



SERVICE CHILDREN'S EDUCATION

ANNUAL REPORT AND ACCOUNTS

2010/2011



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Foreword by the Chief Executive

I am delighted to have this opportunity to review and report on the work carried out by the Agency during 2010-2011. The past year was characterised by an unprecedented level of change, uncertainty and challenge but it also was an exciting period for SCE with a number of genuine success stories to celebrate. These include the best ever GCSE results whilst A level and Key Stage 2 results remain in line with national averages. The focus on numeracy at Key Stage 2 has impacted and resulted in improved results at level 4. Our schools and the staff who support them have much to be proud of.

Furthermore I would like to take the opportunity to recognise the significant contribution made by those Head teachers and Headquarters staff who retired during the year. As the headcount restrictions bite harder, their absence is keenly felt across the organisation.

I would like to personally congratulate our children and young people and the schools on their collective and very commendable educational successes achieved in 2010/11. It was particularly pleasing to note the significant improvements at GCSE level where the percentage achieving 5A* to C grades including English and mathematics, is comparable to the highest achieving LAs in England. There was also a pleasing improvement in Key Stage 2 mathematics although results at the higher levels have dipped slightly and we are therefore focussed on agreeing improvement actions were needed. We do not rest on our laurels and recognise that there is still much work to do in order to continue to raise standards across the board at the threshold level, for the gifted and talented children attending SCE schools and for those with Special & Additional Educational Needs (SAEN).

Her Majesty's Inspectorate (HMI) continue to play a pivotal role in providing the Agency and its customers with an external overview on the performance of SCE schools in line with Department for Education (DfE) guidance, standards and timelines. It is therefore encouraging to report that between April 2010 and March 2011 10 SCE schools were subject to formal inspection, of which 9 were judged as "Good" or "Outstanding". No SCE school was found to be "inadequate". This is a clear reflection of the standards of Leadership, Teaching and Learning and Curriculum Development found in many SCE schools and also of the quality of support and challenge provided by the HQ Staff.

Pupil mobility remains very high in SCE schools. To ensure that pupils' education is not disrupted by frequent changes of educational establishment, our 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.

Extensive deployment of Military personnel to Afghanistan continues. The Agency's Pupil and Family Services Team report increased demand for support during these unsettling periods and we have, during the past twelve months, continued to make good use of the excellent range of resources developed by our staff with the support of our schools, for children and parents that offer guidance and best practice for supporting children and young people through periods leading up to, during and post-deployment.

Over the past year the Agency has continued to make significant steps to improve its overall service delivery, most notably on the 14-19 Agenda, Early Years, Health and Safety and in tightening further our Corporate Governance regime across all Commercial and Resource Management activity. In addition, we have continued to improve our communications, particularly the Agency's Internet and Intranet facilities and look forward to reaping the benefits of this investment over the coming months and years.

Our commitment to MoD information assurance management has resulted in our being held up as an exemplar to the department by CIO. Such actions not only ensure the robust application of data handling management but have also manifested itself in more accurate and increasingly secure transfers of records to schools in the UK who receive our pupils.

We will continue to work closely with the Military in order to successfully play our part in overseeing the changes brought about to Service schooling by the BORONA Programme and the subsequent closure of Rhine Garrison in Germany.

Consequently, SCE stood up a drawdown team early in 2011 in order to model options that might affect the education infrastructure and to work closely with the UKSC decision making structures so that we could play our part in shaping strategies and assisting in the withdrawal process.

Looking to 2011/12, the driving priority for the Agency is to ensure that all Service children and young people continue to enjoy a high quality learning experience both within the formal school day and beyond. 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 across the full range of outcomes as set out in the Children Act. The successful achievement of our priorities requires an ongoing close working relationship with key partners involved in the broader Children's Services, such as the MOD's Health, Welfare, Policing and Social Services, together with the families themselves and the Voluntary Agencies that support them.

This review of the Agency's core functions will run alongside the annual review and amendments to the 3 year strategic plan which will help to facilitate a broader inter-agency range of support to SCE schools and sustain the schools in delivering their best possible outcomes. It will also, over time, enable the Agency to improve its data and information, knowledge and understanding of the many Service children who access schooling both in the UK and in those overseas locations where no SCE provision exists.

The Agency continues to strengthen its relations with DfE, Local Authorities in England and the devolved administrations to ensure that the needs of all Service children are fully considered both during the early stages of policy thinking and at the subsequent allocation of resources. There will no doubt continue to be many challenging times ahead and not least because of the difficult financial climate, however the aforementioned organisations are ones that I and the Agency staff and its partners are keen to address so that we can continue to provide a high quality education offer for our children and young people.

With regards to resources, we continue to press strongly for the protection of the Agency's funding to allow SCE to build upon the progress made over recent years and to ensure that Service children have access to the same or a similar range of opportunities to those available in the UK.

The Agency's frontline education provision continues to be fully funded allowing teachers and educational staff to carry out their primary function unhindered and is in no small part due to the understanding of the critical nature of educational stability for families overseas and for an armed force experiencing operational deployments.

Finally, I would wish to place on record my personal appreciation of the efforts made by all SCE staff, pupils, parents, the Adjutant General, CinC Land and their staffs and military and civilian colleagues across the three Services, MOD, DfE and other Government Departments in supporting the work of the Agency.

The ongoing achievements of SCE are set against a background of profound change in the Ministry of Defence over the past year and the Agency was not untouched. However, the MoD and AG commitment to a first class education for those overseas which is engendered in the Military Covenant has not diminished, reflecting a national obligation to ensure service children are not disadvantaged when it comes to education. That commitment is mirrored in the dedication, professionalism and determination of all SCE staff and will continue as long as families and children accompany our Service men and women overseas.



Lynda Fisher
Chief Executive
15 December 2011

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.

In order to achieve this Mission:

The following values will underpin our work with schools and other agencies:

- *Excellence*
- *Respect*
- *Integrity*
- *Commitment*

We will strive to:

- *be the best*
- *do the best for all pupils and students by seeking to ensure that all achieve their full potential in every aspect of school life whilst with SCE*
- *do the best for our teaching, support and office staff in all locations by offering comprehensive, relevant and timely training opportunities for their own professional and career development to enrich their work with children or in support of the Agency*
- *raise aspiration as well as achievement*

Vision:

“Our vision is to ensure that children and young people of the Service community have access to an excellent quality education offer and achieve the highest possible outcomes wherever they are located.”

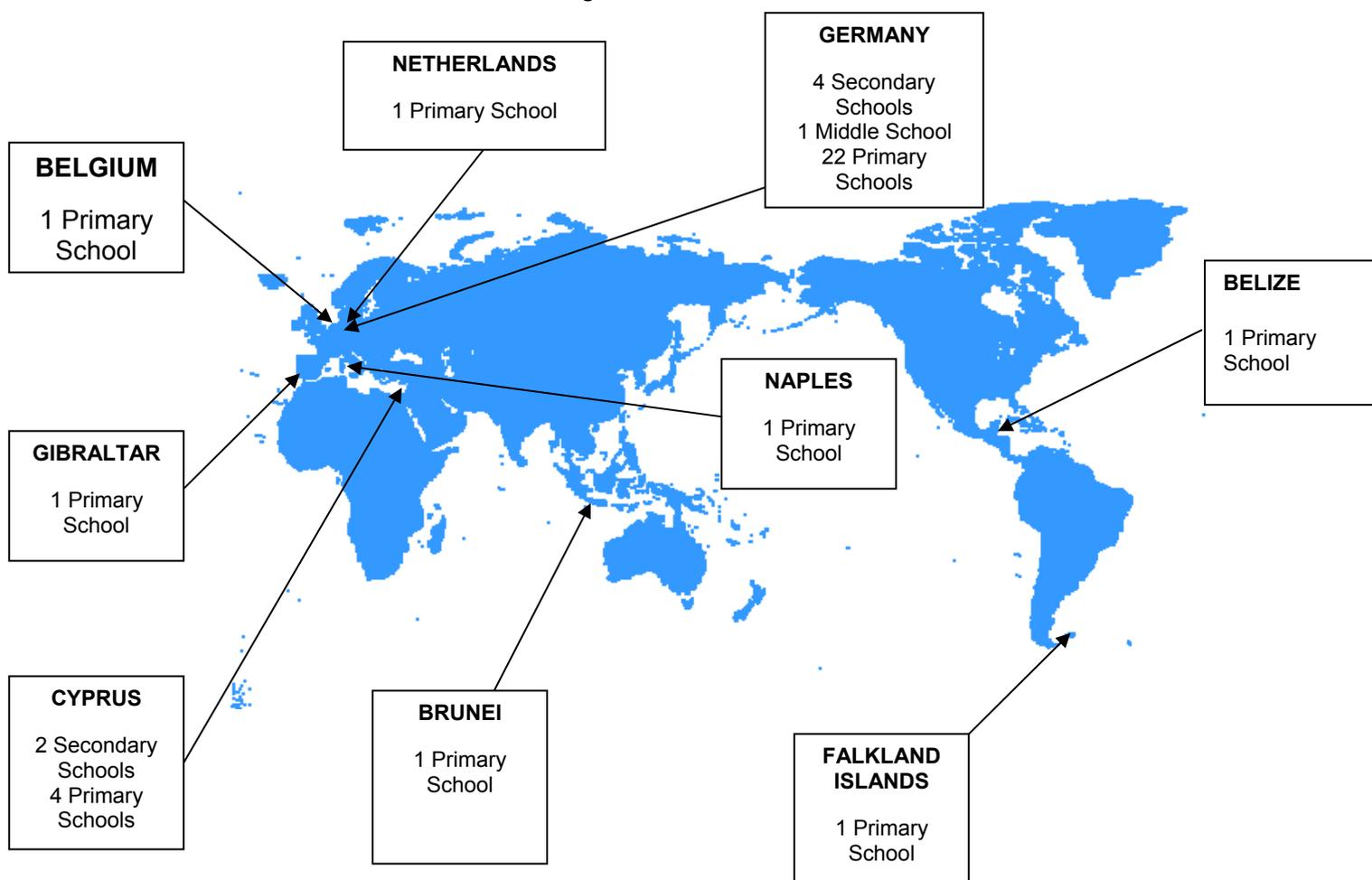
Background to the Agency

SCE Schools and Pre-Schools around the world

As at 31 March 2011, Service Children's Education provided education in 40 schools in 9 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 (formerly known as "pre-schools"), each of which is directly linked to an SCE first or primary school. As at 31 March 2011 there were 36 Foundation Stage 1 classes across the Agency.

Of the 40 schools, 33 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, from the Falkland Islands to Belize.

SCE schools are located in the following countries:



SCE Pupils

On 31 March 2011 some 10,500¹ 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, notably in the Gibraltar secondary schools. The cost of the ISODET nursery allowance is also paid from SCE funds.

SCE Personnel

SCE employs 1,581 personnel around the world, including 739 teachers; the remainder being MOD Civil Servants, specialist educational staff and locally engaged support staff.

Service Children's Education is fully accredited as an Investor in People organisation and strives at all times to provide suitable opportunities for Continuing Professional Development for staff working across the Agency and its schools.

SCE Headquarters

Service Children's Education has its Headquarters in Rheindahlen, Germany with Area Offices (Germany) and Episkopi (Cyprus). Pupil and Family Services Centres are located in Episkopi, Cyprus and at Fallingbostal, Sennelager and Rheindahlen in Germany.

¹ figures obtained from the Spring census 2011

Achievements against strategic priorities

The SCE Strategic Plan for the period 2011 to 2015 provides a comprehensive, realistic plan for carrying out the Agency's mission. It is directed towards achieving our vision of securing a high-quality education for all children and young people at a significant time of change and draw-down.

It provides to the Chief Executive, Agency Executive Board and schools, a 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 the opportunities.

It is a reaffirmation of our fundamental commitment to provide a 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.

Vision

"Our vision is to ensure that children and young people of the Service community have access to an excellent quality education offer and achieve the highest possible outcomes wherever they are located."

How we will achieve this:

"Believing in our children and young people, wanting the best for them and making a difference through our services and through advocating and championing on behalf of children and young people where services are delivered by other agencies and partners"

To achieve our vision we will:-

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

Set out below is a summary of the main achievements and activities undertaken during the period of this report against the six main priorities of the SCE Strategic Plan (2011 to 2015):

Priority 1: Being Healthy

SCE are 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 10 inspections, 5 schools were judged to be outstanding and the remainder all good on care, guidance and support.

Significant work has also taken place with developing materials and training to support pupils' families and teachers during periods of transition and deployment and SCE continues to be at the forefront of this work. A team of Educational Psychologists from SCE have been invited to run a workshop at a Department for Education National Conference. The National College for School Leadership are also keen to use the SCE materials in their national programmes.

Priority 2: Staying Safe

All SCE personnel undertake mandated Level 1 safeguarding training.

All SCE schools have a named 'Designated Senior for Child Protection Officer', who are supported through resources as well as training. All designated personnel undertake level 2 safeguarding training.

SCE personnel deliver level 1 safeguarding training internally and contribute to level 2 safeguarding delivery through various Local Safeguarding Children Boards (LSCBs). SCE personnel are represented on all 5 MOD LSCBs in Overseas Commands as well as the MOD Safeguarding Children 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.

National College of School Leaders (NCSL) accredited Safer Recruitment Training has been available in SCE since 2009 with 85 staff having completed accreditation. This training will eventually be delivered online for school based members of Senior Leadership Teams from Autumn 2011 onwards.

Priority 3: Enjoy and Achieve

Performance reflects the best ever GCSE results whilst A level and Key Stage 2 results remain in line with national averages. The focus on numeracy at Key Stage 2 has impacted and resulted in improved results at level 4.

- GCSE results (5 GCSES at A*-C including English and Mathematics) are significantly higher than the national average and is comparable to the highest achieving LAs in England.
- Attendance has improved
- The new Early Years Foundation Stage curriculum has been implemented successfully

- The number of leading teachers has increased
- All SCE schools have effective systems in place for tracking pupils' progress
- There has been a significant increase in the number of schools achieving recognised kitemarks for being effective providers (e.g.: Basic Skills Awards, Arts Mark Award)

Significant progress has been made with the 0-5 year olds. DCYP has produced an Early Years Policy and SCE is named as the Lead organisation. A Early Years Strategy Group has been formed and is chaired by the Director of Education. This development will ensure resources are targeted where they are needed the most and there will be greater consistency in provision for EYFS. Garrison audits have been completed and will be use to inform the strategic plan for Early Years.

School Inspections

School	Overall Effectiveness	Achievement	Behaviour	Care, Guidance and Support	Leadership and Management
Heide	2	2	2	1	2
AFNORTH	2	2	2	1	2
Prince Rupert	1	1	2	1	1
Gloucester	2	2	1	2	2
Lister	2	2	2	1	2
Akrotiri	2	2	2	1	2
Windsor	1	1	1	1	1
Sir John Mogg	2	2	2	2	2
Bruggen	2	2	2	2	2
Weser	3	3	2	2	3

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

It is therefore encouraging to report that between April 2010 and March 2011 nine of the ten SCE schools that were subject to formal inspection were judged as "Good" or "Outstanding". No SCE school was found to be "inadequate". This is a clear reflection of the standards of Leadership, Teaching and Learning and Curriculum Development found in many SCE schools and also of the quality of support and challenge provided by the HQ Staff.

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.

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.

Priority 4: Make a Positive Contribution

SCE schools have a reputation for good behaviour. During the last year OfSTED inspections reveal that out of the 10 schools inspected two schools were judged to have outstanding behaviour and the remaining 8 schools were judged to have good behaviour. Exclusions remain low in comparison to schools in England.

Bespoke local training has taken place in areas where there has been an increase in the number of young children presenting behavioural problems and for a minority of pupils who present highly challenging behaviour. This training has been very well received by teachers and it is starting to make a difference in schools, especially in the use of advanced techniques for pre-empting and defusing highly challenging behaviour.

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

The Principal Educational Psychologist has continued to work closely with the J1 Working Group (Germany) in order to assist in producing a training resource for Casualty Visiting Officers and others who provide support to grieving families.

Priority 5: Achieve Economic Well-Being

The DfE have announced that there will no longer be an entitlement to the full range of Diplomas as promoted by the previous Government. They have also abolished a number of other post 16 courses. A new White Paper on post 16 is expected at the end of 2011.

In the meantime SCE has not stood still. Whilst the schools have retained all their A and AS level courses, vocational courses have grown this year. SCE has also successfully managed the integration of Vocational Training Services (VTS). This will provide greater choice of vocational courses and entry to apprenticeships for young people in Germany. SCE Head Teachers have also signed a protocol which will deliver: greater consistency of examination across all SCE schools; common entry requirements for sixth forms; and more collaboration across the curriculum. The SCE Secondary offer will be more extensive and flexible in order to meet the needs of the young people.

Priority 6: Service Management

The past year has been marked by significant movement and reallocation of estate assets in particular the relocation of the HQ offices from Wegberg to JHQ in October and the merging of St Patrick's and St Andrew's school to form the new Ark school, which opened in September. Additionally there has been the provision of four additional classrooms at Slim school and the opening of a new Foundation Stage One setting at Montgomery school, accepted into use in January 2011 and Foundation Stage Two at Bishopspark school. On a positive note schools have benefited from significant investment to enhance their Broadband and upgrade their ICT networks.

The new build projects in Naples and Brunei are well advanced and are due for completion in 2011, together with a new school in the 'design phase' for SHAPE. In particular the Naples School construction has encountered weatherproofing issues and has resulting in rework with the current delivery expected in March 2011 however, regular surveillance visits by HQ SCE continue.

The East Shires Purchasing Organisation (ESPO) contract, which is managed through HQ SCE continues to work very well installing bespoke playground projects in a timely and cost effective manner. Of note has been the impact of the Disability Discrimination Act (DDA) where a few projects were identified a short notice and HQ SCE continues to roll out "reasonable adjustments" through collaborative arrangements.

Performance Indicators 2011/12 (Academic Year 2010/11)

The following table details progress against the Key Performance Indicators set by the Agency's Owners Board for 2011/12 and Academic Year 2010/11:

Performance Indicator 1 - Early Years Foundation Stage	England	SCE		Comments
		Target	Actual	
Percentage 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	59%	63%	63%	Above upper quartile for English local authorities
Performance Indicator 2 - Early Years Foundation Stage	England	Target	Actual	Comments
The gap between the lowest achieving 20% in the Early Years Foundation Stage Profile and the rest - To match upper quartile of figures for local authorities in England	31.4%	28.9%	25.6%	Gap Narrowing. Below national benchmark
Performance Indicator 3 - Key Stage 2	England	Target	Actual	Comments
Percentage achieving Level 4+ in both English and mathematics - To equal or exceed the figure for England	74%	74%	73%	In line with national benchmark
Performance Indicator 4 - Key Stage 2	England	Target	Actual	Comments
4a Percentage 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	83%	83%	79%	Below national benchmark
4b Percentage 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	82%	82%	83%	In line with national benchmark
Performance Indicator 5 - Key Stage 4	England	Target	Actual	Comments
Percentage achieving 5+ A*-C including English and mathematics in GCSE and equivalent examinations, as a <i>three year moving average</i> - To match upper quartile of figures for local authorities in England	58%	60.4%	63%	Above upper quartile for English local authorities
Performance Indicator 6 - Key Stage 5	England	Target	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	215.5	215.5	209.9	Below national benchmark
Performance Indicator 7 - Safeguarding		Target	Actual	Comments
Proportion of schools as at 31st March 2012 having both a Designated and Deputy Senior for Child Protection trained to Level 2		100%		Indicator relates to 31st March 2012
Performance Indicator 8 - Accounts				Comments
Financial Year 2010/11 Agency Accounts completed on time and without qualification; and laid before Parliament by Summer Recess 2011				Not achieved
Performance Indicator 9 - Information Assurance				Comments
SCE to achieve Information Assurance Maturity Model Level 3 by April 2012				Level 3 achieved November 2011

Management Commentary for year ended 31 March 2011

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.

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.

Operating and Financial Review

Gross operating costs amounted to £118.568M. This was offset by income of £2.357M resulting in a net cost to the Department of £116.211M. Net assets at 31 March 2011 amounted to £98.932M. The overall financial climate throughout the period of this report was extremely challenging with SCE required to make savings of £3M in the early part of FY 10/11 reflecting reductions in funding for staff, travel and subsistence and training. This was in addition to an already imposed challenging efficiency target. This resulted in a 3% reduction in School budgets at the start of the Financial Year, and fairly large reduction in the ICT and Estates budgets.

Future Developments in the activities of the Agency

The future priority for the Agency is to ensure that all Service children and young people continue to enjoy a high quality learning experience both within the formal school day and beyond. 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 across the full range of outcomes as set out in the Children Act. The successful achievement of our priorities requires an ongoing close working relationship with key partners involved in the broader Children's Services, such as the MOD's Health, Welfare, Policing and Social Services, together with the families themselves and the Voluntary Agencies that support them.

This review of the Agency's core functions will run alongside the annual review and amendments to the 3 year strategic plan which will help to facilitate a broader inter-agency range of support to SCE schools and sustain the schools in delivering their best possible outcomes. It will also, over time, enable the Agency to improve its data and information, knowledge and understanding of the many Service children who access schooling both in the UK and in those overseas locations where no SCE provision exists.

Risks and Uncertainties

Like any organisation, SCE faces challenges and obstacles in successfully delivering its overall Mission. The Agency's current headline risks are summarised here:

Programme BORONA

In September 2007 the Government announced its intention to move the Allied Rapid Reaction Corps (ARRC) to the UK. In May 2008, the Government confirmed its decision to move the ARRC HQ and supporting elements to Innsworth in 2010. As a result the two co-located primary schools in the Joint Headquarters, St Andrew's and St Patrick's merged to become Ark school in September 2010.

In March 2010 the Government confirmed that Headquarters United Kingdom Support Command would be restructured to create a Germany Support Group (GSG), and this would relocate to Gutesloh Garrison in early 2013. This decision, coupled with the move of the ARRC will result in the closure of Rhine Military Complex in early 2014, with the loss of Windsor Secondary school and Ark Primary school, affecting around 65 teaching posts within SCE.

The final closure of Rhine Garrison is likely to take place in 2016, following the move of the remainder of the Signal Brigade elements consisting of 7 and 16 Signal Regiments from Niederkrüchten-Elmpt to the UK in 2015. It is confirmed that Andrew Humphrey and Bruggen Primary Schools will remain open to support primary aged pupils in Elmpt for as long as they are required. Work is underway to consider the secondary education options available for dependant children once Windsor Secondary School closes in Summer 2013.

SDSR and drawdown in Germany and re-basing in UK

The other main issue relates to the SD&SR decision to withdraw from Germany, and the challenge of maintaining educational standards during a protracted drawdown. By 2020 it is anticipated that the SCE budget would have reduced by some £40M per annum, resulting in the closure of 4 Secondary and 21 Primary schools in Germany, affecting about 600 teachers. All these savings are possible because the requirement to educate pupils will have been removed.

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 detail is known.

Management of the Agency

The day-to-day management of the Agency is carried out by the Agency's Executive Board which during the period of this report consisted of:

Mrs L FISHER – Chief Executive (April 2009 – present)

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 (December 2010 – present)

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 (September 2007 – present)

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 (January 2010 – present)

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 (September 2007 – present)

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 (June 2003 – present)

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 (April 1995 – present)

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.

Ms C THOMAS (October 2007 – May 2010)

Christine Thomas was appointed Assistant Director (Support Services) in October 2007. Christine has worked for the Ministry of Defence for 20 years; she has been lucky enough to work in a variety of business areas across the Department, including financial and budget management, change management, policy development, policy advice, operational planning and parliamentary and secretariat management. In 2004 Christine took a secondment from the MOD to study for a Masters in Defence Studies. Prior to joining the Agency, Christine headed up the RAF’s Parliamentary and Policy branch. As Assistant Director (Support Services), Christine was responsible for the delivery of financial, accounting, corporate governance, commercial, ICT, SHEF and estates support to the schools.

Colonel D CARTWRIGHT (June 2009 – 7 October 2010)

Colonel David Cartwright MBE is a serving Army officer with a background in Army training and education. He was appointed in August 2008 as Assistant Director, Children Act (2004) Implementation, with responsibility for implementing the key tenets of the Act across the MOD. Since the appointment (April 2009) of the Director Children & Young People, Colonel Cartwright’s role has focused increasingly on the development, publication and performance management of the MOD Children & Young People’s Plan, on ensuring that the key MOD Children & Young People’s Trust Board and Safeguarding Board are kept up to date with policy and legislative changes, as well as having the overall lead for risk management.

The following changes occurred in the Executive Board membership during the period of the report:

Christine Thomas departed in May 2010 following the decision to remove the post of Assistant Director (Support Services). It was also decided that there was no longer a requirement for Colonel Cartwright to attend the Executive Board in his capacity as Assistant Director, Children Act (2004), with effect from 7 October 2011.

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.

Non Current Assets

Land and Buildings in Germany occupied by Service Children's Education have been accorded a value because Service Children's Education has beneficial use of the assets. All land and buildings in Germany, the initial acquisition or construction of which was not funded by the UK Government, have been classified as donated assets. Land and Buildings occupied by the Agency elsewhere in the World, where appropriate, have also been given a value as, again, the Agency has beneficial use.

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.

Payment Policy

The Agency's policy in respect of creditor payments is to pay all valid invoices within 30 days of receipt (or, if invoiced in advance, within 30 days of satisfactory receipt of the goods/services) or the agreed contractual terms where otherwise specified. The Agency uses the Financial Management Shared Service centre (FMSSC), the Ministry of Defence's central bill payment authority, as well as other MOD units' Imprest accounts to process and settle its invoices. In 2010/11, FMSSC had a target of paying 80% of correctly presented UK bills within 3 working days of receipt as part of the Government prompt payment initiative. FMSSC's actual performance against this target was 95.22%.

Sickness Absence

During Financial Year 2010/11 the agency had an average of 4.37 days sickness absence per employee. This total includes an average of 2.08 days of long term sickness absence.

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 2010-11 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 2010-11

Nil return

Table 2: Summary of Other Protected Personal Data Related Incidents in 2010-11

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.	2 ²

² Cases detailed in Information Management – Personal Data Related Incidents

Table 3: Year-on Year Total Numbers of Protected Personal data Related Incidents Prior to 2010-11													
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
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)

A number of personal data related incidents occurred during 2010-11 in respect of data for which SCE was the custodian. These are detailed below:

Month of Incident	Nature of Incident	Nature of Data Involved	Number of People Potentially Affected	Notification Steps
Oct 10	Member of teaching staff home broken into – forced entry and school issue encrypted laptop stolen.	Laptop fully encrypted (BeCrypt)	Some personal records related to Headteachers and job applications	<ol style="list-style-type: none"> 1. Civilian Police informed. 2. Individual notified SCE (DPO) 3. SCE notified LF Systems Accrerator and Joint Security Coordination Centre
Nov 10	Partnership Manager reported loss of "Dunlpo" suitcase containing an encrypted laptop together with other personal items from a car left in a car park in Leipzig.	Laptop fully encrypted (BeCrypt)	None	<ol style="list-style-type: none"> 1. Reported to German Police & RMP. 2. Individual notified SCE (DPO) 3. SCE notified LF Systems Accrerator & Joint Security Coordination Centre

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 £80,000 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.



Lynda Fisher
Chief Executive
15 December 2011

REMUNERATION REPORT

Summary

The salary of the Chief Executive is 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. The Military Executive Board member salary is recommended by the Armed Forces Pay Review Body and ratified by Parliament.

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.

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. No bonuses were paid to senior staff in 2010/11.

The 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 2010/11 for the year 2009/10 but relates to Performance Targets for the MOD DCYP role.

This section has been subject to Audit.

All figures £000	Note	Salary at 31/03/11	Bonus Payments	Benefits in Kind (rounded to nearest)	Salary at 31/03/10	Bonus Payments	Benefits in Kind (rounded to nearest £100)
Mrs Lynda Fisher	1	120 - 125	10 - 15	0	120 - 125	0	0
Mr Mark Revell (FYE)	2a	10 - 15 55 - 60	N/A	0	N/A	N/A	0
Mrs Kathryn Forsyth		75 - 80	0	0	75 - 80	0	0
Col David Cartwright (FYE)	2b	80 - 85 140 - 145	0		105 - 110 135 - 140	0	0
Mrs Rita Carvosso		70 - 75	0	0	65 - 70	0	0
Mr Paul Niedzwiedzki		70 - 75	0	0	70 - 75	0	0
Mr Christopher Spencer		65 - 70	0	0	65 - 70	0	0
Ms Christine Thomas (FYE)	2c	10 - 15 55 - 60	0	0	50 - 55	0	0
Mr Mark Fraser (FYE)		60 - 65	0	0	15 - 20 60 - 65	0	0

FYE (Full Year Equivalent)

Notes

1. Lynda Fisher was appointed Chief Executive on a three year Fixed Term appointment from 1st April 2009. This was previously reported in the FY 09/10 Accounts at 6 April 2009. 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.

2. 2010/11 Salary reported is the actual amount paid from the date of appointment to or retirement from the Executive Board, together with the full year equivalent

- a. Salary reported from date of appointment on 06/12/2010.
- b. Salary reported to date of leaving on 07/10/2010.
- c. Salary reported to date of leaving on 05/07/2010.

Pensions Table

All figures £000	Total Accrued Pension at age 60 and related lump sum at 31/03/11	Real increase in pension and related lump sum at age 60 at 31/03/11	CETV* at 31/03/11 or on cessation of appointment if earlier	CETV* at 31/03/10	Real increase in CETV after adjustment for and changes in market investment factors
Mrs Lynda Fisher	75 - 80 plus lump sum 0	0 - 2.5 plus lump sum 0	1,022	1,015	4
Mr Mark Revell	15 - 20 plus lump sum 0	0 - 2.5 plus lump sum 0	282	247	21
Mrs Kathryn Forsyth	30 - 35 plus lump sum 90 - 95	0 - 2.5 and lump sum 5 - 7.5	615	602	**
Col Cartwright	35 - 40 plus lump sum 105 - 110	0 - 2.5 plus lump sum 0 - 2.5	860	771	3
Mrs Rita Carvosso	20 - 25 plus lump sum 65 - 70	0 - 2.5 and lump sum 0 - 2.5	501	508	**
Mr Paul Niedzwiedzki	25 - 30 plus lump sum 85 - 90	0 - 2.5 plus lump sum 0 - 2.5	654	620	5
Mr Christopher Spencer	35 - 40 plus lump sum 0	0 - 2.5 plus lump sum 0	725	649	23
Ms Christine Thomas	10 - 15 plus lump sum 40 - 45	0 - 2.5 plus lump sum 0 - 2.5	151	139	9
Mr Mark Fraser	10 - 15 plus lump sum 30 - 35	0 - 2.5 plus lump sum 5 - 7.5	144	128	25

*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 do not provide the details.

N/A Details not available as they became members of the Executive Board in 2010/11.

Pension

The 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. One Executive Board member is a member of the Armed Forces 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 2010/11 employers pension contributions of £5,438,000 were payable in respect of the various schemes in which staff were members (2009/10 £5,503,000).

These schemes are unfunded multi-employer defined benefit schemes, but Service Children's Education is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007 for the PCSPS and 31 March 2008 for the TPS. Details can be found in the resource accounts of these schemes, which are published and laid before the House of Commons. For the PCSPS these are also available on the web at www.civilservice-pensions.gov.uk

PCSPS Pension details

From 1 October 2002, civil servants may be in one of three statutory based "final salary" defined benefit schemes (*classic*, *premium*, and *classic plus*). New entrants after 1 October 2002 may choose between membership of *premium* or joining a good quality "money purchase" stakeholder based arrangement with a significant employer contribution (*partnership pension account*).

Classic Scheme

Benefits accrue at the rate of $1/80^{\text{th}}$ of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. Members pay contributions of 1.5% of pensionable earnings. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

Premium Scheme

Benefits accrue at the rate of $1/60^{\text{th}}$ of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum, but members may commute some of their pension to provide a lump sum up to a maximum of $3/80^{\text{ths}}$ of final pensionable earnings for each year of service or 2.25 times pension if greater (the commutation rate is £12 of lump sum for each £1 of pension given up). For the purposes of pension disclosure the tables assume maximum commutation. Members pay contributions of 3.5% of pensionable earnings. On death, pensions are payable to the surviving spouse or eligible partner at a rate of $3/8^{\text{ths}}$ of the member's pension (before any commutation). On death in service, the scheme pays a lump-sum benefit of three times pensionable earnings and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction. Where the member's ill health is such that it permanently prevents them undertaking any gainful employment, service is enhanced to what they would have accrued at age 60.

Classic Plus Scheme

This is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic. Pensions payable under classic, premium, and classic plus are increased in line with the Retail Prices Index.

Partnership Pension Account

This is a stakeholder-type arrangement where the employer pays a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product. The employee does not have to contribute but where they do make contributions, these will be matched by the employer up to a limit of 3% (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of risk benefit cover (death in service and ill health retirement). The member may retire at any time between the ages of 50 and 75 and use the accumulated fund to purchase a pension. The member may choose to take up 25% of the fund as a lump sum.

Contributions are paid to the Paymaster General at rates determined from time to time by the Government Actuary and as advised by HM Treasury. Applicable rates for 2010/11 were as follows:

Rates at which SCE contributes to employee pension schemes

<u>Scheme and Class of member</u>	<u>2010-11 Rates - % of Pay</u>
PCSPS – Non Industrial Staff	16.7 – 24.3
TPS	14.1

Employer contributions for the PCSPS are to be reviewed every four years following a full scheme valuation by the Government Actuary. From 1 April 2011, the rates will remain the same (16.7% to 24.3%). The contribution rates are set to meet the cost of the benefits accruing during 2010-11 to be paid when the member retires and not the benefits paid during this period to existing pensioners. Employers' contributions for the TPS have been reviewed. The new contributions are applicable from 1 January 2007, and are 14.1%.

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 20.8%, Social Insurance Fund, and 3%, 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.



Lynda Fisher
Chief Executive
15 December 2011

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 in the form and on the basis set out in the Accounts Direction dated 22nd December 2010. 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 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".

STATEMENT ON INTERNAL CONTROL FOR 2010/2011

1. Scope of Responsibility

As Chief Executive of the Service Children's Education Agency, I have responsibility for maintaining a sound system of internal control that supports the achievement of the SCE's policies, aims and objectives. Such systems safeguard the public funds and the Departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

I am accountable directly to the Permanent Under Secretary, as the Ministry of Defence 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. As Chief Executive, I acknowledge my responsibility for ensuring that an effective system of internal control is maintained by SCE.

I contribute directly to the achievement of LAND Forces Command policies, aims and objectives through delivery of the Agency's Mission, which is 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.

2. The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level, rather than eliminate entirely, to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritize the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realized and the impact should they happen. Thus they are managed efficiently, effectively and economically. The system of internal control has been in place in SCE for the year ended 31 March 2011 and up to the date of approval of the Annual Report and Accounts, and accords with Treasury guidance.

3. Capacity to Handle Risk

The Agency Risk Management approach cascades directly from the SCE Strategic Plan, highlighting as it does 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.

In my role as Agency Chief Executive, I am responsible to the Adjutant General through the SCE Owner's Board. I am required to provide reports governing performance and assurance to this forum and in doing so contribute to the Command's overall

Performance Management process. My Executive Board regularly reviews the Agency's financial position, together with any emerging Corporate Governance issues, as well as monitoring and responding to developments and change in policy. In addition, the SCE Assurance Working Group (chaired by the Deputy Chief Executive) regularly reviews and updates the Agency's internal control systems, and is the principle body that manages general day to day corporate governance issues.

I am supported in my Accounting Officer role by the SCE Audit Committee (previously called the SCE Scrutiny Committee), under the chairmanship of its Non Executive Director. The National Audit Office and Defence Internal Audit attend the Audit Committee in order to provide advice and guidance as appropriate. Unfortunately the Committee only managed to meet on two occasions in 2010/2011 due to staff resourcing issues.

The Agency's business is also reviewed by a number of audit bodies, including the National Audit Office, Defence Internal Audit, OfSTED and the Land Forces Assurance Team, which provide the primary source of independent assurance.

Guidance on the Department's approach to risk is detailed in a Joint Service Publication. This guidance is cascaded down through HQ Land Forces Top Level Budget Holder and is available to all staff on the MOD's intranet. Individual training is available to all staff via the MOD's in-house training provider.

4. The Risk and Control Framework

The Risk Management process is directed by me, as Chief Executive, in tandem with the other members of the Executive Board. The Deputy Chief Executive is responsible for the overall management of the SCE Risk Management process. This is achieved by the identification of Business Risks through the SCE Strategic Plan, their subsequent grading and the development of a suite of mitigation plans devised to address significant threats and opportunities that could impact on the Agency's outputs. The Risk Map itself is subject to ongoing review and update by the Executive Board, the SCE Assurance Working Group, and has been shared with the Agency Owner's Board. This approach in turn informs the Resource Management process diverting funding, where necessary, to overcome or reduce risks of a critical or significant nature.

The nature of SCE's core business requires the Agency to focus on any potential Risk to the delivery of its overall Mission, which is to provide a high standard of education to the children and young people attending SCE schools worldwide. As such, there is also a clear requirement to consider the objectives and views contained within Government Education and Early Years policy, as well as MOD policy and frameworks, and SCE Stakeholders and Partners, Children and their Parents.

5. Control of Risks

Controls and Mitigation Plans are constructed using an approach based on prioritization of risks, coupled with their review and consideration by the Executive Board. A flexible approach to individual mitigation strategies ensures that they are reviewed regularly and updated in the light of any increases or decreases to the likelihood of the Risk in question maturing or indeed its impact.

6. Risk Appetites

The Agency Executive Board, via individual risk “owners” clearly defines the appetite for risk, suitably tailored to reflect the perceived level of risk for any particular area or issue, and its potential impact upon the Agency.

7. Review of Effectiveness

As Agency Chief Executive, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the SCE Finance Team and regional Business Support Officers, as well as Executive Managers within the Agency who have responsibility for the development and maintenance of the internal control framework, and comments made by external auditors and other reports. I continue to be advised on the effectiveness of the system of internal control by my Executive Board, the Audit Committee and the Assurance Working Group with the aim of addressing any weaknesses and ensuring continuous improvement of the systems already in place.

The past year has seen the continued updating and refinement of the SCE Strategic Plan, which sets out the Agency’s Aims and Objectives over the coming years in seeking to embrace the Government’s agenda for Children and Young People.

A number of steps have been taken during 2010-11 to maintain and improve the effectiveness of internal control:

- I have asked DIA to examine whether within SCE Business Continuity Management is adequate and appropriate, as well as review the ongoing work of the SCE Germany Drawdown team.
- I have tasked the Deputy Chief Executive to continue to develop and improve the identification and monitoring of risk, ensuring that the risk register does not become static, that mitigation plans are regularly reviewed and adjusted where necessary, and that an appropriate risk management culture is firmly embedded within the day to day business of the Agency. To that end, DIA will conduct an audit to inform me where improvements can be made to the risk management framework within SCE.
- Reporting against the Strategic Plan is an important element of the Agency business and we are in the process of developing and improving the reporting structures necessary to provide sufficient management information and visibility to the Executive Board, Owners Board and the SCE Scrutiny Committee.
- I have created a Change Management Team to focus on the restructuring of HQ SCE to take account of the developments in Government Education and Early Years policies, the impact of the SD&SR announcement regarding the decision to withdraw from Germany, the continuing impact of civilian manpower reductions and reducing budgets.

- Staff resources within HQ SCE have significantly reduced over the past year and show no sign of stopping in the short term. The frequency of Agency meetings has suffered due to the rapid reduction in staffing but moves are being made to reduce the frequency of some meetings and combine other venues in order to rationalize decision making and make better uses of scarce resources.
- We are in the process of re-energizing the Agency Assurance Working Group to ensure that it is better managed in the provision of formal minutes and to focus more on the management and identification of risk within the Agency.
- The Agency is being increasingly tasked with additional responsibility and areas of work which will require a more structure and coordinated response. To this end, the Agency has made a case for the establishment of a Project Manager to address these challenges and provide a more measured approach to an expanding business.
- The Agency and the MOD currently maintain separate registers recording information on the Agency's non-current assets. There are significant differences between the information recorded on these two registers and we have been working with the NAO and the MOD's Fixed Asset Processing Centre (FAPC) to understand why these occurred. This work has identified a number of errors (which have now been corrected) and areas where we need to change procedures, including how the Agency interacts with the FAPC and Defence Infrastructure Organisation (DIO) regarding non-current assets. Going forward we will undertake work to consider whether there is a case for the Agency to adopt the MOD Fixed Asset Register as the basis for producing the Agency Accounts.

8. Data Protection

SCE continues to invest significant effort in the Information Assurance Maturity Model (IAMM) programme. Building on the successful achievement of level 2 in April 2010, a review commissioned by the Defence SIRO of SCE performance against the IAMM in July 2011 has confirmed that SCE attained level 3 in November 2011.

9. Significant Internal Control Issues

There were no significant internal control failures or significant compliance incidents to report during the period of this report.



Lynda Fisher
Chief Executive
15 December 2011

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 Service Children's Education Agency for the year ended 31 March 2011 under the Government Resources and Accounts Act 2000. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Changes in Taxpayers' Equity, the Statement of Financial Position, the Statement of Cash Flows 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 Chief Executive and Auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive 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 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.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on Regularity

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

Opinion on the financial statements

In my opinion:

- the financial statements give a true and fair view, of the state of the Agency's affairs as at 31 March 2011, 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 there-under.

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 of Accounts 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 or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office, 157-197 Buckingham Palace Road, Victoria
London, SW1W 9SP

16 December 2011

Accounts for the year ended 31 March 2011

Statement of Comprehensive Net Expenditure for the year ended 31 March 2011

			2010-11 £000	Restated 2009-10 £000
	Notes	Staff Costs	Other Costs	Income
PROGRAMME COSTS				
Staff Costs	2	70,812		74,415
Programme Costs	4		47,756	48,966
Income	5		(2,357)	(2,822)
Totals		70,812	47,756	(2,357)
Net Operating Cost			116,211	120,559

Other Comprehensive Expenditure

		2010-11 £000	2009-10 £000
Net (gain)/loss on revaluation of Property Plant and Equipment	6a	14,279	5,330
Net (gain)/loss on revaluation of Intangibles			
Net (gain)/loss on revaluation of available for sale financial assets			
Total Comprehensive Expenditure for the year ended 31 March 2011		130,490	125,889

The Notes on pages 40 - 58 form part of these Accounts.

Statement of Financial Position
as at 31 March 2011

	Note	31-Mar-11 £'000	Restated 31-Mar-10 £'000
NON-CURRENT ASSETS			
Property Plant and Equipment	6a	131,081	154,203
Total non-current assets		131,081	154,203
CURRENT ASSETS			
Inventories	8	0	14
Trade and Other Receivables	9	521	688
Cash and Cash Equivalents		0	0
Total current assets		521	702
Total Assets		131,602	154,905
CURRENT LIABILITIES			
Trade and other payables	10	(6,441)	(4,802)
Provisions falling due in less than one year	11	(1,524)	(1,660)
Total Current Liabilities		(7,965)	(6,462)
NON CURRENT ASSETS LESS NET CURRENT LIABILITIES		123,637	148,443
NON CURRENT LIABILITIES			
Provisions falling due in more than one year	11	(24,705)	(28,899)
Total non-current liabilities		(24,705)	(28,899)
ASSETS LESS LIABILITIES		98,932	119,544
TAXPAYERS' EQUITY			
General Fund		(111)	2,308
Revaluation Reserve		50,835	65,702
Donated Assets Reserve	6b	48,208	51,534
Total Taxpayers' Equity		98,932	119,544

The Notes on pages 40 - 58 form part of these Accounts.

Lynda Fisher
Chief Executive
15 December 2011

Statement of Cash Flows for the year ended 31 March 2011

	Note	2010-11 £000	Restated 2009-10 £000
CASHFLOWS FROM OPERATING ACTIVITIES			
Total Comprehensive Expenditure		130,490	125,889
Adjustments for non-cash transactions		(41,204)	(38,511)
Increase/(Decrease) in trade and other receivables	9	(167)	(232)
Increase/(Decrease) in inventories	8	(14)	0
(Increase)/Decrease in trade payables	10	(1,639)	2,250
(Increase)/Decrease in provisions	11	4,330	(330)
Net cash outflow from operating activities		91,796	89,066
CASHFLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	6a	1,634	807
Proceeds on disposal of property, plant and equipment		0	0
Net cash outflow from investing activities		1,634	807
CASHFLOWS FROM FINANCING ACTIVITIES			
Capital element of payments in respect of finance leases		0	0
Net payments on Defence Resource Accounts	15	(93,430)	(89,873)
Net cash outflow from financing activities		(93,430)	(89,873)
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 - 58 form part of these Accounts.

Statement of Changes in Taxpayers Equity for the year ended 31 March 2011

	Note	General Fund	Revaluation Reserve	Donated Asset Reserve	Total Reserves
All figures £000					
Restated Balance at 31 March 2009		1,986	74,812	52,816	129,614
Net gain/(loss) on revaluation of property, plant & equipment			(5,330)		(5,330)
Release of reserves to SoCNE			642		642
Adjust 08/09 accrual		1,744			1,744
Non-cash charges - cost of capital restated	4				
Non-cash charges - auditors remuneration	12	71			71
Transfers between reserves		4,404	(4,422)	18	0
Net Operating Cost		(125,889)			(125,889)
Revenue non cash items	12	28,144			28,144
Net payments on Defence Resource Account	15	89,873			89,873
Depreciation on donated assets		1,300		(1,300)	0
Non-cash non donated fixed asset additions	6a	675			675
Restated Balance at 31 March 2010		2,308	65,702	51,534	119,544
Net gain/(loss) on revaluation of property, plant & equipment			(14,279)		(14,279)
Release of reserves to SoCNE			(469)		(469)
Non-cash charges - auditors remuneration	12	80			80
Transfers between reserves		1,515	(119)	(1,396)	0
Net Operating Cost		(130,490)			(130,490)
Revenue non cash items	12	30,279			30,279
Net payments on Defence Resource Account	15	93,430			93,430
Hand back of donated assets		620		(620)	0
Depreciation on donated assets		1,310		(1,310)	0
Non-cash non donated fixed asset additions	6a	837			837
Balance at 31 March 2011		(111)	50,835	48,208	98,932

The Notes on pages 40 - 58 form part of these Accounts.

Notes to the Accounts

1. Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2010-11 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

Within the Land Forces Top Level Budget only the staff and the costs associated with HQ Land Forces are considered to be part of the Admin Cost Regime. As such, all SCE costs are classed as programme costs within Land Forces. The Statement of Comprehensive Net Expenditure is analysed between administration and programme Income and expenditure. Programme costs reflect non-administration costs, including payments of grants and certain staff costs where they relate directly to service delivery.

Within the Land Forces Top Level Budget only the staff and the costs associated with HQ Land Forces are considered to be part of the Admin Cost Regime. As such, all SCE costs are classed as Programme Costs within Land Forces.

Capital Charge

Following a change in accounting policy by HM Treasury, the notional cost of capital charge is no longer included in the accounts and therefore restatement is required to prior year figures on Note 4 programme Costs, Statement of Comprehensive net Expenditure and Statement of Changes in Taxpayers' Equity.

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.

Comprehensive Net Expenditure

Income comprises the invoiced value of transactions with the Private Sector and the wider Public Sector. No value is attributed in the accounts for services provided to the Ministry of Defence. The funding of the Agency from the Defence Resource Accounts 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 (other than the operating system) 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.

Tangible Non-Current Assets

The useful economic lives of tangible non-current assets are reviewed annually and adjusted where necessary. The Agency capitalisation threshold is generally £5,000 and it is this which determines whether or not an asset is recorded on the Agency's Non-Current Asset Register (NCAR). The decision to record an asset on the NCAR normally takes place at the point of initial acquisition.

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 their useful economic lives, are set out in the table below. All the assets are depreciated on a straight line basis.

	Category	Years
Land and Buildings	Land	Indefinite, not depreciated
	Buildings (dwellings and non-dwellings): - permanent - temporary	40 - 50 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.

The Donated Asset Reserve represents the value of the original donation, additions and any subsequent professional revaluation and indexation (MHCA). Amounts equal to the donated asset depreciation charge, impairment costs and any in-year surplus/deficit on disposal are released from this reserve to the Statement of Comprehensive Net Expenditure.

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 Donated Asset Reserve, 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 Tangible Non-Current Assets

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.

Inventories

Inventories are recognised on the Agency's Statement of Financial Position from the point of acquisition to the point of issue for consumption, sale, write-off or disposal. The point of consumption for SCE inventories is the point at which inventory is issued from central store.

Inventories are valued at current cost or historic cost if not materially different. Provision is made to reduce cost to net realisable value (NRV) where there is no expectation of consumption or sale in the ordinary course of the business. Inventory provision is released to the Statement of Comprehensive Net Expenditure on consumption, disposal and write-off.

Inventories written-off, included within Other Operating Costs, represent the book value of inventories which has been scrapped, destroyed or lost during the year.

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 2010-11 is 2.9% (1.8% for 2009-10). 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 (excluding donated assets). The Donated Asset Reserve reflects the carrying value of assets that have been donated to the Agency.

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 Department 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 Department'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 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

The Agency provides in full for the cost of meeting pensions 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. Redundancies are provided for in full. 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 2.9 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.

Audit Fee

The Agency is not charged a 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

Service Children's Education is managed as a single segment therefore separate disclosure of operating segments under IFRS8 is not required.

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. Prior to 1 September 2008, the GAR for the Department's major trading currencies, US Dollars and Euros, was based on the Department's foreign currency forward contract rates.

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.

The exchange differences are taken to the Revaluation Reserve for owned assets, or the Donated Asset Reserve for donated assets.

Cash Balances and Liabilities

As SCE has no Imprest accounts, all cash payments are made and receipts collected by the MOD's central accounting organisations on behalf of the Agency. All transactions, both locally and centrally, are brought to account by the MOD in the Departmental Resource Account and are disclosed in aggregate in the Cash Flow Statement.

As the MOD charges the Agency during the year with the gross payments due to Agency employees, inclusive of PAYE and National Insurance contributions, the department is liable for the payment of any liabilities which may be due to Her Majesty's Revenue and Customs and Department of Work and Pensions at the balance sheet date, and these are not disclosed in the Agency's balance sheet.

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 Loans and Receivables and are initially recognised at fair value (plus/net of transaction cost) and subsequently at amortised cost. 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

	2010-11 £000	£000 Permanently employed staff	£000 Others	2009-10 £000 Total
Wages and salaries	61,382	60,325	1,057	65,017
Social security costs	3,992	3,954	38	3,895
Other pension costs	5,438	5,438	0	5,503
Sub total	70,812	69,717	1,095	74,415
Total net costs	70,812	69,717	1,095	74,415

Breakdown of above costs by manpower category

	2010/11 £000	2009/10 £000
UK Based Admin Grades		
Salaries, wages and allowances	3,443	3,476
Social Security costs (ERNIC)	240	262
Other pension costs	454	485
	<u>4,137</u>	<u>4,233</u>
Headteachers, Deputy Heads & Assistant Teachers		
Salaries, wages and allowances	39,764	42,134
Social Security costs (ERNIC)	2,407	2,493
Other pension costs	4,551	4,624
	<u>46,722</u>	<u>49,251</u>
Other Educational Grades		
Salaries, wages and allowances	3,952	3,668
Social Security costs (ERNIC)	213	198
Other pension costs	402	368
	<u>4,567</u>	<u>4,234</u>
Miscellaneous Locally Enrolled		
Salaries, wages and allowances	14,223	15,739
Social Security costs (ERNIC)	1,132	942
Other pension costs	31	26
	<u>15,386</u>	<u>16,707</u>

Reporting of Civil Service and Other Compensation Scheme - Exit Packages

SCE did not operate an Early Release Scheme (Exit Packages) during the reporting period.

Average number of persons employed

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

	2010/11	2009/10
UK Based Administrative Grades	74	81
UK Based Educational Grades:		
Headteachers, Deputy Heads & Assistant Teachers	739	763
Other Educational Grades	65	60
Locally Enrolled Civilians:		
Miscellaneous Locally Enrolled	703	672
Army: Other Ranks	<u>0</u>	<u>0</u>
	1,581	1,576

3. Administrative Costs.

Within the Land Forces Top Level Budget only the staff and the costs associated with HQ Land Forces are considered to be part of the Admin Cost Regime. As such, all SCE costs are classed as Programme Costs within Land Forces.

4. Programme Costs

£000	2010-11	Restated 2009-10
IT equipment and services	896	712
Catering and cleaning	863	1,954
Accommodation charges	9,406	9,717
Works maintenance	4,238	2,958
Travel, subsistence and transfer costs	2,662	2,982
Medical, welfare and central MOD services	3,560	3,629
School transport	9,436	6,809
MOD, HQ UKSC and HQ AG costs	2,853	2,916
Other administration expenses	5,831	4,962
Rentals under operating leases	296	335
Non-cash items		
Depreciation	9,734	9,065
Loss on disposal of property	1,580	589
Auditors remuneration	80	71
Unwinding of discount on provision	520	630
Increase/(Decrease) in provision	(540)	(317)
Change in pension rate	(3,190)	1,312
Release of reserves to SOCNE	(469)	642
Total	47,756	48,966

5. Income

£000	2010-11	2009-10
Tuition Fees, Music Fees, Home Savings Contribution, FS1 Fees	(2,193)	(2,700)
School Meals	(132)	(77)
Miscellaneous	(32)	(45)
Total Income	(2,357)	(2,822)

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.

£000	2010/11			2009/10		
	Income	Full Cost	Surplus (Deficit)	Income	Full Cost	Surplus (Deficit)
Provision of Education for Fee-Payers	2,193	2,449	(256)	2,700	4,094	(1,394)
School Meal Collection Fee	132	95	37	77	77	0
Miscellaneous	32	57	(25)	45	45	0
Total	2,357	2,601	(244)	2,822	4,216	(1,394)

The Agency's policy is to recover full costs for school fees. In practice, in a small number of cases where the Agency operates schools in isolated locations, 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 decrease in Income this year relates to a decrease in the number of Fee Payers.

Service Children's Education collects some School Dinner money on behalf of the contractor, and they invoice SCE for the cost. For 2007/08 onwards, the accounting treatment of the receipts has changed, with the receipts being matched with the Invoices for providing the meal service.

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

6a. Property, plant and equipment

£000	Donated	Non-Donated	Plant and Machinery	IT & Office Machinery	AUC	Total
Cost or Valuation as at 1 April 2010 Restated	62,331	146,841	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	(1,176)	(1,515)	0	0	0	(2,691)
Revaluation	(2,015)	(19,094)	59	1,174	0	(19,876)
Reclassification	0	0	413	937	(1,350)	0
Cost or Valuation as at 31 March 2011	59,140	127,069	2,531	10,397	1,712	200,849
Depreciation to 1 April 2010 Restated	10,797	50,771	1,192	3,982	0	66,742
Charge for the year	1,310	6,215	221	1,988	0	9,734
Disposals	(556)	(555)	0	0	0	(1,111)
Revaluation	(619)	(5,576)	34	564	0	(5,597)
Reclassification	0	0	0	0	0	0
Depreciation to 31 March 2011	10,932	50,855	1,447	6,534	0	69,768
Net Book Value as at 31 March 2010	51,534	96,070	867	4,304	1,428	154,203
Net Book Value as at 31 March 2011	48,208	76,214	1,084	3,863	1,712	131,081

6b. Land and Buildings breakdown between Donated and Non-Donated Asset

Figures in £000	Donated Assets		Non-Donated Assets		TOTAL L&B
	2010/11	2009/10 Restated	2010/11	2009/10 Restated	2010/11
Opening Cost or Valuation	62,331	62,446	146,841	153,894	209,172
Additions - normal cashflow affecting	0		0		0
Additions - non-cashflow affecting	0		837	665	837
Disposals	(1,176)		(1,515)	(813)	(2,691)
Revaluation	(2,015)	(115)	(19,094)	(6,905)	(21,109)
Reclassification	0		0		0
Closing Cost or Valuation	59,140	62,331	127,069	146,841	186,209
Opening Depreciation	10,797	9,630	50,771	46,938	61,569
Charge for the year	1,310	1,300	6,215	6,002	7,525
Disposals	(556)		(555)	(330)	(1,111)
Revaluation	(619)	(133)	(5,576)	(1,839)	(6,195)
Reclassification	0		0		0
Closing Depreciation	10,932	10,797	50,855	50,771	61,787
Net Book Value as at 31 March 2011	48,208		76,214		124,422
Net Book Value as at 31 March 2010		51,534		96,070	147,604

6c. Property, plant and equipment 2009/10 (Restated)

	Donated £000	Non- Donated £000	Plant and Machinery £000	IT and Office Machinery £000	AUC £000	Total £000
Cost or Valuation as at 1 April 2009	62,446	153,894	1,794	8,733	2,174	229,041
Additions - normal cashflow affecting	0	0	0	0	807	807
Additions - non-cashflow affecting	0	665	10	0	0	675
Disposals	0	(813)	0	(1,255)	0	(2,068)
Revaluation	(115)	(6,905)	41	(531)	0	(7,510)
Reclassification	0	0	214	1,339	(1,553)	0
Cost or Valuation as at 31 March 2010	62,331	146,841	2,059	8,286	1,428	220,945
Depreciation to 1 April 2009 Restated	9,630	46,938	987	3,781	0	61,336
Charge for the year	1,300	6,002	183	1,580	0	9,065
Disposals	0	(330)	0	(1,149)	0	(1,479)
Revaluation	(133)	(1,839)	22	(230)	0	(2,180)
Reclassification	0	0	0	0	0	0
Depreciation to 31 March 2010	10,797	50,771	1,192	3,982	0	66,742
Net Book Value as at 1 April 2009	52,816	106,956	807	4,952	2,174	167,705
Net Book Value as at 31 March 2010	51,534	96,070	867	4,304	1,428	154,203

Following a comprehensive review of the Agency's Fixed Asset Register certain changes have been made to the prior year figures. Depreciation for 2009-10 was previously recorded as £8,042,000 and has been restated as £9,065,000. The Statement of Comprehensive Net Expenditure has been amended to reflect these changes. The Net Book Value of the Agency's Non-Current Assets was previously recorded as £157,632,000 and has been restated as £154,203,000. The Statement of Financial Position has been amended to reflect these changes.

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, £521k at 31 March 2011 (31 March 2010: £688k). No impairments have been made as these balances are considered to be recoverable.

Foreign Currency Risk

The Agency is exposed to foreign currency risk, which is not hedged in any way. 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

Financial Assets: The Agency has no financial assets other than short-term debtors, which do not require disclosure.

Financial Liabilities: The fair value of the provision approximates to the book value. The Agency has no other financial liabilities other than short-term creditors which do not require disclosure.

8. Inventories

	2010-11 £000	2009-10 £000
Inventories		
Educational and Office Supplies	0	14

There is no longer an inventory, as the figures reported in FY 09/10 related to the one of purchase of carpets, which were placed into storage pending fitting in the relevant Schools.

9. Trade receivables and other Current Assets

	2010-11 £000	2009-10 £000
Amounts falling due within one year		
Trade receivables – Central Government Entities	0	0
Other receivables	251	309
Prepayments and accrued income	270	379
	521	688
Intra – government Balances		
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	521	688
Total Receivables at 31 March	521	688

10. Trade payables and other Current Liabilities

	2010-11 £000	2009-10 £000
Amounts falling due within one year		
Trade payables	363	369
Other payables	0	0
Accruals and deferred income	4,183	2,659
Annual Leave Accrual	1,895	1,774
	6,441	4,802
Intra – Government Balances		
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	6,441	4,802
Total Payables at 31 March	6,441	4,802

11. Provisions for Liabilities and Charges

Restated	2010-11	2009-10
Early Departure Costs	£000	£000
Provision for Early Retirements as at 1 April	30,559	30,229
Provisions utilised in the year	(1,120)	(1,295)
Increase/(Decrease) in Provision	(540)	(317)
Change in Pension rate	(3,190)	1,312
Unwinding of discount	520	630
Provision as at 31 March	26,229	30,559

Restated	2010-11	2009-10
Early Departure Costs	£000	£000
In the remainder of the Spending Review period to 2011	1,524	1,660
Between April 2012 and March 2017	6,685	7,000
Between April 2017 and March 2022	5,573	6,045
Thereafter	12,447	15,854
Balance at 31 March	26,229	30,559

SCE submitted a case to Army HQ in November 2011 to establish its own Voluntary Early Release Scheme (Provision) in order to manage the SD&SR Germany drawdown programme and ensure the maintenance of high quality education up to closure date of each school. No additional provision was required for these at the year end, as the planning was not sufficiently advanced to meet the conditions for recognition of a liability.

Following a detailed review of the underlying assumptions, certain changes have been made to the prior year provision for early departure costs. These liabilities were previously recorded as £28,290,000 at 1 April 2009 and £27,964,000 at 31 March 2010 and have been amended as shown in the table above to £30,229,000 at 1 April 2009 and £30,559,000 at 31 March 2010. The Statement of Financial Position has been amended to reflect these changes in liabilities. The Statement of Comprehensive Net Expenditure has also been restated, which increased the net operating cost for 2009-10 by £656,000.

11.1 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 2.9 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.

12. Non Cash Items

	2010-11 £000	2009-10 £000
Civilian Management	1,687	1,718
Permanent Transfer Costs	890	906
Medical Costs	1,828	1,861
Air Travel	101	55
MOD HQ Costs	1,179	1,201
HQ UKSC Costs	687	710
HQ AG Costs	986	1,004
Notional Food Cost	0	0
Contract Catering & Cleaning	863	1,954
Postage	70	72
Utilities	1,402	1,273
Accommodation Stores	9	6
Telecommunications	64	65
Cost of Married Quarters	6,004	6,498
Rent (includes notional rent for nurseries)	700	800
Works Services	3,981	3,024
Accommodation Services	88	96
Road Transport	9,436	6,809
NAO Audit Fee	80	71
Miscellaneous Supply Items	28	28
Legal Costs	36	64
International School Fees	240	0
Total Non Cash items	30,359	28,215

13. Revaluation Reserve

	Note	2010-11 £000	2009-10 £000
Balance as at 1 April 2010		65,702	74,812
Gross revaluation	6a	(19,876)	(7,510)
Revaluation Depreciation	6a	5,597	2,180
Gross revaluation on donated assets to donated assets reserve	6b	2,015	115
Revaluation depreciation on donated assets to donated assets reserve	6a	(619)	(133)
Release of reserves to SOCNE	4	(469)	642
Inter reserve transfer for the realised element of the revaluation reserve		(1,515)	(4,404)
Balance as at 31 March 2011		50,835	65,702

14. Capital Commitments

At 31 March 2011 the Agency had no contractual capital commitments to be disclosed in the Financial Statements. (31 March 2010 – Nil) The construction of a new School in Naples was completed April 2011, which was funded by Land Forces.

15. Analysis of Financing

	2010-11 £000	2009-10 £000
Net Payments on Defence Resource Account.	93,430	89,873

16. 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

Operating leases which expire:	Restated	
	2010/11 £000	2009/10 £000
within one year	295	287
between two and five years	68	230
over five years	0	0
Total	363	517

17. Other financial commitments

The Agency has no other financial commitments that require disclosure

18. 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.

SCE submitted a case to Army HQ in November 2011 to establish its own Voluntary Early Release Scheme (Provision) in order to manage the SD&SR Germany drawdown programme and ensure the maintenance of high quality education up to closure date of each school.

19. Losses and Special Payments

Closed Cases

SCE formally signed off 43 cases during FY 10/11 with a total value of £18,127.

Advanced Notifications

An additional 5 cases with a value of £907 arose in FY10/11 but were not formally signed off. The Agency has no cases that require separate disclosure - over £250,000.

20. 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. During the year none of the Executive Board members, members of the key management staff or other related parties have undertaken any material transactions with the Agency.

21. 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.

22. Events after the Statement of Financial Position Date.

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

Since the report date SCE has closed Tower School, Dulmen (Germany) on 8 April 2011 and St Georges School Rhine Garrison on 22 July 2011. This was part of the BORONA drawdown programme, which will also see the closure of schools in Rheindahlen and Bruggen over the next few years. Staff and pupils from Tower & St Georges School transferred successfully to other SCE schools. The number of school closures in Germany will accelerate in the coming years, reflecting the SDSR commitment to withdraw all British Forces by 2020. SCE is bidding for its own Voluntary Early Release Scheme in order to manage the drawdown programme and ensure the maintenance of high quality education up to closure date of each school.

The SCE Executive Board confirmed the closure of Andrew Humphries Primary School in Rhine Garrison in July 2012, and Oxford Primary School in Munster in July 2013. SCE is bidding for its own Voluntary Early Release Scheme in order to manage the drawdown programme and ensure the maintenance of high quality education up to closure date of each school.

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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