving to the Defence Vetting Agency managing a vetting division. In 2008 he started an 18 month tour as a POLAD in the United States at CENTCOM in Tampa and latterly as both POLAD and Chief CivMil Branch in Regional Command HQ in southern Afghanistan.

### Mrs K FORSYTH Director of Education

Kathryn Forsyth was appointed Director of Education Services in September 2007, having worked in a number of key educational posts within SCE since September 2000. She was previously the Director of the Inspection Agency which was part of the Education Development Unit (EDU) at St Martin's College in Ambleside, Cumbria. Before moving to the EDU Kathryn had experience of headship in a primary school in Sunderland. During this time the school was identified as a centre of excellence for pupil-centred learning and assessment for learning. In her current role she holds overall responsibility for the Education Directorate, including Teaching and Learning, Standards and Assessment and Pupil and Family Services.

### Mr M FRASER

Mark Fraser was appointed acting Assistant Director (Pupil and Families Services) in January 2010. He has worked in a number of posts within SCE since 1999 with his substantive post being Education Social Work Team Leader. Previous experience includes a number of Local Authority statutory social work posts in both England and Scotland as well as residential work in a residential school for children with special and additional needs.

### Mrs R CARVOSSO

Rita Carvosso was appointed Assistant Director (Teaching & Learning) in September 2006. Prior to joining SCE in May 2000, she worked as a Headteacher in a number of UK schools and also as consultant Headteacher for the Local Authority, before taking up her appointment as Headteacher at Marlborough School in Osnabrück, Germany, where her leadership skills

and support to the local Service Community culminated in her third “Outstanding” OFSTED Inspection Report. She is currently responsible for the delivery of high-quality Teaching and Learning across all SCE schools in order that they enhance their capacity to improve through rigorous self-evaluation, strong collaboration and effective planning.

### Mr C SPENCER

Christopher Spencer was appointed Assistant Director (Standards & Assessment) in 2006 having previously joined SCE in June 2003 as Senior Inspector Adviser. Prior to this, he worked for two local authorities in central London in the inspection and advisory service. His last post was as senior inspector and National Literacy Strategy manager for the London Borough of Ealing. In all, he has been a head of five schools in inner London and has a background in schools causing concern. He is an experienced OFSTED inspector and has led many inspections throughout England. He is currently responsible for standards and assessment in schools and takes the lead for SCE school inspections.

### Mr P NIEDZWIEDZKI

Paul Niedzwiedzki was appointed as Assistant Chief Executive (Strategic Direction of Service) in April 1995, becoming Assistant Director (Policy & Planning) after the HQ SCE reorganisation in September 2006. After some years engaged in scientific research, he went into teaching in 1979, and taught science for several years at a boys secondary school and then a sixth form college in Southport. He later joined North Yorkshire County Council Education Department, where he held two Professional Assistant posts before moving to Lincolnshire as the Area Education Officer for the Louth area of the county. He was an Education Inspector for Lincolnshire from 1989 to 1995, and led the County’s advisory teacher team responsible for the introduction of National Curriculum assessment.

Details of the Executive Board members’ remuneration are given in the Remuneration Report.

No member of the Executive Board holds any directorships or has any other significant interests that may conflict with their management responsibilities. The time of the Chief Executive, Mrs Lynda Fisher, was split between her dual roles of Chief Executive SCE and MOD Director Children and Young People in the ratio 20% and 80% respectively.

## The following changes have occurred in the Executive Board membership:

Lynda Fisher (Chief Executive) resigned from the position of Chief Executive on 31 August 2012. Kathryn Forsyth, Director of Education, has been appointed Acting Chief Executive by the Adjutant General for a period not exceeding one year.

Mark Revell (Deputy Chief Executive) left the Agency on 31 July 2012 to support the Afghanistan campaign.

Rita Carvosso (AD Teaching and Learning) retired on 30 March 2012, as part of the MOD funded Volunteer Early Release Scheme.

## Sustainability

In the majority of cases, SCE is a lodger unit within overseas Garrisons and Commands where responsibility for sustainability issues around energy use on site is the responsibility of the Defence Infrastructure Organisation (DIO). Of course SCE, as a consumer of energy, contributes to delivery of the MOD sustainability targets through its behaviours and means of delivering its services.

SCE Schools participate in the Green Flag Award Scheme in order to try and create more sustainable Schools. The award relies upon the hard work of students working with teachers to achieve the Green Flag criteria.
Since 2011, SCE no longer has responsibility for utility costs, with the respective financial management and reporting requirements having transferred to the DIO and are included within the MOD Resource Accounts.

## Policy in respect to Disabled Employees

The Agency follows the Civil Service Code of Practice on the employment of Disabled People. It aims to ensure that there is no discrimination on the grounds of disability and that access to employment and advancement within the Agency is based upon ability, qualifications and suitability for work.

## Policy on Health, Safety and Welfare at Work of Employees

The Agency seeks to comply with all relevant health and safety legislation and seeks to promote the welfare at work of its employees. The Agency is also mindful of its responsibilities for protecting persons not directly employed by the Agency against any risk to health and safety arising out of any connection or dealing with the activities at work of the Agency or its employees.

## Policy on Maintaining and Developing Employee Involvement in the Activities of the Agency

SCE consults fully with its staff on all matters affecting them, through a number of forums. These include a Teachers Consultative Committee, Joint Negotiating Committees (Teachers and Other Staff) and Dependants Consultative Committee. In addition SCE is represented on MOD Whitley Committees in Germany and Cyprus.

## Policy in Relation to Equal Opportunities

SCE fully recognises the benefits that a diverse workforce brings. The Agency is fully committed to policies, practices and procedures which, within the framework of the law, do not discriminate on grounds of sex, race, ethnic origin, sexual orientation or religious belief. Bullying, sexual, racial and religious harassment and discrimination will not be tolerated within SCE.

## Sickness Absence

During the year the days lost through long-term sickness were 2588 days and through short-term sickness were 1838 days being equivalent of 5.05 per employee (4.37 in 2010/11).

## Personal Data Related Incidents

In common with other Government and Public Bodies , MOD Agencies are now required to set out in their accounts a summary of any losses (or unauthorised disclosures, or insecure disposals) of protected personal data, whether formally reported to the Information Commissioner or not formally reported but recorded centrally by the Agency.

The following table sets out the details of the Agency's personal data related incidents during 2011/12 and in the case of Table 3, the previous three financial years. An incident is defined as a loss, unauthorised disclosure or insecure disposal. Protected personal data is information that links an identifiable living person with information about them which, if released, would put the individual at significant risk of harm or distress; the definition includes sources of information that because of the nature of the individuals or the nature, source or extent of the information, is treated as protected personal data by the Agency.

| **Table 1: Summary of Protected Personal Data Related Incidents Formally Reported to the Information Commissioner's Office in 2011-12** |
|---|
| No Incidents |

**Table 2: Summary of Other Protected Personal Data Related Incidents in 2011-12**

Incidents deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner's Office but recorded centrally within the Department are set in the table below. Small, localised incidents are not recorded centrally and are not cited in these figures.

| Category | Nature of Incident | Total |
|---|---|---|
| I | Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises. | Nil |
| II | Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises. | Nil |
| III | Insecure disposal of inadequately protected paper documents. | Nil |
| IV | Unauthorised disclosure. | Nil |
| V | Other. | Nil |

**Table 3: Year-on Year Total Numbers of Protected Personal data Related Incidents Prior to 2011-12**

| Total number of protected personal data related incidents formally reported to the Information commissioner's Office, by category number. | | | | | | | Total number of other protected personal data related incidents, by category number. | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | I | II | III | IV | V | Total | | I | II | III | IV | V | Total |
| 2010-11 | Nil | Nil | Nil | Nil | Nil | Nil | 2010-11 | Nil | Nil | Nil | Nil | Nil | Nil |
| 2009-10 | Nil | Nil | Nil | Nil | Nil | Nil | 2009-10 | Nil | Nil | Nil | Nil | Nil | Nil |
| 2008-09 | Nil | Nil | Nil | Nil | Nil | Nil | 2008-09 | Nil | Nil | Nil | Nil | Nil | Nil |
| 2007-08 | Nil | Nil | Nil | Nil | Nil | Nil | 2007-08 | Nil | 1 | Nil | Nil | Nil | 1 |

## Information Management – Personal Data Related Incidents (Other)

There were no reported personal data related incidents during 2011/12 in respect of data for which SCE was the custodian.

## Payment Policy

All SCE's bills are paid through the Defence Business Services (DBS). The Department's invoices, with the exception of some payments to suppliers made by units locally, are paid through the Defence Business Services (DBS) organisation. In the period 1 April 2011 to 31 March 2012, the DBS paid 99.72% of all correctly submitted invoices within 11 calendar days. This contributed to the Department's overall performance of 99.99% over the 30 calendar day cycle ensuring a high level of compliance with its statutory obligation under the Late Payment of Commercial Debts (Interest) Act 1998. From May 2010 all Government Departments were asked to pay 80% of invoices from suppliers within 5 working days. The Department, including its Trading Funds, has achieved a performance of 90.72% against this target up to 31 March 2012.

## Auditors

The accounts of the Agency are audited by the Comptroller and Auditor General in accordance with Section 7(3)(b) of the Government Resources and Accounts Act 2000. The notional cost of the statutory audit is £88,500 for 2011/12. The auditors received no remuneration during the year for the provision of non-audit services.

## Disclosure of Audit Information

So far as I am aware, there is no relevant audit information of which the Service Children's Education auditors are unaware, and I have taken all steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Service Children's Education auditors are aware of that information.

Kathryn Forsyth
Acting Chief Executive
4 January 2013

# Remuneration Report

## Summary

The salary of the previous Chief Executive[3] was determined at national level by the MOD's Senior Staff Management Directorate. The salaries of the other Civil Service Executive Board members were determined by negotiation between the Ministry of Defence and Civil Service Trades Unions in line with Ministry of Defence guidelines. The salaries of the Executive Board Members who are on Soulbury Staff terms and conditions are also set nationally by the Soulbury Committee on behalf of all Local Educational Authorities.

## Salaries and Pension Establishment

The salary, pension entitlements and the value of any taxable benefits in kind of the most senior members of Service Children's Education Agency are shown below[4].

## Salary

"Salary" includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances and any other allowance to the extent that it is subject to UK taxation and any ex-gratia payment. This report is based on accrued payments made by the MOD and thus recorded in these accounts.

## 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. Bonuses for senior staff in 2011-12 are shown in the table below.

The previous Chief Executive bonus is a non pensionable, non consolidated bonus of up to 10% of her salary in the first two years, and 20% in the third year, based upon the successful achievement of Performance Targets. These Targets encompass her role as Chief Executive SCE and MOD Director Children and Young People (DCYP). A Bonus was paid in 2011-12 for the year 2010-11 but relates to Performance Targets for the MOD DCYP role.

[3] Lynda Fisher resigned from the position of Chief Executive on 31 August 2012. Kathryn Forsyth, Director of Education, has been appointed acting Chief Executive by the Adjutant General for a period not exceeding one year.

[4] The remuneration report does not include the pay costs of the non-executive director as the role did not attract salary costs during the period of this report. Travel and subsistence costs were payable.

This section has been subject to Audit.

| All figures £000 | Note | Salary at 31/03/12 | Bonus Payments | Benefits in Kind (rounded to nearest | Salary at 31/03/11 | Bonus Payments | Benefits in Kind (rounded to nearest £100) |
|---|---|---|---|---|---|---|---|
| Mrs Lynda Fisher – Chief Executive | 1 | 120 - 125 | 10 - 15 | 0 | 120 - 125 | 10 – 15 | 0 |
| Mr Mark Revell – Deputy Chief Executive | | 55 - 60 | 0 -5 | 0 | 55 – 60 | 0 – 5 | 0 |
| Mrs Kathryn Forsyth – Director of Education | | 75 - 80 | 0 | 0 | 75 - 80 | 0 | 0 |
| Mrs Rita Carvosso – AD Teaching & Learning | 2 | 75 - 80 | 0 | 0 | 70 – 75 | 0 | 0 |
| Mr Paul Niedzwiedzki – AD Policy & Planning | | 70 - 75 | 0 | 0 | 70 - 75 | 0 | 0 |
| Mr Christopher Spencer – AD Standards & Assessments | | 65 - 70 | 0 | 0 | 65 – 70 | 0 | 0 |
| Mr Mark Fraser – AD Pupil & Family Services | | 60 - 65 | 0 | 0 | 60 – 65 | 0 | 0 |

FYE (Full Year Equivalent)

Notes

1. Lynda Fisher was initially appointed as Chief Executive on a three year Fixed Term appointment from 1st April 2009, this was subsequently extended for a further two years. The percentage split of Mrs Lynda Fisher's time between her dual roles of Chief Executive SCE and MOD Director Children and Young People is approximately 20% and 80% respectively. The SCE budget is funded for the combined role of DCYP and Chief Executive role and as such the full costs have been included in this report.

2. 2011-12 Salary reported is the actual amount paid to her retirement from the Executive Board, together with the full year equivalent to her date of leaving on 30/03/2012.

# Pensions Table

| All figures £000 | Total Accrued Pension at age 60 and related lump sum at 31/03/12 | Real increase in pension and related lump sum at age 60 at 31/03/12 | CETV* at 31/03/12 or on cessation of appointment if earlier | CETV* at 31/03/11 | Real increase in CETV after adjustment for and changes in market investment factors |
|---|---|---|---|---|---|
| Mrs Lynda Fisher – Chief Executive | 85 - 90 plus lump sum 0 | 2.5 - 5 plus lump sum 0 | 1,192 | 1,076 | 24 |
| Mr Mark Revell – Deputy Chief Executive | 20 - 25 plus lump sum 0 | 0 - 2.5 plus lump sum 0 | 352 | 290 | 36 |
| Mrs Kathryn Forsyth – Director of Education | 30 - 35 plus lump sum 100 - 105 | 0 - 2.5 and lump sum 5 - 7.5 | 713 | 615 | *** |
| Mrs Rita Carvosso AD Teaching & Learning | ** | ** | ** | ** | *** |
| Mr Paul Niedzwiedzki – AD Policy & Planning | 30 - 35 plus lump sum 90 – 95 | -2.5 - 0 plus lump sum -2.5 – 0 | 698 | 647 | -4 |
| Mr Christopher Spencer – AD Standards & Assessments | 40 - 45 plus lump sum 0 | 0 -2.5 plus lump sum 0 | 833 | 762 | 5 |
| Mr Mark Fraser – AD Pupil & Family Services | 10 - 15 plus lump sum 35 - 40 | 0 - 2.5 plus lump sum 0 - 2.5 | 180 | 160 | 6 |

*CETV is the Cash Equivalent Transfer Value of the pension fund at that time.
The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (amendment) Regulations 2008.

** The Teachers' Pension Scheme has not provided these details in time for inclusion within the Remuneration Report.

*** The Teachers' Pension Scheme does not provide these details.

### Pay Multiples

The following table contains details of pay multiples - the ratio between the highest paid Board member and the median remuneration of the workforce. Remuneration of the highest paid director is based on annual equivalents, improving comparability from year to year where, for example, individuals serve for part of a year. The multiple uses a median based on civil service pay and excludes overseas locally employed civilians.

| | 2011-12 | | 2010-11 |
|---|---|---|---|
| Mid point of the £5000 band for the annual equivalent remuneration of the highest earning Executive Board member in the above table | £137,500 | | £137,500 |
| Median total remuneration of SCE staff | £46,712 | | £52,406 |
| Ratio | 2.94 | | 2.62 |

The most significant factor in the increase in the civilian pay ratio is the movement in the median resulting from the inflow and outflow (including early release) of staff.

# Pension

The previous Chief Executive and four members of the Agency Executive Board are ordinary members of the Principal Civil Service Pension Scheme (PCSPS). Two Executive Board members are members of the Teachers' Pension Scheme.

Unless otherwise stated below the officials covered by this report hold appointments which are open-ended until they reach the normal retiring age of 60. Early termination, otherwise than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

All UK administrative staff are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), other UK staff are members of the Teachers' Pension Scheme (TPS). Contributions to all schemes are charged to the Agency and paid to the Paymaster General at a rate determined from time to time by the Government Actuary and advised by the Treasury.

For 2011-12 employers pension contributions of £5.387M were payable in respect of the various schemes in which staff were members (2010-11 £5.438M).

## PCSPS Pension details

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (classic, premium, or classic plus) or a 'whole career' scheme (nuvos). Classic, premium and classic plus are now closed to new members. These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under nuvos, classic, premium, and classic plus are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account). The accrued pensions quoted above are the pensions the members are entitled to receive when they reach 60 (nuvos 65), or immediately on ceasing to be an active member of the scheme if they are already 60 (nuvos 65).

Employee contributions for 2011-12 were set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Employer contributions are calculated using four percentage rates (16.7%, 18.8%, 21.8% and 24.3%) of pensionable pay, based on four salary bands. 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' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service; unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 calculated as in premium. In nuvos a member builds up a pension based on 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 increased in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

Further details about the Civil Service pension arrangements, including pensions reforms e.g. the increases in contribution rates effective from 1 April 2012 can be found at the website www.civilservice-pensions.gov.uk

For staff employed directly from the local labour force in Germany, a contribution is made by the Agency to the Federal German Government's "Social Insurance Fund" and Pension Fund. The current percentages of employer contributions are 20.75%, Social Insurance Fund, and 3.5%, Pension Fund, and are direct cash costs to the Agency. Payments in respect of staff employed directly from the local labour force in other countries are made as appropriate.

Kathryn Forsyth
Acting Chief Executive
14 January 2013

# Statement of Accounting Officer's Responsibilities

Under Section 7(2) of the Government Resources and Accounts Act 2000 the Treasury has directed the Service Children's Education Agency to prepare a statement of accounts for each financial year. The Accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of SCE and of its income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts the Accounting Officer is required to comply with the requirement of the **Government Financial Reporting Manual** and in particular to:

- Observe the accounts direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis.
- Make judgments and estimates on a reasonable basis.
- State whether applicable accounting standards as set out in the ***Government Financial Reporting Manual*** have been followed, and disclose and explain any material departures in the accounts and prepare the accounts the accounts on a going concern basis.

The Departmental Accounting Officer for the Ministry of Defence has designated the Chief Executive as the Accounting Officer of the Service Children's Education Agency. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and safeguarding SCE's assets, are set out in the Accounting Officers' Memorandum issued by Treasury and published in "Managing Public Money".

# Governance Statement 2011-12

## Scope of Responsibility

This Governance Statement is a key feature of the annual report and accounts. Although it reflects the work of my predecessor, Mrs Lynda Fisher, in my previous role as Director of Education I have been closely involved in the preparation of this statement and I had the benefit of the assurance provided by both the former Chief Executive and Deputy Chief Executive prior to their departure, as well as the work undertaken by the SCE Executive Board during the last financial year. I am therefore confident that I have sufficient assurance to sign this statement as the acting Accounting Officer.

As acting Chief Executive I am directly accountable to the Ministry of Defence Principal Accounting Officer for the propriety and regularity of SCE's expenditure and for prudent and economical administration of the Agency in compliance with Departmental rules. However, whilst I have responsibility for the Agency's outputs, there are many services that sit outside my direct control and where I look to others to take or share responsibility to ensure delivery of the Agency objectives.

For instance, the new Defence Business Services Organisation has responsibility for Human Resources service delivery in respect of all Agency staff. The new Defence Infrastructure Organisation has responsibility for management and maintenance of SCE Schools and HQ assets. However, because these organisations are bound by the same MOD governance arrangements as SCE and are subject to scrutiny by the Defence Internal Audit (DIA), I am satisfied that these organisations are monitored for assurance and compliance to minimise the risk to SCE.

## Governance Framework

The governance framework sets out how the Agency delivers its services to its key stakeholders in a manner that is compliant with Ministry of Defence policies and best practice while allowing it to discharge its legal responsibilities and be accountable for its actions.

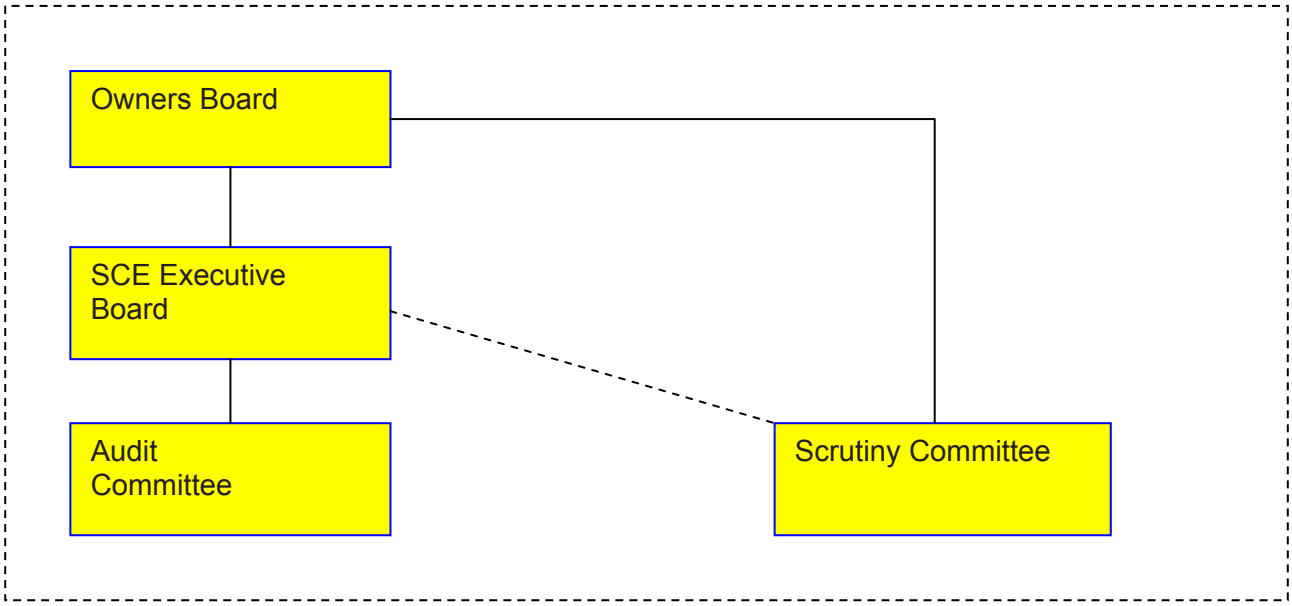
In the past year, we have sought to strengthen the Agency's governance framework by establishing a separate Audit Committee and Scrutiny Committee, rather than the previous single combined Audit and Scrutiny Committee under the chairmanship of two paid Non Executive Directors, instead of the previous one un-paid Non Executive Director.

During the year ended 31 March 2012, the key elements of the system and processes that comprise the Agency's governance framework included the following:

**Financial Delegation -** The Agency financial plan, which is agreed by HQ Land Forces, sets out the budgetary envelope in which the Agency must deliver services up to and including 2015/16. The Agency continues to operate under the principle delegated responsibilities granted by Chief of the General Staff (as Top Level Budget Holder) to the acting Chief Executive. She in turn delegates to members of the Executive Board and Head Teachers. The Deputy Chief Executive, as the Senior Financial Adviser for the Agency, is responsible for ensuring that appropriate financial scrutiny arrangements are in place.

**Planning -** The SCE Strategic Plan for the period 2011 to 2015 provides a comprehensive, realistic plan for carrying out the Agency's mission and is focussed upon achieving our vision of securing a high-quality education for all children and young people. An evaluation and review of the plan was undertaken in the early part of 2012 to reflect the changes to education and defence priorities including draw-down in Germany and reduced resources across the Ministry of Defence.

**Board and Committee Structure -** As the acting Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Agency policies, aims and objectives, whilst ensuring that public funds and Departmental assets are used in an economic, efficient and effective manner. I am both supported and challenged in carrying out these duties by the following Board and Committee structure:




**SCE Owners Board -** The Adjutant General, as the Owner of the Agency, provides strategic direction to the Agency and acts as an interface between the Agency and the Department. The Owner's responsibilities are to determine strategic objectives, to set and monitor the performance of the Agency against key financial and performance targets, and to approve corporate and management plans.

**Scrutiny Committee -** The Scrutiny Committee is a sub-committee of the Owners Board and has a key role in providing proactive oversight and constructive challenge to the Chief Executive and Executive Board on behalf of the Owners Board. The Scrutiny Committee (now including the Owners Board Executive Committee from April 2012) is chaired by a Non Executive Director and with representatives from the Department for Education (DfE), OfSTED and key military stakeholders is responsible for providing advice and assurance to the Owners Board on the adequacy and effectiveness of performance and the outcomes. The Scrutiny Committee has three main functions:

- to examine whether service providers are acting in the best interests of the wider Service Community by holding decision makers to account.
- to assess the impact of the delivery of Agency provision by reviewing services or policies and by carrying out scrutiny reviews to inform recommendations for improvement.
- to reflect the views and concerns of the wider service communities and the customer-base by considering issues of concern and performance against the priorities of the Owner's Board and the Agency Strategic Plan.

I am pleased to report that during the last meeting of Scrutiny Committee, officials from DfE and OfSTED recognised that most SCE schools continue to thrive and produce results at a high level despite the challenging circumstances in which they operate. Military colleagues were also very pleased with the way in which our service supports the emotional well-being of children and their families, especially during periods of transition or deployment.

In addition to the work of the Scrutiny Committee, SCE is supported and challenged by Command (most notably Germany and Cyprus) Stakeholder Committees, various Garrison Stakeholders Groups, as well as by individual School Governance Committees.

**SCE Executive Board -** As acting Chief Executive I exercise management of the Agency's functions and activities through an Executive Board, which I chair.

**Role of the Board**. The Executive Board is responsible for the delivery of SCE's strategic vision, policies and services to the MOD and other stakeholders. During the period of the report, the Executive Board met monthly and was responsible for coordinating activity across the Agency. It is the ultimate forum (supported appropriately by other groups) for making executive decisions about operational, resource, communications and other administrative matters in order to deliver the Strategic Plan (linked to the Agency risk register) and for monitoring performance.

**Board composition.** During the period of the report, the Board comprised of the Chief Executive, the Deputy Chief Executive, the Director of Education and 4 Assistant Directors and was also advised by the relevant business partners who support the Agency.

**Board attendance**. In terms of regular Board attendance during 2011/12 each individual member has attended as follows:

| Executive Board Member | Attendance (max 10) |
|---|---|
| Chief Executive | 9 |
| Deputy Chief Executive | 9 |
| Director of Education | 10 |
| Assistant Director (Pupil & Families Services) | 9 |
| Assistant Director (Teaching & Learning) | 10 |
| Assistant Director (Standards & Assessment) | 8 |
| Assistant Director (Policy & Planning) | 8 |

**Board effectiveness.** There has not been a formal, independent review of Board effectiveness during the period of the report, however, it was agreed that from August 2012 that the Board would meet fortnightly, with Head Teacher representatives attending the Board on a termly basis. The information on which the Board makes decisions upon is provided from a variety of providers and sources. School performance data and inspection results are considered by the Board on a regular basis. Financial data is provided by the head of finance who attends Board meetings as an advisor. In addition, all proposals for policy are subjected for review by relevant staff and subject matter experts before submission to the Board for approval to ensure accuracy and compliance with Departmental policy, as well as affordability and completeness.

**SCE Audit Committee -** As the acting Chief Executive I am supported in my Accounting Officer role by the SCE Audit Committee, under the chairmanship of a Non Executive Director. The National Audit Office (NAO) and DIA are represented at the Audit Committee in order to report the results of their assurance work for review by the Committee and to provide guidance as appropriate. In addition to offering assurance to the Owners' Board as to the adequacy of the governance arrangements within the Agency, the Committees main functions are:

- To review the Agency's corporate governance, resource management, risk management and internal controls and the associated outputs from assurance providers.

- To provide constructive challenge to the effectiveness and efficiency of the Agency's operational, procedural and financial systems.

## Corporate Governance Code

As part of Government, SCE is bound by the Corporate Code issued by the Cabinet Office and SCE aims to conform to this code as much as it is possible within it self but also within the wider framework of the MOD in which SCE operates as a component part. The Agency has not reviewed its compliance with the Corporate Governance Code during 2011/12 as changes to the Agency's status are anticipated.

## The Risk and Control Framework

A significant part of the governance framework is the system of internal control. The Agency's system of internal control is designed to identify, prioritise and address the risks to achievement of the key priorities of the Agency, its compliance with MOD and Government policy and the delivery of services to the Defence community and its wider customers. It is designed to manage risk to a reasonable level rather than eliminate all risk of failure.

The Agency Risk Management strategy cascades directly from the SCE Strategic Plan, highlighting the principal priorities, aims and objectives required to meet the overall Agency Mission. The Mission itself is supported by a set of challenging Performance Targets set by the Adjutant General, in his capacity as the Owner of the Agency, and my Line Manager.

The overall accountability for managing risk rests with me as the acting Chief Executive and the Executive Board. The DCE has day to day management and responsibility for the delivery and maintenance of the strategy, which in turn informs the resource management process diverting funding, where necessary, to overcome or reduce risks of a critical or significant nature.

During Financial Year 2011/12 the Executive Board identified 5 main risks and 8 major change management programmes. These are monitored and reviewed by the Executive Board on a regular basis.

### Main SCE Risks

- Headcount restrictions and the impact of staff reductions (particularly within HQ SCE) and the potential impact on the Agency's ability to maintain adequate levels of support to schools

- Germany drawdown and the potential impact on recruitment.

- The challenge of supporting Special Educational Needs, and in particular the impact of staffing reductions and drawdown on the ability of HQ SCE and SCE schools to provide the necessary expertise and support to children with ever increasingly complex needs.

- Safeguarding and in particular the challenge to meet the training requirements in the context of drawdown and headcount restrictions.

- Recruitment, retention and succession planning (workforce management). The cumulative effect of other risks noted above leave the Agency in a very fragile position and significant effort is required to ensure key posts are not gapped.

### Change management

There were eight major change management programmes in progress during 2011/12:

- The continuing provision of first class education through a complex drawdown and re-basing exercise.
- Move of Business Support Team from Germany (JHQ) to England (Upavon) in July 2012.
- Move of the Educational Directorate to Bielefeld in late 2013.
- Restructuring of HQ SCE.
- Management of the SCE Volunteer Early Release Scheme associated with the withdrawal from Germany.
- Absorption of the British Forces Early Years provision by April 2013.
- Increased autonomy for schools by 2014/15.
- Comprehensive review of the Agency strategic plan.

## Audit and Assurance

**Internal Audit** - SCE finance staff conducts a range of internal financial compliance checks under the direction of the DCE. These include carrying out testing of claims associated with Travel and Subsistence, Allowances, Salary Protection, School Fees, Rent Payments, Overtime and expenditure made using Government Procurement Cards.

In my capacity as an Accounting Officer, I am directly supported by an annual risk-based programme of internal audit provided by DIA, who are the primary source of independent assurance. The overall opinion provided by DIA for the period in question is that of Limited Assurance, based upon the results of the four audits undertaken on the Agency's behalf during 2011/12. In particular DIA found:

**Risk Management** - That there was a lack of a consistent and fully embedded Agency risk management methodology, that senior management had not provided a business risk management policy and strategy guidance, and that where risks had been identified that they were not always linked to SCE objectives.

**Business Continuity** - There was no clearly defined Business Continuity Management (BCM) framework in place, or BCM guidance promulgated from the top down through the Agency. Risk management arrangements and the risks identified were not considered or reviewed in a structured way through the various Boards and Committees and therefore the effectiveness of the system in place could not be evaluated. Responsibility for BCM activity outside of the HQ SCE was vested in a "fragile structure" that would be further tested as the Germany drawdown proceeded.

**Finance Payroll** - That the controls around the awarding of Teaching and Learning Responsibility Payments was not robust as they could be and the controls and responsibility to ensure that adjustments to pay or allowances ceased at the end of a qualifying period, or when entitlement changed, were unclear.

Given the weakness identified, my predecessor asked DIA to conduct a follow up audit in the areas of risk, BCP and payroll to ensure that the Agency has acted upon the recommendation made and address the weakness identified. Going forward, we have also asked DIA to examine the Agency's procedures pertaining to Freedom of Information and ICT Information Management and Service Delivery.

**External Audit**- As acting Chief Executive, I am also informed by the results of the various School OfSTED Inspections and annual examinations results, as well as various pan MOD Audits where they have direct implications for SCE. The Agency also benefits from audit review as part of the IAAM review process, as well as a variety of Safeguarding, Security, Value for Money and Health and Safety audits.

SCE's external audit function is provided on behalf of Parliament by the Comptroller and Auditor General supported by staff from the NAO. The audit conducted by the NAO on the FY 2010/11 Agency annual report and accounts made a number of useful recommendations. Most notably they recommended that the Agency should review the need to maintain its own separate asset registers from the MOD and to ensure, in the meantime, that any differences between the two registers could be adequately explained. They also commented on the lack of staff resources in the finance section, and its impact upon the production of robust draft accounts for audit. This has contributed to delays in the preparation and publication of the 2011/12 annual report and accounts.

**Monitoring** - The SCE Audit Committee met regularly during 2011 -12 and examined finance and governance activity within the Agency including risk management, information assurance and health and safety assurance. The Committee also reviewed the recommendations made by DIA and the NAO regarding SCE. The Audit Committee was also copied all DIA reports pertaining to SCE.

## Special Payments

During the year the Service Children's Education Agency made an ex-gratia payment of £15,000 to an employee which falls within the category of special payments as defined in Managing Public Money. This compensation payment was made as a part of a negotiated departure agreement in order to achieve dismissal on grounds of unsatisfactory attendance due to excessive sickness absence by means of a legally binding Compromise Agreement instead of via a formal dismissal hearing.

Whilst this payment represented an equitable solution and removed the need to inflict further stress via a formal dismissal hearing, SCE management was not aware that the Agency required formal advance approval from HM Treasury for this special severance payment. SCE management have subsequently declared the matter to HMT and are awaiting comment.

The Agency is in the process of implementing a number of measures to ensure that HMT approval will be sought for all future cases that involve severance. The definitions of what constitutes ‘severance’ and also what constitutes ‘legal direction’ in the context of HMT delegations have been clarified by HQ Army policy staff who continue to support the Agency in this area. In addition, the Agency is conducting an urgent review of all current cases to ensure that none involve dismissal or severance issues. The Agency is now fully aware of its HMT delegated authority with regard to losses and special payments.

## Conclusion

As the acting Agency Chief Executive I can confirm that the system of internal control has been in place in SCE for the full year ending 31 March 2012 and up to the date of approval of the Annual Report and Accounts. My review has been informed by the work of the SCE Audit Committee and the SCE finance team, as well as the recommendations made by external auditors and other reports, all with the aim of addressing any weaknesses and ensuring continuous improvement of the systems already in place.

Kathryn Forsyth
Acting Chief Executive
14 January 2013

## THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

I certify that I have audited the financial statements of the Service Children's Education Agency for the year ended 31 March 2012 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### *Respective responsibilities of the Accounting Officer and auditor*

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### *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 Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Agency; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate. I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### *Opinion on regularity*

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### *Opinion on financial statements*

In my opinion:

- the financial statements give a true and fair view of the state of the Service Children's Education Agency's affairs as at 31 March 2012 and of the net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

## *Opinion on other matters*

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Foreword and Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

## *Matters on which I report by exception*

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

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

## *Report*

I have no observations to make on these financial statements.

**Amyas C E Morse** **Date**
**Comptroller and Auditor General**

**National Audit Office**
**157-197 Buckingham Palace Road**
**Victoria**
**London**
**SW1W 9SP**

# Accounts for the year ended 31 March 2012

## Statement of Comprehensive Net Expenditure (SoCNE)
### for the year ended 31 March 2012

| | Note | 2011-12 £000 | Restated 2010-11 £000 |
|---|---|---|---|
| **Administration Costs** | | | |
| Staff Costs | 2 | 69,187 | 70,812 |
| **Total administration costs** | | 69,187 | 70,812 |
| | | | |
| **Programme Costs** | | | |
| Programme Costs | 4 | 58,457 | 47,756 |
| **Gross programme costs** | | 58,457 | 47,756 |
| Operating income | 5 | (2,441) | (2,357) |
| **Net programme costs** | | 56,016 | 45,399 |
| | | | |
| **Net Operating Cost** | | **125,203** | 116,211 |

## Other Comprehensive Expenditure
### for the year ended 31 March 2012

| | | 2011-12 £000 | 2010-11 £000 |
|---|---|---|---|
| Net (gain)/loss on revaluation of Property, Plant and Equipment | 11 | 4,706 | 14,279 |
| **Total Comprehensive Expenditure for the year ended 31 March** | | **129,909** | 130,490 |

Restated following a change in the allocation of costs between administration and programme.

The Notes on pages 40-56 form part of these Accounts.

# Statement of Financial Position (SoFP)
## as at 31 March 2012

| | Note | 2011-12 £000 | Restated 2010-11 £000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property Plant and Equipment | 6 | 117,457 | 131,081 |
| **Total non-current assets** | | **117,457** | 131,081 |
| **Current assets** | | | |
| Trade and Other Receivables | 8 | 583 | 521 |
| **Total current assets** | | **583** | 521 |
| **Total Assets** | | **118,040** | 131,602 |
| **Current liabilities** | | | |
| Trade and other payables | 9 | (6,895) | (6,441) |
| Provisions falling due in less than one year | 10 | (1,503) | (1,524) |
| **Total Current Liabilities** | | **(8,398)** | (7,965) |
| **Total assets less net current liabilities** | | **109,642** | 123,637 |
| **Non-current liabilities** | | | |
| Provisions falling due in more than one year | 10 | (24,169) | (24,705) |
| **Total non-current liabilities** | | (24,169) | (24,705) |
| **Assets less liabilities** | | **85,473** | 98,932 |
| **Taxpayers' Equity** | | | |
| General Fund | | 23,019 | 23,113 |
| Revaluation Reserve | 11 | 62,454 | 75,819 |
| **Total Taxpayers' Equity** | | **85,473** | 98,932 |

Restated following change in accounting policy for Donated Assets.

The Notes on pages 40-56 form part of these Accounts.

Kathryn Forsyth
Acting Chief Executive
14 January 2013

# Statement of Cash Flows (SoCF)
## for the year ended 31 March 2012

| | Note | 2011-12 | 2010-11 |
|---|---|---|---|
| | | £000 | £000 |
| **Cash flows from operating activities** | | | |
| Net operating cost | SoCNE | 125,203 | 116,211 |
| Adjustments for non-cash transactions | | (46,551) | (41,204) |
| Increase/(Decrease) in trade and other receivables | 8 | 62 | (167) |
| Increase/(Decrease) in inventories | | 0 | (14) |
| (Increase)/Decrease in trade payables | 9 | (454) | (1,639) |
| (Increase)/Decrease in provisions | 10 | 557 | 4,330 |
| **Net cash outflow from operating activities** | | **78,817** | 77,517 |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 6 | 1,721 | 1,634 |
| **Net cash outflow from investing activities** | | **1,721** | 1,634 |
| **Cash flows from financing activities** | | | |
| Net payments by Ministry of Defence | 13 | (80,538) | (79,151) |
| **Net cash outflow from financing activities** | | **(80,538)** | (79,151) |
| **Net increase/(decrease) in cash and cash equivalents in the period** | | 0 | 0 |
| **Cash and cash equivalents at the beginning of the period** | | 0 | 0 |
| **Cash and cash equivalents at the end of the period** | | 0 | 0 |

The Notes on pages 40-56 form part of these Accounts.

# Statement of Changes in Taxpayers Equity (SoCiTE)
## for the year ended 31 March 2012

| | Note | General Fund | Revaluation Reserve | Taxpayers Equity |
|---|---|---|---|---|
| | | £000 | £000 | £000 |
| **Restated Balance at 31 March 2010** | | **28,858** | **90,686** | **119,544** |
| **Changes in taxpayers equity for 2010-11** | | | | |
| Net gain/(loss) on revaluation of property, plant and equipment | | 0 | (14,279) | (14,279) |
| Release of reserves to SoCNE | | 0 | (469) | (469) |
| Non-cash charges - auditors remuneration | 4 | 80 | 0 | 80 |
| Transfers between reserves | | 119 | (119) | 0 |
| Net Operating Cost | | (116,211) | 0 | (116,211) |
| Revenue non cash departmental overheads | 4 | 30,279 | 0 | 30,279 |
| Net payments on Defence Resource Accounts | 13 | 79,151 | 0 | 79,151 |
| Non-cash fixed asset additions | 6b | 837 | 0 | 837 |
| **Restated Balance at 31 March 2011** | | **23,113** | **75,819** | **98,932** |
| **Changes in taxpayers equity for 2011-12** | | | | |
| Net gain/(loss) on revaluation of property, plant and equipment | | 0 | (4,706) | (4,706) |
| Non-cash charges - auditors remuneration | 4 | 89 | 0 | 89 |
| Net Operating Cost | | (125,203) | 0 | (125,203) |
| Non cash costs | 4 | 29,309 | 0 | 29,309 |
| Net payments by Ministry of Defence | 13 | 80,538 | 0 | 80,538 |
| Non-cash non donated fixed asset additions | 6a | 6,514 | 0 | 6,514 |
| Realised reserve on disposals | | 1,428 | (1,428) | 0 |
| Realisation of back log depreciation | | 7,231 | (7,231) | 0 |
| **Balance at 31 March 2012** | | **23,019** | **62,454** | **85,473** |

Restated following change in accounting policy for Donated Assets.

The Notes on pages 40-56 form part of these Accounts.

# Notes to the Accounts

## 1. Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2011-12 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Agency for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Agency for its reportable activities are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

### Accounting Convention

These financial statements have been prepared under the historical cost convention, modified to include the revaluation of non-current assets and inventories.

### Administration and Programme Expenditure

The Statement of Comprehensive Net Expenditure is compiled in line with MOD guidance which was revised during the year. It is analysed between administration and programme income and expenditure. The revision has resulted in a change of accounting policy under IAS 8 and therefore restatement is required to prior year figures in the Statement of Comprehensive Net Expenditure. The value of the restatement was £70,812k although there is no overall impact on the Net Operating Cost. Administration costs now reflect all staff costs and Programme costs reflect all other costs.

### The Statement of Comprehensive Net Expenditure

Costs are charged to the Statement of Comprehensive Net Expenditure in the period in which they are incurred and matched to any related income. Costs of contracted-out services are included net of recoverable VAT. Other costs are VAT inclusive, although a proportion of this VAT is recovered via a formula agreed with HM Revenue and Customs.

Income from services provided to third parties is included within operating income, net of related VAT.

### Income

Income comprises the value of transactions with the Private Sector and the wider Public Sector. The funding of the Agency from the MoD is shown in the Statement of Cashflows.

### Non-Current Assets

The Agency's non-current assets are expressed at their fair value through the application of the Modified Historical Cost Accounting Convention (MHCA) indices. These are produced by Defence Analytical Services and Advice (DASA) and are applied at the end of each financial year to the non-current assets which fall within the categories listed below.

Property non-current assets are also subject to a quinquennial revaluation by external professional valuers in accordance with IAS 16, as interpreted by the FReM. Property non-current assets are valued in one of two ways depending on their use. Non-specialist property is valued at fair (i.e. market) value. Specialist property for which there is no external market is valued at depreciated replacement cost.

Assets under construction are valued at cost and are subject to indexation. On completion, they are released from the project account into the appropriate asset category.

The Agency's policy on the capitalisation of subsequent expenditure under IAS 16 is to account separately for material major refits and overhauls, when their value is consumed by the Agency over a period which differs from that of the overall life of the corresponding core asset and where this is deemed to have a material effect on the carrying values of a non-current asset and its associated depreciation charge.

Subsequent expenditure is also capitalised where it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

## Intangible Non-Current Assets

Externally purchased software including licences for use on SCE ICT systems are capitalised where they contribute to the provision of services or other Departmental outputs for a period in excess of one year. Capitalised software is amortised, on a straight line basis, over the shorter of either the economic life or the licence period.

## Property, Plant and Equipment

The useful economic lives of tangible non-current assets are reviewed annually and adjusted where necessary. In 2012-13 it was identified that the drawdown of British Forces from Germany would lead to SCE vacating certain school buildings prior to the expiry of their remaining economic lives. A decision was therefore taken to revise the estimated useful lives of these affected properties. This change in accounting estimate has increased depreciation expense for the year ended 31 March 2012 by £7.5 million.

The Agency threshold of £5,000 for single fixed assets is not applied to IT Equipment, for accounting purposes, these items are treated as grouped assets and included within the Non-Current Asset Register.

The principal asset categories, together with the standard assumption of useful economic lives, are set out in the table below. Where specific information on school closures or asset disposals is known, the Annual Accounts and Agency Fixed Asset Register has been amended to reflect the planned actual disposal date. All assets are depreciated on a straight line basis.

| | **Category** | **Years** |
|---|---|---|
| Land and Buildings | Land | Indefinite, not depreciated |
| | Buildings (dwellings and non-dwellings): | |
| | - permanent | 40 - 50 |
| | - temporary | 5 - 20 |
| Plant and Machinery | Equipment | 10 - 25 |
| | Plant and Machinery | 5 - 25 |
| IT and Communications Equipment | Office Machinery | 3 - 10 |
| | Communications Equipment | 3 - 10 |

## Donated Assets

Donated assets (i.e. those assets that have been donated to the Agency or assets for which the Agency has continuing and exclusive use, but does not own legal title, and for which it has not given consideration in return) are capitalised at their current valuation on receipt and are revalued and or depreciated on the same basis as purchased assets.

SCE has changed it's policy on Accounting for Donated Assets in order to comply with IAS20 Accounting for Government Grants and Disclosure of Government Assistance interpreted by the HM Treasury Financial Reporting Manual. This change has been applied retrospectively as allowed by the transitional provisions in IAS20. The effect of this change is to treat the notional cost of a donated asset as income and not a credit to the reserves. This better reflects the receipt of an asset that is essentially free to the Department. The effects on the accounts for the years presented in this report are shown below:

| | **Previously stated 31 March 2011** | **Adjustment** | **Restated 31 March 2011** |
|---|---|---|---|
| | £000 | £000 | £000 |
| Donated Asset Reserve | 48,208 | (48,208) | 0 |
| General Fund | (111) | 23,224 | 23,113 |
| Revaluation Reserve | 50,835 | 24,984 | 75,819 |

## Impairment

Impairment charges to the Statement of Comprehensive Net Expenditure occur in circumstances which reduce the carrying value on non-current assets to their recoverable amount. An asset is carried at more than its recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale. All impairment losses (except for those arising from a clear consumption of economic value or service potential) are written off against the Revaluation Reserve (or General Fund, as appropriate) until the carrying amount of the asset reaches its depreciated historic cost. Impairment losses below this amount are charged to the net operating cost section of the Statement of Comprehensive Net Expenditure. Any reversal of an impairment charge is recognised in the Statement of Comprehensive Net Expenditure to the extent that the original charge was previously recognised there. Any remaining amount is recognised in the Revaluation Reserve. All impairment losses arising from a clear consumption of economic value or service potential are written off to the net operating cost section of the Statement of Comprehensive Net Expenditure. Any balance on the Revaluation Reserve (up to the level of the impairment) is transferred to the General Fund.

## Disposal of Property, Plant and Equipment

Disposal of assets is handled principally by two specialist internal organisations: Defence Infrastructure Organisation for property assets and the Disposal Services Authority for non-property assets.

## Leased Assets

Assets held under finance leases are capitalised as non-current assets and depreciated over the shorter of the lease term or their estimated useful economic life. Rentals paid are apportioned between reductions in the capital obligations included in payables, and finance costs charged to the Statement of Comprehensive Net Expenditure. Expenditure under operating leases is charged to the Statement of Comprehensive Net Expenditure in the period in which it is incurred.

## Provisions for Liabilities and Charges

Provisions for liabilities and charges have been established under the criteria of IAS 37 and are based on realistic estimates of the expenditure required to settle future legal or constructive obligations that exist at the Reporting Period date.

Provisions are charged to the Statement of Comprehensive Net Expenditure. All long-term provisions are discounted to current prices using the rate advised by HM Treasury. The rate for financial year 2011-12 is 2.8% (2.9% for 2010-11). The discount is unwound over the remaining life of the provision and shown as an interest charge in the Statement of Comprehensive Net Expenditure.

## Reserves

The Revaluation Reserve reflects the unrealised element of the cumulative balance of revaluation and indexation adjustments on non-current assets and inventories.

The General Fund represents the balance of the Taxpayers' Equity.

## Pensions

Present and past employees are covered by the provisions of the Teachers Pension Scheme and the Civil Service pension arrangements. There are separate scheme statements for the Teachers Pension Scheme and Civil Service pensions as a whole.

The Civil Service pension scheme is an unfunded defined benefit pension scheme, although, in accordance with the HM Treasury FReM, the Agency accounts for the schemes in its accounts as if they were defined contribution schemes. The employer's charge is met by payment of a Superannuation Contribution Adjusted for Past Experience (SCAPE), which represents an estimate of the cost of providing future superannuation protection for all personnel currently in pensionable employment. In addition, civilian personnel contribute 1.5% of salary to fund a widow/widower's pension if they are members of classic, and 3.5% if they are members of premium, classic plus or nuvos. The Agency's Statement of Financial Position will only include a payable in respect of pensions to the extent that the contributions paid to the pension funds in the year fall short of the SCAPE and widow/widower's pension charges due. Money purchase pensions delivered through employer-sponsored stakeholder pensions have been available as an alternative to all new Civil Service entrants since October 2002.

The Teachers Pension Scheme is a contracted out, unfunded, defined benefit pay-as-you-go occupational pension scheme operated by the Department for Education (DfE) and is open to members of the teaching profession in England and Wales who satisfy the membership criteria. Contributions to the Scheme by employers and employees are set at rates determined by the Scheme's Actuary and approved by the DfE. The contributions partially fund payments made by the Scheme, the balance of funding being provided by Parliament through the annual Supply Estimates process. The administrative expenses associated with the operation of the Scheme are borne by the DfE and reported in DfE's financial statements.

The pension schemes undergo a reassessment of the SCAPE contribution rates by the Government Actuary at four-yearly intervals. Provisions are made for costs of early retirement

programmes and redundancies up to the minimum retirement age and are charged to the Statement of Comprehensive Net Expenditure.

The disclosures for the main pension schemes are included in: the Remuneration Report, Note 2 - Staff Numbers and Costs, and on the websites of the Civil Service Pension Scheme and the Teachers Pension Scheme.

## Early Departure Costs

Staff employed under Principal Service Pension Scheme (PCSPS) Regulations:

The MoD, not SCE, provides in full for the cost of meeting pensions for non-educational civilian staff up to the minimum retirement age in respect of civilian personnel early retirement programmes. Pensions payable after the minimum retirement age are met by the Civil Service pension arrangements for civilian personnel.

Staff employed under Teacher Pension Scheme (TPS) Regulations:

The Agency meets the additional costs of benefits beyond the normal Teachers Pension Scheme benefits in respect of employees who retire early by paying the required amounts annually to the Teachers Pension Scheme for the life of the employee. The Agency provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by the Treasury discount rate of 2.8 per cent in real terms.

## Insurance

Service Children's Education, in common with other Government bodies does not insure.

## Departmental Overheads

Notional amounts are included in the Statement of Comprehensive Net Expenditure for charges in respect of services provided from other areas of the Ministry of Defence. The amounts are calculated to reflect the full cost of providing these services to the Agency.

In 2011-12 the method used to estimate these costs was revised. The change makes use of more reliable and up to date information and gives a better indication of the costs the Department incurs centrally on behalf of the Agency. The effect of this change in accounting estimate was to decrease programme expenditure for the year ended 31 March 2012 by £0.8 million.

## Audit Fee

The Agency is not charged a cash fee by the National Audit Office. The audit fee represents the notional charge to the Statement of Comprehensive Net Expenditure based on the cost of services provided.

## Operating Segments

Information on operating activities, financial results, forecasts and plans is presented to and reviewed by the Executive Board on an aggregated basis. This reflects the way in which the Agency manages its business in that the resources and activities of each of the Schools and HQ areas must be aggregated in order to determine the overall cost of delivering the Agency's principal output of providing coherent and co-ordinated education at the highest standards. For financial reporting purposes, the Agency is therefore considered to have a single operating segment.

## Foreign Currency

All transactions that are denominated in a foreign currency are translated into Sterling using the General Accounting Rate (GAR) at the date of each transaction. For each currency, from 1 September 2008, the GAR is updated monthly based on spot rates; for US Dollars and Euros the GAR is based on the published spot rate in the week immediately preceding the new month. Exchange differences will arise when a currency transaction is settled at a GAR which differs from the rate used when the transaction was initially recorded. In addition, monetary assets and liabilities are translated at the mid-market closing rate applicable at the Reporting Period date and the exchange differences are reported in the Statement of Comprehensive Net Expenditure.

Overseas non-monetary assets and liabilities are subject to annual revaluation and are translated at the mid-market closing rate applicable at the Statement of Financial Position date. Exchange differences are taken to the Revaluation Reserve.

## Cash Balances and Liabilities

All cash payments are made and receipts collected by the MOD's central accounting organisations on behalf of the Agency

## Financial Instruments

SCE has reviewed all its material contracts for embedded derivatives, however none were identified and hence no separate valuation was required.

## Trade and other receivables

All debtors, including trade and VAT debtors, staff loans and advances are classified as Receivables and are initially recognised at fair value. Discounting is relevant to those debtors and loans which carry no rate of interest or a subsidised rate. However, SCE's debtors that are due within 1 year are not discounted on the grounds of materiality. Provisions are only made for specific bad debts.

## Trade and other payables

Liabilities covering trade creditors, accruals, VAT, tax and loans are classified as other liabilities and are initially recognised at fair value (plus/net of transaction cost) and subsequently at amortised cost. This applies to those liabilities carrying a nil or a subsidised rate of interest. On the grounds of materiality, SCE's liabilities falling due within 1 year are not discounted.

# 2. Staff Numbers and Costs

### Staff costs comprise

| | £000 Permanently employed staff | £000 Others | **2011-12 £000 Total** | 2010-11 £000 Total |
|---|---|---|---|---|
| Wages and salaries | 58,264 | 1,279 | **59,543** | 61,382 |
| Social security costs | 4,180 | 77 | **4,257** | 3,992 |
| Other pension costs | 5,387 | 0 | **5,387** | 5,438 |
| Total net costs | 67,831 | 1,356 | **69,187*** | 70,812* |

* Please note that all of these costs relate to administration costs. Programme costs are contained in Note 4.

### Reporting of Civil Service and Other Compensation Scheme - Exit Packages

During the reporting period, 33 staff were released on voluntary terms under MoD wide Voluntary Early Release Schemes. The MoD – not SCE - controls and holds the budget for these schemes. The costs and liabilities therefore do not fall to SCE and are therefore not included in these accounts. The amounts are recorded in the MoD Resource Account. It should also be noted that SCE was granted authority to proceed with a bespoke Voluntary Early Release Scheme (Provision) for teachers and educational specialists, specifically to manage the SD&SR Germany drawdown programme. This scheme will also be centrally funded by the MOD and the initial tranche operates from April 2012 to March 2014.

### Average number of persons employed

The average numbers of whole-time equivalent Staff employed (including senior management) during the year were as follows:

| | **2011-12** | 2010-11 |
|---|---|---|
| UK Based Administrative Grades | **65** | 74 |
| UK Based Educational Grades: | | |
| Headteachers, Deputy Heads &Assistant Teachers | **735** | 739 |
| Other Educational Grades | **62** | 65 |
| Locally Enrolled Civilians: | | |
| Miscellaneous Locally Enrolled | **752** | 703 |
| | **1,614** | 1,581 |

## 3. Administration Costs.

SCE staff costs are classed as Administration Costs within Land Forces.

| Administration costs | Note | 2011-12 £000 | 2010-11 £000 |
|---|---|---|---|
| Staff Costs | 2 | 0 | 0 |

## 4. Programme Costs

| | 2011-12 £000 | 2010-11 £000 |
|---|---|---|
| IT Equipment and services | 1,826 | 896 |
| Accommodation charges | 1,151 | 1,140 |
| Works maintenance | 167 | 257 |
| Travel, subsistence and transfer costs | 1,389 | 1,672 |
| Medical, welfare and central MOD services | 29 | 46 |
| Other administration expenses | 6,245 | 5,455 |
| Rentals under operating leases | 319 | 296 |
| **MoD Non-Cash Items** | | |
| Works maintenance | 3,523 | 3,981 |
| Catering and cleaning | 131 | 863 |
| Travel, subsistence and transfer costs | 983 | 990 |
| Accommodation charges | 7,444 | 8,266 |
| Medical, welfare and central MOD services | 2,742 | 3,514 |
| School transport | 9,897 | 9,436 |
| IT Equipment and services | 31 | 0 |
| MOD, HQ UKSC and HQ AG costs | 3,786 | 2,853 |
| Other administration expenses | 772 | 376 |
| **Other Non-Cash Items** | | |
| Depreciation | 13,677 | 9,734 |
| Revaluation Impairments | 243 | 0 |
| Reversal of Revaluation Impairments | (151) | 0 |
| Loss on disposal of property | 3,384 | 1,580 |
| Auditors remuneration | 89 | 80 |
| Unwinding of discount on provision | 716 | 520 |
| Increase/(Decrease) in provision | (186) | (540) |
| Change in pension rate | 250 | (3,190) |
| Release of reserves to SOCNE | 0 | (469) |
| **Total** | **58,457** | 47,756 |

## 5. Income

| | **2011-12** | 2010-11 |
|---|---|---|
| | **£000** | £000 |
| School Fees (incl Nursery, Music and Home Savings Contributions) | (2,236) | (2,193) |
| School Meals | (101) | (132) |
| Miscellaneous | (104) | (32) |
| **Total Income** | **(2,441)** | (2,357) |

The Agency is required, in accordance with the Treasury's Fees and Charges Guide and the FReM, to disclose performance results for the areas of its activities where charges are made.

| | **2011-12** | | | 2010-11 | | |
|---|---|---|---|---|---|---|
| | **Income** | **Full Cost** | **Surplus (Deficit)** | Income | Full Cost | Surplus (Deficit) |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| School Fees | 2,236 | 2,499 | (263) | 2,193 | 2,449 | (256) |
| School Meal Collection Fee | 101 | 101 | 0 | 132 | 95 | 37 |
| Miscellaneous | 104 | 104 | 0 | 32 | 57 | (25) |
| **Total** | **2,441** | **2,704** | **(263)** | 2,357 | 2,601 | (244) |

The Agency's policy is to recover full costs for school fees. In practice, in a small number of cases the actual recovery made is between marginal and full costs and bears comparison with local market rates. In such cases non-entitled pupils are accommodated within the school's irreducible spare capacity and this brings educational advantages for the rest of the school population. The increase in Income this year relates to an increase in miscellaneous receipts.

The Agency receives a fee from the contractor for collecting School Dinner money on their behalf. The information in this note is provided for Fees and Charges purposes, not for IFRS8 purposes.

## 6a. Property, Plant and Equipment 2011-2012

| | Land £000 | Buildings £000 | Plant and Machinery £000 | IT & Office Machinery £000 | AUC £000 | Total £000 |
|---|---|---|---|---|---|---|
| Cost or Valuation as at 1 April 2011 | 35,811 | 150,398 | 2,531 | 10,397 | 1,712 | 200,849 |
| Additions - normal cashflow affecting | 0 | 0 | 272 | 0 | 1,449 | 1,721 |
| Additions - non-cashflow affecting | 357 | 6,157 | 0 | 0 | 0 | 6,514 |
| Disposals | (697) | (2,698) | (154) | (4,036) | (483) | (8,068) |
| Revaluation | (1,667) | (6,077) | 31 | 871 | 0 | (6,842) |
| Reclassification | 0 | 0 | 217 | 975 | (1,192) | 0 |
| **Cost or Valuation as at 31 March 2012** | **33,804** | **147,780** | **2,897** | **8,207** | **1,486** | **194,174** |
| Depreciation to 1 April 2011 | 0 | 61,787 | 1,447 | 6,534 | 0 | 69,768 |
| Charge for the year | 0 | 12,322 | 240 | 1,115 | 0 | 13,677 |
| Disposals | 0 | (1,218) | (103) | (3,363) | 0 | (4,684) |
| Revaluation | 0 | (2,493) | 18 | 431 | 0 | (2,044) |
| Reclassification | 0 | 0 | 0 | 0 | 0 | 0 |
| **Depreciation to 31 March 2012** | **0** | **70,398** | **1,602** | **4,717** | **0** | **76,717** |
| **Net Book Value as at 31 March 2012** | 33,804 | 77,382 | 1,295 | 3,490 | 1,486 | 117,457 |
| **Net Book Value as at 31 March 2011** | 35,811 | 88,611 | 1,084 | 3,863 | 1,712 | 131,081 |
| **Asset Financing as at 31 March 2012** | | | | | | |
| Purchased | 2,142 | 66,421 | 1,295 | 3,490 | 1,486 | **74,834** |
| Donated | 31,662 | 10,961 | 0 | 0 | 0 | **42,623** |
| **Net Book Value as at 31 March 2012** | **33,804** | **77,382** | **1,295** | **3,490** | **1,486** | **117,457** |

In addition to any School closures that occurred during FY11/12, Service Children's Education has also re-lifed all of its Germany based assets to reflect the decision to withdraw from Germany by 2020, in line with the Strategic Defence and Security Review.

## 6b. Property, Plant and Equipment 2010-11

| | Land £000 | Buildings £000 | Plant and Machinery £000 | IT & Office Machinery £000 | AUC £000 | Total £000 |
|---|---|---|---|---|---|---|
| Cost or Valuation as at 1 April 2011 | 35,851 | 173,321 | 2,059 | 8,286 | 1,428 | 220,945 |
| Additions - normal cashflow affecting | 0 | 0 | 0 | 0 | 1,634 | 1,634 |
| Additions - non-cashflow affecting | 0 | 837 | 0 | 0 | 0 | 837 |
| Disposals | 0 | (2,691) | 0 | 0 | 0 | (2,691) |
| Revaluation | (40) | (21,069) | 59 | 1,174 | 0 | (19,876) |
| Reclassification | 0 | 0 | 413 | 937 | (1,350) | 0 |
| **Cost or Valuation as at 31 March 2011** | **35,811** | **150,398** | **2,531** | **10,397** | **1,712** | **200,849** |
| | | | | | | |
| Depreciation to 1 April 2011 | 0 | 61,568 | 1,192 | 3,982 | 0 | 66,742 |
| Charge for the year | 0 | 7,525 | 221 | 1,988 | 0 | 9,734 |
| Disposals | 0 | (1,111) | 0 | 0 | 0 | (1,111) |
| Revaluation | 0 | (6,195) | 34 | 564 | 0 | (5,597) |
| Reclassification | 0 | 0 | 0 | 0 | 0 | 0 |
| **Depreciation to 31 March 2011** | **0** | **61,787** | **1,447** | **6,534** | **0** | **69,768** |
| | | | | | | |
| **Net Book Value as at 31 March 2011** | 35,811 | 88,611 | 1,084 | 3,863 | 1,712 | 131,081 |
| | | | | | | |
| **Net Book Value as at 31 March 2010** | 35,851 | 111,753 | 867 | 4,304 | 1,428 | 154,203 |
| | | | | | | |
| **Asset Financing as at 31 March 2011** | | | | | | |
| Purchased | 1,767 | 74,447 | 1,084 | 3,863 | 1,712 | **82,873** |
| Donated | 34,044 | 14,164 | 0 | 0 | 0 | **48,208** |
| **Net Book Value as at 31 March 2011** | **35,811** | **88,611** | **1,084** | **3,863** | **1,712** | **131,081** |

# 7. Financial Instruments

IFRS 7, Derivatives and Other Financial Instruments, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities.

Because of the largely non-trading nature of its activities and the way in which agencies are financed, SCE is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which IAS 32, Financial Instruments; Recognition and Measurement mainly applies. Financial assets and liabilities are generated by day to day operational activities and are not held to change the risks facing the Agency in undertaking its activities.

## Liquidity Risk

The Agency's revenue and capital resource requirements are voted annually by Parliament and are therefore not exposed to significant liquidity risk.

## Interest Rate Risk

All the agency's financial assets and liabilities carry no interest.

## Credit risk

The Agency is subject to limited credit risk in respect of school fees and the carrying amount of receivables represents the Agency's maximum exposure to credit risk, £583k at 31 March 2012 (31 March 2011: £521k). No impairments have been made as these balances are considered to be recoverable.

## Foreign Currency Risk

The Department undertakes certain transactions denominated in foreign currencies; as a result exposure to exchange rate fluctuations arises. Exchange rate exposure for the Euro are managed using forward purchase contracts with the bank of England and covered 64% of the in-year expenditure in those currencies.

The Agency's cash requirement may change as a result, which leads to changes to the amount of voted expenditure the Agency requires. The changes are notified to the MoD in regular forecasts of expenditure.

## Fair Values

IFRS 7 does not require the disclosure of fair value when the carrying amount is a reasonable approximation of fair value, for example, for financial instruments such as short-term trade receivables and payables.

Financial Assets: The Agency has no financial assets other than short-term debtors.

Financial Liabilities: The value of the provision approximates to the book value discounted by the Treasury discount rate of 2.8 per cent in real terms. The Agency has no other financial liabilities other than short-term creditors.

## 8. Trade receivables and other Current Assets

| **Amounts falling due within one year** | **2011-12** | 2010-11 |
|---|---|---|
| | **£000** | £000 |
| Trade receivables – Central Government Entities | 0 | 0 |
| Other receivables | 318 | 251 |
| Prepayments and accrued income | 265 | 270 |
| **Intra – Government Balances** | **583** | 521 |
| | | |
| Balances with other central government bodies | 0 | 0 |
| Balances with public corporations and trading funds | 0 | 0 |
| Balances with local authorities | 0 | 0 |
| Intra – government Balances | 0 | 0 |
| Balances with bodies external to government | 583 | 521 |
| **Total Receivables at 31 March** | **583** | 521 |

## 9. Trade payables and other Current Liabilities

| **Amounts falling due within one year** | **2011-12** | 2010-11 |
|---|---|---|
| | **£000** | £000 |
| Trade payables | 56 | 363 |
| Accruals and deferred income | 4,681 | 4,183 |
| Annual Leave Accrual | 2,158 | 1,895 |
| **Intra – Government Balances** | **6,895** | 6,441 |
| | | |
| Balances with other central government bodies | 0 | 0 |
| Balances with public corporations and trading funds | 0 | 0 |
| Balances with local authorities | 0 | 0 |
| Intra – government Balances | 0 | 0 |
| Balances with bodies external to government | 6,895 | 6,441 |
| **Total Payables at 31 March** | **6,895** | 6,441 |

# 10. Provisions for Liabilities and Charges

| Early Departure Costs | 2011-12 £000 | 2010-11 £000 |
|---|---|---|
| Provision for Early Retirements as at 1 April | 26,229 | 30,559 |
| Provisions utilised in the year | (1,338) | (1,120) |
| Increase/(Decrease) in Provision | (186) | (540) |
| Change in Pension rate | 250 | (3,190) |
| Unwinding of discount | 717 | 520 |
| Provision as at 31 March | **25,672** | 26,229 |

| Early Departure Costs | 2011-12 £000 | 2009-10 £000 |
|---|---|---|
| In the remainder of the Spending Review period to 2015 | 4,305 | 1,524 |
| Between April 2016 and March 2020 | 6,084 | 6,685 |
| Between April 2020 and March 2025 | 5,615 | 5,573 |
| Thereafter | 9,668 | 12,447 |
| Balance at 31 March | **25,672** | 26,229 |

## Early Departure Costs

The Agency meets the additional costs of benefits beyond the normal Teachers Pension Scheme benefits in respect of employees who retire early by paying the required amounts annually to the Teachers Pension Scheme for the life of the employee. The Agency provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by the Treasury discount rate of 2.8 per cent in real terms.

These provisions were created following school closures in line with MOD footprint (locations of military personnel) changes. There is also a need for some early retirements in order to maintain a balanced age profile of teachers at SCE schools.

It should be noted that SCE has been granted authority to proceed with a bespoke Voluntary Early Release Scheme (Provision) for teachers and educational specialists, specifically to manage the SD&SR Germany drawdown programme. This scheme will be centrally funded by the MoD and the initial tranche operates from April 2012 to March 2014. No individuals made applications under this scheme in 2011-12

## 11. Revaluation Reserve

| | | 2011-12 £000 | Restated 2010-11 £000 |
|---|---|---|---|
| **Opening Balance** | | 75,819 | 90,686 |
| Gross revaluation | 6a | (4,706) | (19,876) |
| Revaluation Depreciation | 6a | 0 | 5,597 |
| Permanent diminution in value of assets | 4 | 0 | (469) |
| Inter reserve transfer for the realised element of the revaluation reserve | | 0 | (119) |
| Realised reserve on write-offs | | (1,428) | 0 |
| Realisation of back log depreciation | | (7,231) | 0 |
| **Closing Balance** | | **62,454** | 75,819 |

## 12. Capital Commitments

At 31 March 2012 the Agency had no contractual capital commitments to be disclosed in the Financial Statements. (31 March 2011 – Nil).

## 13. Analysis of Financing

| | 2011-12 £000 | Restated 2010-11 £000 |
|---|---|---|
| Net finance by Ministry of Defence | **80,538** | 79,151 |

## 14. Commitments under Leases

Operating leases – Total future minimum lease payments under operating leases are given in the table below for each of the following periods

| | Plant and Machinery | |
|---|---|---|
| | **2011-12** | 2010-11 |
| **Operating leases which expire:** | £000 | £000 |
| within one year | 589 | 295 |
| between two and five years | 2,023 | 68 |
| over five years | 0 | 0 |
| Total | **2,612** | 363 |

## 15. Other Financial Commitments

The Agency has no other financial commitments that require disclosure

## 16. Contingent Liabilities

The Ministry of Defence has a contingent liability in the event of closure of schools in Germany to carry out dilapidation works before the properties are handed back to the Federal German Authorities. It is not practicable to place a value on these works, as it is dependent upon the timing of any proposed hand back, and the condition of the properties at that time.

## 17. Losses and Special Payments

### Closed Cases

SCE formally signed off 22 cases during FY 11/12 with a total value of £75,951.

During the year the Service Children's Education Agency made an ex-gratia payment of £15,000 to an employee which falls within the category of special payments as defined in Managing Public Money. This compensation payment was made as a part of a negotiated departure agreement in order to achieve dismissal on grounds of unsatisfactory attendance due to excessive sickness absence by means of a legally binding Compromise Agreement instead of via a formal dismissal hearing.

At the time of making the payment, SCE was not aware it required formal advance approval from HM Treasury for this. SCE management have now declared the matter to HMT and are awaiting comment.

### Advanced Notifications

An additional 4 cases with a value of £789 arose in FY11/12 but were not formally signed off. The Agency has no cases that require separate disclosure - over £250,000.

## 18. Related Party Transactions

Service Children's Education is an Agency of the Ministry of Defence, which is regarded as a related party. During the year the Agency has had various material transactions with the Department, including a number of notional charges. The time of the Chief Executive, Mrs Lynda Fisher, was split between her dual roles of Chief Executive SCE and MOD Director Children and Young People in the ratio 20% and 80% respectively. None of the other Executive Board members, other key management staff or other related parties have undertaken any material transactions with other departments.

## 19. School Non Public Funds

School funds are operated and managed on behalf of the Headteacher, in order to provide resources (such as extra curricula School trips) which are in addition to those which are publicly funded. School funds are classified as Non Public Funds and are not financed from public or Defence sources. As such, the balances are not Agency assets and are not included in the Agency Accounts or audited by NAO. SCE is not responsible for School funds and is not liable to make good any losses that may arise. The School Governance Committee is responsible for ensuring the proper running and accountability of the School Non Public Account.

## 20. Events after the Statement of Financial Position Date.

Non-adjusting events after the Statement of Financial Position Date.

In July 2012 SCE closed Andrew Humphries Primary School in Rhine Garrison (Germany), St Christopher's Primary School in Gibraltar and Mountbatten Primary School in Celle (Germany). Staff and pupils from all Schools have been transferred successfully to other SCE schools. It was also announced in November 2012 that Weser Primary School and Prince Rupert Secondary Schools (both in Germany) will close in July 2014. An estimate of the revised depreciation charge for the year, if the life of these 2 schools had been reduced, is £15.118M (an increase of £1.441M from the published figure). The number of school closures in Germany will accelerate in the coming years, reflecting the SDSR commitment to withdraw all British Forces by 2020.

Lynda Fisher resigned from the position of Chief Executive on 31 August 2012. Kathryn Forsyth, Director of Education, has been appointed acting Chief Executive by the Adjutant General for a period not exceeding one year.

In August 2012, the Adjutant General (the Owner of the Agency) commissioned a review of the future structure and leadership of the Directorate of Children and Young People and SCE. The review was conducted by the SCE Deputy Chief Executive and his recommendations have been sent out to the workforce via professional association representatives for consultation. In essence his recommendations relating to SCE included:

- Removal of Agency status on 31 March 2013.
- Some HQ posts to move into the Directorate of Children and Young People in Upavon (England)
- Developing a future business model for SCE schools worldwide.

The Financial Statements included in the Annual Report and Accounts were authorised for issue on the same date as the Comptroller and Auditor General's Audit Certificate.

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