



**ANNUAL REPORT
AND
ACCOUNTS**

2009/2010

SERVICE CHILDREN'S EDUCATION

ANNUAL REPORT AND ACCOUNTS

2009/2010

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

Ordered by the House of Commons to be printed 25th November 2010

© Crown Copyright 2010

The text in this document (excluding the Royal Arms and other departmental or agency logos) may be reproduced free of charge in any format or medium providing it is reproduced accurately and not used in a misleading context. The material must be acknowledged as Crown copyright and the title of the document specified.

Where we have identified any third party copyright material you will need to obtain permission from the copyright holders concerned.

Any enquiries regarding this publication should be sent to us at Headquarters Service Children's Education, British Forces Post Office 40.

ISBN: 978 0 10 296917 7

Printed in the UK by The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office

ID 2388593 10/10 6652 19585

Printed on paper containing 75% recycled fibre content minimum.

CONTENTS

	<i>Page</i>
Chief Executive's Foreword	5-6
Background to the Agency	7
SCE School Locations	7
SCE Pupils	8
SCE Personnel	8
SCE Headquarters	8
The Executive Board	9-11
Achievements, Challenges and Risks	12-16
Owner's Board	17
Performance against Key Targets 2009/10	18-19
Remuneration Report	20-23
2009/2010 Statement of Accounts	25-60

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:

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.*

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

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

CHIEF EXECUTIVE'S FOREWORD TO THE ANNUAL REPORT

Following my first 12 months in my role as SCE Chief Executive, I am delighted to have this opportunity to review and report on the work carried out by the Agency during 2009 -2010. As ever, the past year has been a challenging, but exciting, time for SCE with a number of genuine success stories to celebrate, including an impressive set of examination results from our schools. I would also like to take the opportunity to recognise the significant contribution made by those Head teachers who retired during the year and also David Howard (Deputy Chief Executive) and Stuart Goodall (Assistant Director Pupil & Family Services).

I would like to personally congratulate our schools on their collective outstanding educational successes achieved in 2009/10. It was particularly pleasing to note the significant improvements in Key Stage 2 writing. We do not however 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).

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 Children, Schools & Families (DCSF) (now Department for Education) guidance, standards and timelines. It is therefore encouraging to report that between April 2009 and March 2010 10 SCE schools were subject to formal inspection, of which 4 were judged as "Good" or "Outstanding". No SCE school was found to be "unsatisfactory". 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 schools, 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, made good use of the excellent range of resources developed by our staff with the support of our schools, for children, parents and schools 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 carried out an immense amount of work 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.

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.

Looking to 2010/11, my personal priorities are 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 against current statutory guidance and policy to determine what structures are needed to help it to continue to make the transition from an educationally focused Agency to one with a broader focus on the five outcomes as set out in DCSF's (now DfE) "Every Child Matters" (ECM) Framework. The successful achievement of this transition requires a much closer working relationship with key partners involved in 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 development of a new 3 year strategic plan which will help to facilitate a broader inter-agency range of support to SCE schools and support the schools in delivering the ECM 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.

Additionally, the Agency has continued to strengthen its relations with DCSF (now 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 very challenging financial climate. However they are ones that I and the Agency staff and its partners are keen to address so that we can continue to achieve the best possible outcomes 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.

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.

LYNDA R FISHER
CHIEF EXECUTIVE
SERVICE CHILDREN'S EDUCATION

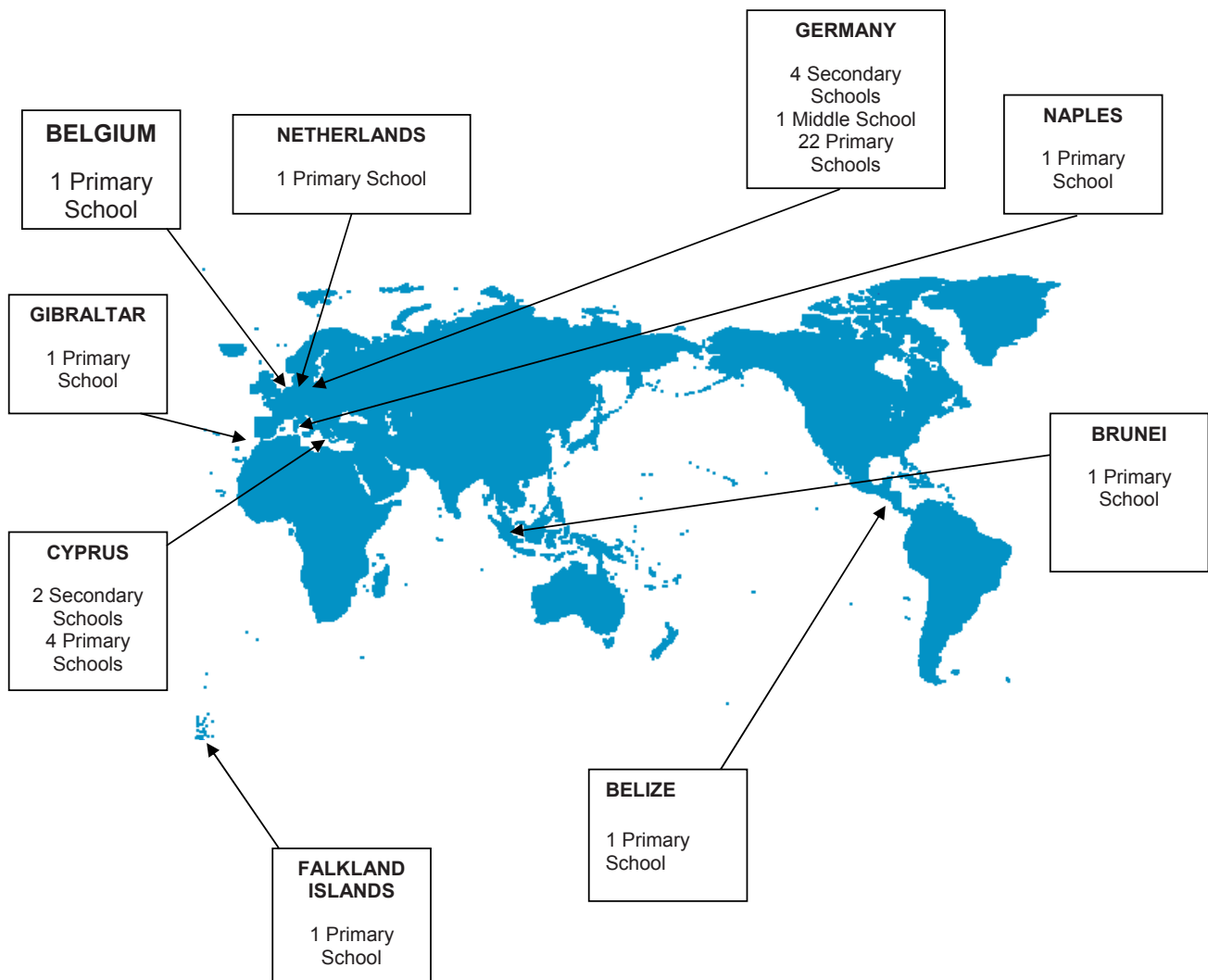
BACKGROUND TO THE AGENCY

SCE SCHOOLS AND PRE-SCHOOLS AROUND THE WORLD

As at 31 March 2010, 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 2010 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 2010 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 some 2,000 personnel around the world, including some 700 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 Wegberg, Germany with Area Offices at Bielefeld (Germany) and Episkopi (Cyprus). Pupil and Family Services Centres are located in Episkopi, Cyprus and at Fallingbostal, Sennelager and Rhinedahlen in Germany.

¹ figures obtained from the Spring census 2010

THE EXECUTIVE BOARD

The Agency Executive Board meets monthly and is chaired by the CEO. In June 2009, Col David Cartwright, Children's Act 04 Team, joined the Executive Board, representing the wider Children's Services work, supporting the CEO in her dual role as Director Children's Services.

The SCE Executive Board for 2009/10 consisted of:

Mrs L FISHER – Chief Executive April 2009 – to date

Lynda Fisher was appointed to the department 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. She also had a corporate portfolio of responsibilities including Cultural Services, Customer Services and Audit and Performance.

Mr DJ HOWARD Deputy Chief Executive April 2009 – Feb 2010

Acting CEO from 01 Sep 2008 – 31 Mar 2009.

David Howard took up the appointment of Deputy Chief Executive, Director Support Services in May 2006. He has worked for the Ministry of Defence – off and on – for nearly 30 years, since joining the Department from University, where he read Law. He has held a wide variety of appointments, most recently working for the MOD's Press Office and Communications Directorate. Prior to taking up his post with SCE, he worked for a short period within the civilian personnel area, with principal responsibility for communicating the implications of the MOD People Programme. Between Sept 08 /Mar 09 David shared the role of Acting Chief Executive Officer with Kathryn Forsyth. David left SCE in February 2010 and is now working on the Grimstone Project.

Mrs K FORSYTH Director of Education

Acting CEO from 01 Sep 2008 – 31 Mar 2009.

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. Between Sept 08 /Mar 09 Kathryn shared the role of Acting Chief Executive Officer with David Howard. In her current role she holds overall responsibility for the areas of Teaching and Learning, Standards and Assessment and Pupil and Family Services.

Mr S GOODALL (April 2009 – Dec 2009)

Stuart Goodall was appointed Assistant Director (Pupil & Family Services) in January 2007. He has worked as head of education in a residential special school for children with emotional and behavioural difficulties and was in charge of a Pupil Referral Unit and Behaviour Support Service in Norfolk. Following a period of being SEN Officer Stuart moved to Cumbria in 1996 as Senior Education Officer for SEN support and became acting head of 'Access and Inclusion' during the transition from an Education Department to a Children's Service. Stuart retired in December 2009.

Mr M FRASER (From Jan 2010)

Mark Fraser was appointed acting Assistant Director (Pupil and Families Services) in Jan 10. He has worked in a number of posts within SCE since 1999 with his substantive post being Education Social Work Team Leader. Previous experience includes a number of Local Authority statutory social work posts in both England and Scotland as well as residential work in a residential school for children with special and additional needs.

Mrs R CARVOSSO

Rita Carvosso was appointed Assistant Director (Teaching & Learning) in September 2007. Prior to joining SCE, she worked in a number of UK schools, 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 an "Outstanding" Ofsted Inspection Report. She is currently responsible for the delivery of high-quality Teaching and Learning across all SCE schools in order that they enhance their capacity to improve through rigorous self-evaluation, strong collaboration and effective planning.

Mr C SPENCER

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

Mr P NIEDZWIEDZKI

Paul Niedzwiedzki was appointed as Assistant Chief Executive (Strategic Direction of Service) in April 1995, becoming Assistant Director (Policy & Planning) after the HQ SCE reorganisation in September 2006. After some years engaged in scientific research, he went into teaching in 1979, and taught science for several years at a boys secondary school and then a sixth form college in Southport. He later joined North Yorkshire County Council Education Department, where he held two Professional Assistant posts before moving to Lincolnshire as the Area Education Officer for the Louth area of the county. He was an Education Inspector for Lincolnshire from 1989 to 1995, and led the County's advisory teacher team responsible for the introduction of National Curriculum assessment. Due to the departure of David Howard, Paul has taken on the shared role of Deputy Chief Executive since Feb 2010 and currently holds the position of Director HR and Policy.

Ms C THOMAS

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 is responsible for the delivery of financial, accounting, corporate governance, commercial, ICT, SHEF and Estates support to the schools. Due to the departure of David Howard, Christine has taken on the shared role of Deputy Chief Executive since Feb 2010 and currently holds the position of acting Director of Resources.

Colonel D CARTWRIGHT (From June 2009)

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, Col 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.

ACHIEVEMENTS – PROGRESS MADE AGAINST STRATEGIC PRIORITIES

Priority 1: Being Healthy

The Healthy Schools project continues to flourish. 50% of schools have achieved the Healthy Schools Award and a further 40% are working towards achieving the award in full. Schools in Falklands, Gibraltar and Belize are being considered on a case by case basis due to their unique context. Children and young people with health problems are well supported and make appropriate progress in their learning.

Priority 2: Staying Safe

The routine delivery of Level 1 safeguarding training is now embedded across SCE with more than 2,200 staff having completed this mandatory training since it was introduced in 2007. This is a significant undertaking for schools to organise the release of their staff as well as for Pupil & Family Services in the actual delivery.

HQ SCE staff also attend mandatory safeguarding training and this wide coverage allows the Agency to fulfil the obligations outlined by DCSF (now DfE) for all staff in education to receive such training at least every 3 years.

SCE staff also contribute training delivery through various local safeguarding children boards, particularly in Level 2 training which is an inter agency service for those with specific responsibilities in their setting.

SCE has been actively working with the 'on line' protection agenda since 2007. This was initially based on the Child Exploitation & Online Protection (CEOP) Centre materials but widened to the mainstream remit of 'e-safety' in 2009, a term encompassing other areas such as cyber bullying. An E-safety policy has been developed for the agency which is supported by accredited training for individual staff through IPICT materials as well as linking school achievements to Becta, the Government body which accredits schools for their 'e-safety' work.

All SCE schools have a named 'Designated Senior for Child Protection', who are supported through resources as well as training.

Safer recruitment practice was a Government focus for 2009 with the National College for School Leadership (NCSL) delivering training for trainers in the Spring 09. This was ahead of a requirement for all school based interview panels to have at least one person trained in safeguarding relating to recruitment by January 2010. A mix of HR and Pupil & Family Service staff were trained at GO East to deliver that training which has now been rolled out across all settings with more than 85 staff now included on the accredited database. This allows SCE to fully comply with the safer recruitment requirements.

Safeguarding related work, throughout the period of this strategic plan, has resulted in the Agency being well placed for the revised Ofsted inspection framework which was introduced in the Autumn 2009. Examples are that each school is now required to hold a single central record noting safeguarding training received for each staff member. The database that was established in 2007 with the level 1 training program has enabled these records to be accurately populated with immediate effect.

SCE continues to work with partners across all commands to deliver safe environments and communities for all of our children and young people. As well as on-going engagement with the numerous command level Local Safeguarding Children Boards across the MOD other examples of inter Agency work includes the co-ordinating role that the agency has provided for anti bullying awareness resources, utilising various media such as film to provide consistent guidance to good practice for staff in all parts of the MOD world.

Priority 3: Enjoy and Achieve

Performance at Foundation Stage, Key Stage 1, Key Stage 2, Key Stage 3, and Key Stage 4 is above the national average in all aspects with the exception of the higher levels for mathematics at KS2. No SCE school has significant weaknesses:

- GCSE results (5 GCSES at A*-C including English and Mathematics) are significantly higher than the national average.
- 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).

The Early Years Foundation Stage (EYFS) is a central part of the ten year childcare strategy for DCSF (now DfE) and its purpose is to improve outcomes and reduce inequalities for young children. The EYFS sets standards to enable early years providers to reflect the rich and personalised experience that many parents give their children at home. It requires that every child be supported individually to make progress at their own pace.

The Framework sets out the statutory early learning goals and establishes expectations for most children to reach by the end of the Foundation Stage. The Framework also sets out the new welfare requirements i.e. safeguarding children and promoting children's welfare as well as ensuring the adults who care for children, are suitable and well qualified. The MOD Children's Board has recently been presented with a paper, commissioned by the Director of Education & Training Services (Army) that considers the implications of the EYFS within a MOD context.

Within SCE we are giving particular attention to the staffing ratios within our Foundation Stage 1 settings and the inspection of provision. The EYFS requires that Foundation Stage 1 (3/4 year olds) classes:

- Must be led by a school teacher, and that a teacher must be present with the children except during non-contact time, breaks and short-term absence.
- There must be at least one member of staff for every 13 children.
- At least one member of staff must hold a full and relevant level 3 qualification.

Inspection of all FS1 settings within SCE will be undertaken as part of the rigorous Section 5 School Inspection Framework. Work is now firmly in hand to ensure that SCE meets in full its statutory obligations in this area.

Priority 4: Make a Positive Contribution

Areas of progress include an increase in host nation activities in every Garrison, the introduction of the "Tell Us" survey, together with the publication of new deployment materials designed to support families through times of deployment.

Priority 5: Achieve Economic Well-Being

A 14-19 Strategy Group has produced a draft strategy that was presented to all members of the 14-19 partnership at the 14-19 annual conference held in January 2010.

Two operational groups, one in Germany and one in Cyprus have also been formed. These groups are currently mapping out a programme over the next 3 years for applying for the specialist diplomas, subject to approval from the MOD Children's Board.

- Vocational options in secondary schools have increased.
- SCE is a partner in the Joint Area Prospectus in each Garrison.
- Significant progress has been made on the implementation of the 14-19 Reforms:
 - A 14-19 Strategy has been agreed by the MOD Children's Board.
 - Partnership Managers have been appointed to implement local 14-19 plans.
 - Diploma in Engineering running in Cyprus.

Priority 6: Service Management

ICT

We have continued to enhance the ICT provision within schools by providing additional infrastructure to support the curriculum. A major technical refresh programme has been completed to replace all Interactive Whiteboards and projectors in the Primary schools. In addition, work has commenced to upgrade all the schools' network architecture to allow the systems to function more efficiently and effectively.

A new Learning Platform (Connected Learning Community) has been introduced following a competitive tendering exercise, which provides schools with a secure environment and tools to enhance learning, collaboration, communication and administration. In addition a new Information Portal has been procured, which provides all staff with a 'one-stop-shop' for all corporate information.

Estates

The Agency continues to roll out its programme of playground upgrade & refurbishment. By the end of 2009/10 4 schools have received an upgrade. The project to build a new school in Naples is underway, and additional classroom facilities have been provided for Episkopi School in Cyprus.

The People Programme

The introduction of the MOD HRMS has brought a fundamental change to the conduct of Personnel, HR and Pay Reporting procedures, with the removal of locally-based Personnel Management staff and the establishment of the PPPA Agency. This creates specific and unique challenges for SCE, employing as it does a significant number of Teaching, Educational Psychology and Social Work specialists, for which PPPA has little experience of supporting.

Finance

The overall financial climate throughout the period of this report was extremely challenging with SCE required to make savings of £1.8M in FY 09/10, as well as implementing MOD directed recruiting and travel restrictions.

Consortia School Business Managers

In September 2009 we established Garrison based Consortia School Business Managers whose role was to support Schools in the management and delivery of all aspects of support services, including appropriate compliance checks, and to act as a focal point for non-educational Garrison issues. The CSBM role is supported by a lead Consortia Head Teacher overseen by an Assistant Director at HQ SCE level.

Human Resources

In addition to rolling out the Safer Recruitment training across all SCE Schools (See Staying Safe for further details), SCE has reviewed CRB clearances for all SCE staff, both in Schools and Headquarters, and the Agency is well placed for the introduction of the new Independent Safeguarding Authority Scheme (ISA) which will be mandatory from 1 November 2010.

The Agency has ensured full compliance with the recruitment restrictions and has introduced an Establishment Committee to scrutinise requests to recruit and submit to Land Forces where necessary, whilst still balancing the needs of the Agency and meeting its legal obligation to provide education.

Internet Access to People Services (IAPS) has been rolled out to staff in Schools to enable them to gain direct access to the PPPA website. In addition all SCE Schools have been given the opportunity to have individual access to the Defence Learning Portal to allow them to undertake training from the desktop where appropriate. The Recruitment interface between Schools and SCE has been successfully maintained with no deadlines missed. Considerable effort has been made with regard to ensuring that the 5 year Accommodation and Utilities Charges rule has been correctly applied across SCE and that SCE staff are now complying.

CHALLENGES

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

Educational Parity Funding

This issue remains the biggest hurdle faced by the Agency if it is to maintain investment and funding levels in line with the additional resources made available by the DCSF (now DfE) to Local Authority schools in England. Despite the support of the House of Commons Defence (Select) Committee (HCDC) Report on the Education of Service Children (2006), no direct correlation exists to ensure that any additional funding made available to Schools in England and Wales is also made available to MOD. SCE is required to compete through the MOD Departmental Planning Round (PR) process in order to access the extra resources required to keep pace with educational initiatives in the UK.

Special & Additional Educational Needs

SCE continues to promote 'inclusion' across the agency. Over the past year there has been an apparent increase in the numbers of children and young people arriving at SCE locations without undertaking the necessary assessment procedures in advance of their move. These procedures are designed to promote the welfare of children and young people by ensuring, before they move, that their particular needs can be met in the specific overseas location to which their parent has been posted.

Working with partner organisations SCE co-ordinates assessment information from a range of professions which include educational but also health assessments as certain specialist provision may not be available in all locations.

If children and young people arrive in an overseas location without the necessary assessment being co-ordinated then there can be real disruption to their education if their wider needs cannot be met overseas and they have to return to the UK.

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 will merge 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 Herford in early 2013. This decision, coupled with the move of the ARRC will result in the closure of Rhine Garrison, with the loss of 1 Secondary and 6 Primary schools, affecting around 130 teaching posts within SCE.

The final closure of Rhine Garrison is likely to take place in 2016, following the move of the remainder of 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 as long as they are needed. Work is underway to consider the secondary education options available for dependant children once Windsor Secondary School closes in Summer 2013.

Estates

There is a continuing risk that due to insufficient central funding that SCE's Estate will continue to decline unless there is major investment in construction work. Temporary classrooms are having to be provided in some instances to alleviate overcrowding problems where funding has not been forthcoming for Capital Works.

RISKS

Information Management and Data Security

Following on from various high profile incidents, in which significant amounts of sensitive personal data was lost in the UK (HM Revenue & Customs, Royal Navy, Royal Air Force etc), SCE has undertaken a significant amount of work to ensure compliance with Cabinet Office & MOD Chief Information Officer (CIO) standards. As part of this work SCE is required to meet level three of the CESG Information Assurance Maturity Model (IAMM) by April 2012 – an Agency target endorsed by the Owners' Board.

SCE has appointed a Senior Information Risk Owner, developed an Information Risk Register – and reports monthly on Information Assurance to the Executive Board and quarterly to the Agency Scrutiny Committee. SCE met an interim target of IAMM Level 1 maturity in April 2010 and is now driving forward a programme of information management and review across all schools, FS settings and offices. This work includes senior leadership team briefings and training covering physical security, information handling (including data exploitation) and safeguarding, and is intended to both identify, and assure the security of, all Agency information assets.

A peer review to assess SCEs progress against an interim IAMM target of Level 2 will be conducted in November 2010 by a team from the MOD CIO: SCE is adjudged as already being at level 2 in some aspects of its work and is confident that level 2 will be achieved by the target date of April 2011.

OWNERS BOARD MEMBERSHIP

Chairman: Adjutant General

Membership: DG Sec Land Forces
Representative of Air Member for Personnel
Representative of Fleet NTE
Representative of HQ UKSC
Representative of PJHQ
Representative of HQ BF Cyprus
Representative of DPS (A)
Representative of DG SP Pol
Member of DfE
Member of Ofsted
Representative of Director of Children's Services

In Attendance: Chief Executive
Director of Education
Representative of CEAS
Assistant Director Children's Act 04

Academic Performance – Performance against Key Targets 2009/10

The Key Targets for SCE for 2009/2010 (academic year 2008/09) were announced in Parliament on 4th November 2009. The outcomes of the Key Targets are shown below:

Target	England %	Target %	Actual %	Outcome
<p>Key Target 1 Early Years Foundation Stage</p> <p>Percentage of children to achieve at least 78 points in the EYFS profile with at least a score of 6 in each of the scales in personal, social and emotional development and communication, language and literacy</p>	52	56	58	Achieved
<p>Key Target 2 Key Stage 1</p> <ul style="list-style-type: none"> ● Percentage of pupils to achieve at least a Level 2+ in Reading ● Percentage of pupils to achieve at least a Level 2+ in Writing ● Percentage of pupils to achieve at least a Level 2+ in Mathematics ● Percentage of pupils achieving a Level 3+ in Reading should match or exceed the National average. ● Percentage of pupils achieving a Level 3+ in Writing should match or exceed the National average. ● Percentage of pupils achieving a Level 3+ in Mathematics should match or exceed the national average. 	84	89	88	Target not met
	81	87	84	Target not met
	89	95	94	Target not met
	26	26	31	Target met
	12	12	16	Target met
	21	21	24	Target met
<p>Key Target 3 Key Stage 2</p> <ul style="list-style-type: none"> ● The percentage of pupils achieving a Level 4 in both English and Mathematics should match or exceed the National average. ● The percentage of pupils achieving a Level 5+ in English should match or exceed the National average. ● The percentage of pupils achieving a Level 5+ in Mathematics should match or exceed the National average. ● The percentage of pupils achieving 2 levels of progress in English between KS1 and KS2 should match or exceed the National average. ● The percentage of pupils achieving 2 levels of progress in Mathematics between KS1 and KS2 should match or exceed the National average 	72	72	74	Target met
	28	29	30	Target met
	35	35	32	Target not met
	82	82	82	Target met
	81	81	84	Target met

Target	England %	Target %	Actual %	Outcome
Key Target 4 Key Stage 3				
● Percentage of pupils to achieve Level 5 or above in both English and Mathematics.	67*	76	85	Target met
● Percentage of pupils to achieve Level 5 or above in Science.	78	82	90	Target met
● Percentage of pupils to achieve at least 2 levels of progress in English between KS2 and KS3.		34	41	Target met
● Percentage of pupils to achieve at least 2 levels of progress in Mathematics between KS2 and KS3.		70	84	Target met
Key Target 5 Key Stage 4				
● Percentage of pupils to achieve 5 or more A* – C including English and Mathematics in GCSE and equivalent examinations (SCE to base figures on 3 year moving average).	50	54	55	Target met
● Percentage of pupils to progress by 2 levels in English between KS3 and KS4.	60*	69	70	Target met
● Percentage of pupils to achieve 2 levels of progress in Mathematics between KS3 and KS4	23*	34	35	Target met
Key Target 6 Key Stage 5				
● Percentage of entries achieve grades A-C at A levels.	75	72	69	Target not met
Key Target 7				
● To achieve an overall parental customer satisfaction rating of at least 85% in the 2009/10 parental survey.		85	93	Target met

*figure for 2008

Key Targets 2010/11

At the time of publication of this Annual Report and Accounts the Minister for Defence Personnel, Welfare and Veterans had not approved Agency Key Targets for SCE.

REMUNERATION REPORT

SUMMARY

The salary of the Chief Executive is determined at national level by the MOD's Senior Staff Management Directorate. In addition she can earn 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. The Performance Targets that specifically relate to the SCE Agency Key Targets for 2009/10 are audited by Defence Internal Audit (DIA) who submits their findings to the Command Secretary Land Forces, who in turn, tasks the Land Forces Assurance Team. They consider the DIA evidence and calculate the appropriate bonus to be paid. This is based upon the pro-rata achievement of the targets set and approved by the Adjutant General annually. The Land Forces Assurance Team recommendation is then submitted to the Adjutant General for approval, via the Command Secretary.

The salaries of the other Civil Service 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 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. Military Board members salaries are recommended by the Armed Forces Pay Review Body and ratified by Parliament.

DETAILS

The total remuneration of the Chief Executive – Lynda Fisher for the year, excluding employers' pension contributions, was £125,000. Members of the Agency Executive Board were appointed in accordance with the Civil Service Management Code.

Salary includes gross salary, performance pay or bonuses, overtime, London weighting or London Allowances, recruitment and retention allowances and any other allowances to the extent that it is subject to UK taxation.

The salary, pension entitlements and the value of any taxable benefits in kind of the most senior members of Service Children's Education Agency were as follows:

This section has been subject to Audit.

	Note	Salary, including performance Pay at 31/03/10	Benefits in Kind (rounded to nearest £100) at 31/03/10	Salary, including performance Pay at 31/03/09	Benefits in Kind (rounded to nearest £100) at 31/03/09
		£000	£	£000	£
Mrs Lynda Fisher	1	120 – 125	0	Nil	Nil
Mr David Howard Full year equivalent salary	2a	60 – 65 70 – 75	0	70 – 75	0
Mrs Kathryn Forsyth		75 – 80	0	80 – 85	0
Col David Cartwright Full year equivalent	2b	105 – 110 135 – 140	0	Nil	Nil
Mrs Rita Carvosso		65 – 70	0	30 – 35 65 – 70	0
Mr Stuart Goodall Full year equivalent salary	2c	50 – 55 65 – 70	0	30 – 35 65 – 70	0
Mr Paul Niedzwiedzki		70 – 75	0	30 – 35 65 – 70	0
Mr Christopher Spencer		65 – 70	0	30 – 35 65 – 70	0
Ms Christine Thomas		50 – 55	0	20 – 25 45 – 50	0
Mr Mark Fraser Full year equivalent salary	2d	15 – 20 60 – 65	0	Nil	Nil

Note

1. Lynda Fisher was appointed Chief Executive on a three year Fixed Term appointment from 6th April 2009.
2. 2009/10 Salary reported is the actual amount paid until date of leaving SCE or the amount paid from the date of appointment to the executive board, together with the full year equivalent
 - a. Salary reported until date of leaving SCE on 28/02/2010.
 - b. Salary reported from date of appointment on 01/06/2009.
 - c. Salary reported until date of leaving SCE on 31/12/2009.
 - d. Salary reported from date of appointment on 01/01/2010.

Salary reported includes a taxable allowance, continuity of education allowance, where the MOD has an arrangement with HM Revenue & Customs under which MOD pays the tax liability that would normally be paid by the individual; this tax liability is in the figure in the table.

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument.

None of the Agency Owners' Board Members emoluments, with the exception of the Chief Executive, are paid by the Agency.

	Total Accrued Pension at age 60 and related lump sum at 31/03/10	Real increase in pension and related lump sum at age 60 at 31/03/10	CETV* at 31/03/09	CETV* at 31/03/10 or on cessation of appointment if earlier	Real increase in CETV after adjustment for and changes in market investment factors
	£000	£000	£000	£000	£000
Mrs Lynda Fisher	75 – 80 plus lump sum 0 – 0	70– 75 plus lump sum 0	36	1,015	54
Mr David Howard	25– 30 plus lump sum 80 – 85	0 – 2.5 plus lump sum 2.5 – 5	489	557	31
Mrs Kathryn Forsyth	25 – 30 plus lump sum 85 – 90	**	549	602	**
Col Cartwright	35 – 40 plus lump sum 105 – 110	**	N/A	771	**
Mrs Rita Carvosso	20 – 25 plus lump sum 60 – 65	**	436	508	**
Mr Stuart Goodall †	Nil	**	631	Nil	**
Mr Paul Niedzwiedzki	25 – 30 plus lump sum 80 – 85	0 – 2.5 plus lump sum 2.5 – 5	564	620	26
Mr Christopher Spencer	60 – 65 plus lump sum 0	25 –30 plus lump sum 0	668	1,288	582
Ms Christine Thomas	10 – 15 plus lump sum 35 – 40	0 – 5 plus lump sum 0 – 5	138	167	18
Mr Mark Fraser	5 – 10 plus lump sum 25 – 30	0 – 2.5 plus lump sum 0 – 2.5	118	128	7

*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 and Armed Forces Pension Scheme do not provide the details.

N/A Details not available as they became members of the Executive Board in 2009/10.

† Mr Stuart Goodall left SCE on 31st December 2009 and is receiving his pension therefore figures for Pension and CETV are not available.

The Chief Executive and five members of the Agency Executive Board are ordinary members of the Principal Civil Service Pension Scheme (PCSPS). Three Executive Board members are members of the Teachers' Pension Scheme. One Executive Board member is a member of the Armed Forces Pension Scheme.

None of the Agency Owners' Board Members emoluments, with the exception of the Chief Executive, are paid by the Agency.

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.

Lynda Fisher was appointed Chief Executive of Service Children's Education from 6th April 2009 on a three year Fixed Term Appointment.

Lynda R Fisher
Chief Executive
15th November 2010

Intentionally Blank

SERVICE CHILDREN'S EDUCATION ANNUAL REPORT AND ACCOUNTS

**For the year ended
31st March 2010**

SERVICE CHILDREN'S EDUCATION AGENCY

THE 2009/10 STATEMENT OF ACCOUNTS

FOREWORD

History

1. 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 (QQR) of the Agency was undertaken in 2002, which confirmed that Service Children's Education's Agency status and ownership would remain unchanged.

Principal Activities

2. The Agency provides an education service for dependant children and nursery education for three year olds 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

3. Gross operating costs amounted to £123.762m. This was offset by income of £2.822m resulting in a net cost to the Department of £120.940m. Net assets at 31 March 2010 amounted to £125.568m. During the year there were some movements to the financial statements, Information & Communication Technology (ICT) again showed an increase due to the additional 'Parity' funding, which ensures that sufficient funding will be available to improve the performance of SCE in line with the recent educational initiatives in the UK. A review of the Agency's current performance against its key targets can be found on pages 18 to 19 of the Annual Report.

Agency's Executive Board

4. The table below shows SCE's Executive Board during 2009/10.

Mrs Lynda Fisher	Chief Executive from 6 April 2009
Mr David Howard	Deputy Chief Executive and Director of Support Services 01 April 2009 to 28 Feb 2010
Mrs Kathryn Forsyth	Director of Education Services
Mrs Rita Carvosso	Assistant Director Teaching and Learning
Colonel David Cartwright	Assistant Director Children Act Implementation appointed to Executive Board 1 June 2009
Mr Stuart Goodall	Assistant Director Pupil and Family Services 01 April 2009 to 31 Dec 2009
Mr Paul Niedzwiedzki	Assistant Director Policy and Planning
Mr Christopher Spencer	Assistant Director Standards and Assessment
Ms Christine Thomas	Assistant Director Support Services
Mr Mark Fraser	Acting Assistant Director Pupil and Family Services from 01 Jan 2010

None of the Management Board members have any interests in other companies or organisations that may result in conflict with their management responsibilities.

Non Current Assets

5. 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.

6. A professional valuation of all of our IT and Communications and Plant and Machinery Assets was conducted as at 01 April 2006.

Future Developments in the Activities of the Agency

7. The priorities for the Agency are 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 against current statutory guidance and policy to determine what structures are needed to help it to continue to make the transition from an educationally focused Agency to one with a broader focus on the five outcomes as set out in DCSF's (now DfE) "Every Child Matters" (ECM) Framework. The successful achievement of this transition requires a much closer working relationship with key partners involved in 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 development of a new 3 year strategic plan which will help to facilitate a broader inter-agency range of support to SCE schools and support the schools in delivering the ECM 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.

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 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.

Policy in Respect to Disabled Employees

8. 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

9. 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

10. 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

11. 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. The Agency continues to maintain its Investors in People (IiP) accreditation and has, in line with MOD policy, signed-up to the Employment Service symbol "Positive about Disabled People" and ensures that all recruitment activity meets the standards required. The recruitment processes are subject to external audit and verification on an annual basis.

Creditor Payment Policy

12. 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 the period 1 April 2009 to 31 March 2010, the FMSSC paid 99.91% of all correctly submitted bills within eleven calendar days. This contributed to the Department's overall performance of 99.35% over the 30 calendar day cycle ensuring a high level of compliance with its statutory obligation under the Late Payment of Commercial Debts (Interest) Act 1998.

Sickness Absence

13. During Financial Year 2009/10 the agency had an average of 4.23 days sickness absence per employee. This total includes an average of 1.85 days of long term sickness absence (the data is produced by the HR management system of the MOD, as DASA only produce Top Level Budget data).

Personal Data Related Incidents

14. The following table sets out the details of the Agency's personal data related incidents during 2009-10 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 2009-10
--

Nil return

Table 2: Summary of Other Protected Personal Data Related Incidents in 2009-10		
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.	–
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises.	–
III	Insecure disposal of inadequately protected paper documents.	–
IV	Unauthorised disclosure.	–
V	Other.	–

Table 3: Year-on Year Total Numbers of Protected Personal data Related Incidents Prior to 2009-10													
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
2008-09	–	–	–	–	–	–	2008-09	–	–	–	–	–	–
2007-08	–	–	–	–	–	–	2007-08	–	1	–	–	–	1

Audit

15. The accounts are audited by the Comptroller and Auditor General in accordance with Section 7 (3) of the Government Resources and Accounts Act 2000. The notional costs of external audit services provided for 2009-2010 were £71,000. No non-audit services were performed.

Disclosure of Audit Information

16. 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 R Fisher
Chief Executive
15th November 2010

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

In preparing the accounts the Agency is required 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 judgements and estimates on a reasonable basis.
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements.
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Agency will continue in operation.

The Permanent Under Secretary of State for Defence, as the Ministry of Defence Accounting Officer for the vote from which the Agency draws its funds, has formally tasked the Chief Executive of the Service Children's Education Agency with responsibilities analogous to those of an Accounting Officer for the Agency. Her relevant responsibilities in this role, including her responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Accounting Officers' memorandum, issued by Treasury and published in "Managing Public Money".

STATEMENT ON INTERNAL CONTROL FOR 2009/10

Scope of Responsibility

As Chief Executive of the Service Children's Education Agency (SCE), I have responsibility for maintaining a sound system of internal control that supports the achievement of the SCE's policies, aims and objectives, whilst safeguarding the public funds and 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 Ministry of Defence Principal Accounting Officer for the propriety and regularity of SCE's expenditure and for prudent and economical administration of the Agency in compliance with Departmental rules. 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 Departmental 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 the 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.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure 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 prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in SCE for the year ended 31 March 2010 and up to the date of approval of the Annual Report and Accounts, and accords with Treasury guidance. Due to unforeseen circumstances the Scrutiny Committee did not have a Non-Executive Chair for most of 2009 and its only meeting that year was chaired by an Executive member on 9 February 2009. The first Scrutiny Committee under the new Non-Executive member took place on 11 March 2010 with the agenda covering items from the preceding eleven months since the last meeting.

Capacity to Handle Risk

The Risk Management process is directed by me, as Chief Executive, in tandem with the other members of the Executive Board. This is achieved by the identification of Business Risks through the SCE Strategic Plan, their subsequent grading and the development of a raft 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 Scrutiny Committee and has been shared with the Agency Owner's Board.

Senior staff and those directly involved with the management of risk are sufficiently trained and equipped to carry-out the tasks required of them in minimising or eliminating risks to the Agency's business.

The Risk and Control Framework

The Agency Risk Management strategy cascades directly from the SCE Strategic Plan 2007-2010, 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, but realistic, Key Targets agreed by the Minister and published annually in Parliament.

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 both this forum and the (externally chaired) SCE Scrutiny Committee on a regular basis and in doing so contribute to the Command's overall Performance Management process. We have also started the work necessary for the Agency to fully participate in the Land Forces Assurance Framework, which formally details the mandated compliance checks required by a Land Forces Higher Level Budget, together with the associated policies, coupled with a reporting regime.

In addition, my Executive Board regularly reviews the Agency's financial position, together with any emerging Corporate Governance incident, developments in policy and review of internal control systems as a standing agenda item at every meeting. Agency business is normally reviewed by a number of assurance providers, including Defence Internal Audit, Ofsted and the Land Forces Assurance Team.

My Executive Board also considers and analyses potential risks to the delivery of SCE's Mission, focusing on those with either high impact or high probability of occurrence. Mitigation Plans and strategies are then developed for each higher-level risk and the progress of those plans monitored and updated as required. 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 SCE Scrutiny Committee, under the chairmanship of its Non Executive Director meets quarterly, although it formally met once in 2009-10. The Land Forces Assurance Team and the National Audit Office are invited to attend the Scrutiny Committee, together with external stakeholders, and provide advice and guidance where appropriate.

The Agency adhered to the current Risk and Control Framework. A breakdown by key themes is set out below from which an overall picture of the current maturity of Risk Management arrangements within SCE can be gauged.

Risk Management Framework

The Agency's overall approach to Corporate Governance and Risk Management is supported by myself, as the Chief Executive, the Executive Board, the SCE Scrutiny Committee and the Agency Owner's Board itself. Clear ownership of Risks and associated Mitigation Plans are fully embedded within both operational and strategic decision making with individual Branch and Personal Objectives aligned accordingly. Risk is reviewed on an ongoing basis with consideration being given to changing or emerging Risks and their subsequent prioritisation.

Risk Identification

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 a clear requirement to consider the objectives and views contained within existing policy (particularly the Every Child Matters agenda), those of SCE Stakeholders and Partners, Children and their Parents and Society at large.

In September 2009, DIA commenced an audit on my behalf to provide me with an assurance on the adequacy and effectiveness of the implementation of the Children Act 2004 across Defence, specifically to ensure that safeguarding and child protection procedures are in place, wherever families of Service personnel, Crown Civil Servants, Contractors and Agency personnel working with the Armed Forces reside.

Risk Evaluation

All current Risks identified in the formal Risk Management Plan are linked clearly to the Aims, Objectives and Priorities outlined in the SCE Strategic Plan 2007-2010, which is in turn linked directly to the overall Land Forces Mission. Ownership of Risks is by the appropriate member of the Executive Board. Risks are weighted on the basis of Impact and Probability and amended in the light of Mitigation action. EB members are responsible for identifying, quantifying and developing mitigation strategies for all risks falling within their respective areas of responsibility.

All Headline Risks are considered against Financial or other Resource-based issues, Service Delivery, Impact & Probability, potential effect on Customers and Stakeholders and are subject to scrutiny by the Executive Board and Scrutiny Committee.

Control of Risks

Controls and Mitigation Plans are constructed using an approach based on prioritisation 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.

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. For example, the appetite for risk associated with the Data Protection Act, specifically the loss of data has been set at “cautious” whereby the appetite for risk regarding the significant pressure on budgets has been set much higher.

Embedding Risk Management

Individual Risk “Owners” and their respective Management Teams are responsible for reviewing Risk on an ongoing basis. Independent Assurance on routine compliance issues is obtained through the SCE Scrutiny Committee and Land Forces Assurance Team (by way of the Land Forces Assurance Framework). I am also able to call upon the services of DIA if I consider there is an area of risk. Internal assurance is provided by the HQ SCE Finance and Resource team, supported by the Garrison based Consortia School Business Managers.

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 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 and (externally chaired) Scrutiny Committee with the aim of addressing any weaknesses and ensuring continuous improvement of the systems already in place, although the Scrutiny committee has lacked an external Chair for most of 2009 due to unforeseen circumstances.

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 Every Child Matters (ECM) agenda. This together with the continued operation of the existing Performance Management system and SCE Risk Management Plan assist in further enhancing the overall Governance regime of the Agency. Performance against the individual plan serials is subject to regular review by both the Agency Executive Board and the (externally chaired) SCE Scrutiny Committee.

Overall I am satisfied that SCE is conducting the relevant required compliance checks, with no significant issues to report. Corporate Governance activity in 2009/10 saw the focus on a number of discrete areas:

Data Protection.

On 30 November 2009 SCE was the subject of an information assurance peer review by a team sponsored by the MOD's Chief Information Office. The report concluded that SCE had examined the measures required to meet the Departmental standards during 2009 diligently and with very considerable vigour, assessing options and seeking good practices. SCE made very rapid progress in the months leading up to the review and in April 2010 received confirmation from CIO that Level 1 maturity has been secured against the breadth of the IAMM. The review team acknowledged that in some areas, SCE is already at Level 2 maturity. Given confident, decisive action through implementing the recommendations of the review, the team believe that SCE will achieve IA maturity level 3 by the target date of April 2012.

Information Management – Personal Data Related Incidents

A number of personal data related incidents occurred during 2009-10 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
Sept 2009	Loss of laptop during flight from Cyprus to Germany	Laptop fully encrypted (BeCrypt)	Some personal records related to Headteachers and job applications	<ol style="list-style-type: none"> 1. Reported to German Police. 2. Individual notified SCE (DPO) 3. SCE notified LF Systems Accreditor and JSyCC
Sept 2009	Loss of laptop from either office or hotel	No personal data – 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 Accreditor & JSyCC

Audit

Defence Internal Audit continues to oversee and validate the internal verification of the Agency's Key Targets whilst the National Audit Office audits the Agency Accounts.

Significant Internal Control Issues

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

Future Work

As mentioned previously we are in the process of implementing the Land Forces Assurance Framework, including devising and implementing an appropriate reporting regime to inform the SCE Scrutiny Committee as to the compliance activity that has taken place over a set period, supported by credible management information and analysis, together with appropriate recommendations for any corrective action.

It is recognised that further progress is required in the area of Business Continuity Planning, IAMM compliance reporting and most importantly reviewing the adequacy and effectiveness of the implementation of the Children Act 2004 across Defence. These areas, with others will form a key part of the revised SCE Strategic Plan, which will cover the period 2010 to 2013.

Lynda R Fisher
Chief Executive
15th November 2010

SERVICE CHILDREN'S EDUCATION AGENCY

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 2010 under the Government Resources and Accounts Act 2000. These comprise the Operating Cost Statement, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Chief Executive and auditor

As explained more fully in the Statement of the Chief Executive'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 applicable law and 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 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 2010 and of the net operating cost, changes in taxpayers' equity and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

● Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Annual Report (comprising the Chief Executive's Foreword, Background to the Agency, the Executive Board, Achievements, Challenges and Risks, the Owner's Board, Performance Against Key Targets 2009-10 and the unaudited part of the Remuneration Report) 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 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

19th November 2010

Operating Cost Statement

for the year ended 31 March 2010

				2009-10	2008-09
				£000	£000
	Note	Staff costs	Other Costs	Income	
PROGRAMME COSTS					
Staff Costs	3	74,415			71,030
Programme Costs	4		49,347		55,654
Income	5			(2,822)	(3,027)
Totals		74,415	49,347	(2,822)	
Net operating cost				120,940	123,657

Note – All income and expenditure are derived from continuous operations.

There were no material acquisitions or disposals in the year.

The Notes on pages 42 – 60 form part of these accounts.

Statement of Financial Position

as at 31 March 2010

	Note	2009-10 £000	2008-09 £000
Non-current Assets:			
Property, plant and equipment	6a	157,632	164,260
Financial Assets		0	0
Total non-current assets		157,632	164,260
Current Assets:			
Inventories	8	14	14
Trade and other receivables	9	688	920
Other current assets		0	0
Financial assets		0	0
Cash and cash equivalents		0	0
Total current assets		702	934
Total Assets		158,334	165,194
Current Liabilities			
Trade and other payables	10	4,802	7,052
Other Liabilities	11	1,623	1,618
Total current liabilities		6,425	8,670
Non-current assets plus/less net current assets/liabilities		151,909	156,524
Non-current liabilities			
Provisions	11	26,341	26,672
Other payables		0	0
Financial liabilities		0	0
Total non-current liabilities		26,341	26,672
Assets less liabilities		125,568	129,852
Taxpayers' Equity			
General Fund		3,830	4,601
Revaluation Reserve	13	70,206	74,416
Donated Asset Reserve	6b	51,532	50,835
Total Taxpayers' Equity		125,568	129,852

Note – All income and expenditure are derived from continuous operations.

There were no material acquisitions or disposals in the year.

The Notes on pages 42 – 60 form part of these accounts.

Lynda R Fisher
Chief Executive
15th November 2010

Statement of Cash Flows

for the year ended 31 March 2010

	Note	2009-10 £000	2008-09 £000
Cash flows from operating Activities			
Net operating cost		120,940	123,657
Adjustments for non-cash transactions		(41,958)	(45,379)
Increase/(Decrease) in trade and other receivables	9	(232)	396
less movement in receivables relating to items not passing through the OCS		0	0
(Increase)/Decrease in Inventories		0	0
(Increase)/Decrease in trade payables	10	2,250	(1,752)
Less movements in payables relating to items not passing through the OCS		0	0
Change in pension rate		494	0
Use of provisions	11	326	1,176
Net cash outflow from operating activities		81,820	78,098
Cash flows from investing activities			
Purchase of property, plant and equipment	6a	807	2,724
Proceeds of disposal of property, plant and equipment		0	0
Net cash outflow from investing activities		807	2,724
Cash flows from financing activities			
Capital element of payments in respect of finance leases		0	0
Net financing	15	82,627	80,822
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

Note – All income and expenditure are derived from continuous operations.

There were no material acquisitions or disposals in the year.

The Notes on pages 42 – 60 form part of these accounts.

Statement of Changes in Taxpayers Equity

for the year ended 31 March 2010

	Note	General fund £000	Revaluation Reserve £000	Donated Asset Reserve £000	Total Reserves £000
Balance at 31 March 2008		7,282	64,513	53,978	125,773
Changes in taxpayers equity for 2008-09					
Net gain/(loss) on revaluation of property, plant and equipment			27,092		27,092
Non-cash charges – cost of capital	4	2,639			2,639
Non-cash charges – auditors remuneration	12	66			66
Transfers between reserves		7,761	(17,189)	9,428	0
Net Operating Cost		(123,657)			(123,657)
Revenue non cash items	12	29,688			29,688
Net operating cost for the year	15	80,822			80,822
Disposal of Donated Assets	6b			(11,441)	(11,441)
Addition of Donated Assets	6b			328	328
Depreciation on donated assets	6b			(1,458)	(1,458)
Balance at 31 March 2009		4,601	74,416	50,835	129,852
Changes in taxpayers equity for 2009-10					
Net gain/(loss) on revaluation of property, plant and equipment			1,890		1,890
Release of reserves to OCS			642		642
Adjust 08/09 leave accrual		1,744			1,744
Non-cash charges – cost of capital	4	2,709			2,709
Non-cash charges – auditors remuneration	12	71			71
Non-cash non donated fixed asset additions	6a	675			675
Transfers between reserves		4,693	(6,742)	2,049	0
Net Operating Cost		(120,940)			(120,940)
Revenue non cash items	12	28,144			28,144
Loss on Pension change discount rate	11	(494)			(494)
Net operating cost for the year	15	82,627			82,627
Depreciation on donated assets	6b			(1,352)	(1,352)
Balance at 31 March 2010		3,830	70,206	51,532	125,568

Note – All income and expenditure are derived from continuous operations.

There were no material acquisitions or disposals in the year.

The Notes on pages 42 – 60 form part of these accounts.

ANNUAL REPORT AND ACCOUNTS 2009-10

Notes to the Accounts

1. Statement of Accounting Policies

Introduction

1.1 These financial statements have been prepared in accordance with the 2009-10 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.

- HM Treasury has also agreed that the information normally required by the FReM on Fees and Charges disclosures (paragraph 7.4.32) is not required and the disclosure provided at Note 5 is sufficient.

Accounting Convention

1.2 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

1.3 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 Operating Cost Statement 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. The classification of expenditure as administration or as programme follows the definition of administration costs set by HMT except in the following instances:

- All depreciation and cost of capital costs are classified as programme costs.

These departures have been approved by HMT.

Capital Charge

1.4 A charge reflecting the cost of capital utilised by the Agency, is included in operating costs. The charge is calculated using the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities, except for:

- a. property, plant and equipment where the cost of capital charge is based on opening values, adjusted pro rata for in-year:
 - additions at cost.
 - disposals as valued in the opening statement of financial position (plus any subsequent capital expenditure prior to disposal).

- impairments at the amount of the reduction of the opening statement of financial position value (plus any subsequent capital expenditure).
- depreciation of property, plant and equipment.

b. donated assets.

Net Operating Costs

1.5 Costs are charged to the Operating Cost Statement 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.

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

Operating Income

1.7 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

1.8 The Agency's non-current assets are expressed at their fair value through the application of the Modified Historical Cost Accounting Convention (MHCA). Prospective indices, which are produced by Defence Analytical Services and Advice (DASA), are applied at the start of each financial year to the non-current assets which fall within the categories listed below. These indices, which look ahead to the Reporting Period date, are also adjusted to reflect the difference between the actual change in prices in the prior year and the earlier prediction. At the end of each reporting period, overseas Estate assets are revalued offline to take account of the year-end exchange rates. In addition, due to the exceptional circumstances surrounding the UK property market during 2008/09, UK Estate assets were revalued offline based upon revised 2008-09 indices provided by DASA at the end of the reporting period. Some details of the indices used are:

Land (by region and type);

Buildings (UK and specific overseas indices);

Buildings – Dwellings (UK and specific overseas indices);

IT and Communications Equipment – Communications Equipment;

IT and Communications Equipment – Office Machinery and Computers;

Plant and Machinery; and

Assets Under Construction.

1.9 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.

1.10 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.

1.11 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.

1.12 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

1.13 Research costs are charged to the Operating Cost Statement in the period in which they are incurred.

1.14 Development costs are capitalised where they contribute towards defining the specification of an asset that will enter production. Those not capitalised are charged to the Operating Cost Statement. Capitalised development costs are amortised, on a straight line basis, over the planned operational life of the resultant asset, e.g. class of ship or aircraft. Amortisation commences when the asset type first enters operational service within the Department. If it is decided to withdraw the whole class of an asset type early, then any residual unamortised development costs relating to that class are written off to the Operating Cost Statement, along with the value of the underlying tangible non-current assets.

1.15 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

1.16 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.

1.17 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.

1.18 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	5 – 20
Plant and Machinery	Equipment	10 – 25
	Plant and Machinery	5 – 25
IT and Communications Equipment	Office Machinery	3 – 10
	Communications Equipment	3 – 30

Donated Assets

1.19 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/depreciated on the same basis as purchased assets.

1.20 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 Operating Cost Statement.

Impairment

1.21 Impairment charges to the Operating Cost Statement occur in circumstances which reduce the carrying value of 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 are written off against the Revaluation Reserve (or Donated Asset Reserve, as appropriate) until the carrying value of the asset reaches its depreciated historic cost. Impairment losses below this amount are charged to the Operating Cost Statement. Any reversal of an impairment charge is recognised in the Operating Cost Statement to the extent that the original charge was previously recognised there. The remaining amount is recognised in the Revaluation Reserve.

Disposal of Tangible Non-Current Assets

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

Leased Assets

1.23 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 Operating Cost Statement. Expenditure under operating leases is charged to the Operating Cost Statement in the period in which it is incurred.

Inventories

1.24 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.

1.25 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 Operating Cost Statement on consumption, disposal and write-off.

1.26 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

1.27 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.

1.28 Provisions are charged to the Operating Cost Statement. All long-term provisions are discounted to current prices using the rate advised by HM Treasury. The rate for financial year 2009-10 is 1.8% (2.2% for 2008-09). The discount is unwound over the remaining life of the provision and shown as an interest charge in the Operating Cost Statement.

Reserves

1.29 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.

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

Pensions

1.31 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.

1.32 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.

1.33 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 Operating Cost Statement.

1.34 The disclosures for the main pension schemes are included in: the Remuneration Report, Note 3 – Staff Numbers and Costs, and on the websites of the Civil Service Pension Scheme and the Teachers Pension Scheme.

Early Departure Costs

1.35 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 1.8 per cent in real terms.

Cost of Capital Charge

1.36 A charge, reflecting the cost of capital utilised by the Agency, is included in Operating Costs and credited to the General Fund. The charge is calculated at the real rate set by HM Treasury for Financial Year 2009-10 of 3.5% (2008-09: 3.5%) and applied to all assets less liabilities except for Donated Assets, where the charge is nil:

Insurance

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

Departmental Overheads

1.38 Notional amounts are included in the operating Cost Statement 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

1.39 The Agency is not charged a fee by the National Audit Office. The audit fee represents the notional charge to the Operating Cost Statement based on the cost of services provided.

Operating Segments

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

Foreign Currency

1.41 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 Operating Cost Statement. 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.

1.42 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

1.43 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 the Inland Revenue or Department of Social Security at the balance sheet date, and these are not disclosed in the Agency's balance sheet.

Financial Instruments

1.44 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

1.45 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

1.46 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.

Cash and cash equivalents

1.47 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. Therefore there has not been any impact of this standard on Agency cash balances.

2. First time adoption of IFRS

	General Fund	Revaluation Reserve	Donated Asset Reserve
	£000	£000	£000
Taxpayers equity at 31 March 2009 under UK GAAP	6,345	74,416	50,835
Adjustment for:			
IAS 19 Employee Benefits	(1,744)		
Taxpayers Equity at 1 April 2009 under IFRS	4,601	74,416	50,835
Net Operating cost for 2008-09 under UK GAAP			121,943
Adjustments for:			
IAS 19 Employee Benefits			1,744
Interest on capital			(30)
Net operating cost for 2008-09 under IFRS			123,657

3. Staff numbers and costs

a. Staff costs comprise:

	2008-09 £000			2009-10 £000
	Total	Permanently employed staff	Others	Total
Wages and salaries	61,338	63,648	1,369	65,017
Social security costs	4,238	3,829	66	3,895
Other pension costs	5,454	5,503	0	5,503
Sub total	71,030	72,980	1,435	74,415
Total net costs	71,030	72,980	1,435	74,415

b. breakdown of above costs by manpower category

	2008/09 £000	2009/10 £000
UK Based Admin Grades		
Salaries, wages and allowances	3,320	3,476
Social Security costs (ERNIC)	224	262
Other pension costs	490	485
	4,034	4,223
Headteachers, Deputy Heads & Assistant Teachers		
Salaries, wages and allowances	39,899	42,134
Social Security costs (ERNIC)	2,515	2,493
Other pension costs	4,319	4,624
	46,733	49,251
Other Educational Grades		
Salaries, wages and allowances	3,525	3,668
Social Security costs (ERNIC)	284	198
Other pension costs	624	368
	4,433	4,234
Miscellaneous Locally Enrolled		
Salaries, wages and allowances	14,594	15,739
Social Security costs (ERNIC)	1,215	942
Other pension costs	21	26
	15,830	16,707

Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows.

	2008-09 Total	Permanent staff	Others	2009/10 Total
Directly employed	1,663	1,576	35	1,611
Other	0	0	0	0
Total	1,663	1,576	35	1,611

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

	2009/10	2008/09
UK Based Administrative Grades	81	78
UK Based Educational Grades:		
Headteachers, Deputy Heads & Assistant Teachers	763	776
Other Educational Grades	60	61
Locally Enrolled Civilians:		
Miscellaneous Locally Enrolled Civilian Support Staff	672	748
Army: Other Ranks	0	0
	1,576	1,663

Social Security and Pension Costs

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 2009/10 employers pension contributions of £5,503,000 were payable in respect of the various schemes in which staff were members (2008/09 £5,454,000).

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 2006 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 1/80th 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 1/60th 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 3/80ths 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 3/8ths 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 2009/10 were as follows:

Rates at which SCE contributes to employee pension schemes

<u>Scheme and Class of member</u>	<u>2009-10 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 2010, 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 2009-10 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.

4. Programme Costs

	2009-10	2008-09
	£000	£000
It equipment and services	712	574
Catering and cleaning	1,954	1,497
Accommodation charges	9,717	8,938
Works maintenance	2,958	5,166
Travel, subsistence and transfer costs	2,982	3,257
Medical, welfare and central MOD services	3,629	3,539
School transport	6,809	8,526
MOD, HQ UKSC and HQ AG costs	2,916	2,863
Other administration expenses	5,604	5,234
Rentals under operating leases	163	168
Interest charges	0	0
Non-cash items		
Depreciation	8,042	8,125
Loss on disposal of property	606	4,908
Cost of Capital charges	2,709	2,639
Auditors remuneration	71	66
Unwinding of discount on provision	475	154
Total	49,347	55,654

5. Income

	2009-10	2008-09
	£000	£000
School fees and Home Savings Contributions	2,700	2,901
School meal receipts – collection fee	77	69
Miscellaneous	45	57
	2,822	3,027

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.

	2009/10			2008/09		
	Income	Full Cost	Surplus/ (Deficit)	Income	Full Cost	Surplus (Deficit)
	£000	£000	£000	£000	£000	£000
Provision of education for fee-payers	2,700	4,094	(1,394)	2,901	4,643	(1,742)
School Meal Collection Fee	77	77	0	69	69	0
Miscellaneous	45	45	0	57	57	0
Total	2,822	4,216	(1,394)	3,027	4,769	(1,742)

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 decision by MOD to charge for the provision of services to the contractor for the Primary Community Care Contract for British Forces Germany. The contract was awarded to SSAFA, and from 1 April 2008, they are now being charged School Fees for the education of dependant children, prior to this date no charges were due. The cost of the education element is incurred by UKSC as part of the contract price and SCE made a Control Total transfer to UKSC to cover the cost.

School Meal Receipts

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

	Land and Buildings*	Plant and Machinery	IT and Commu- nications	Assets under Construction	Total
	£000	£000	£000	£000	£000
As at 1 April 2009	213,879	1,796	8,733	1,186	225,594
Cash Additions	0	0	0	807	807
Non-Cash Additions	665	10	0	0	675
Disposals	(846)	0	(1,255)	0	(2,101)
Revaluation	2,850	41	(531)	0	2,360
Reclassification from AUC	0	214	1,339	(1,553)	0
As at 31 March 2010	216,548	2,061	8,286	440	227,335
DEPRECIATION					
As at 1 April 2009	56,570	985	3,779	0	61,334
Charge for the year	7,631	183	1,580	0	9,394
Non Cash Addition	50	0	0	0	50
Disposals	(396)	0	(1,149)	0	(1,545)
Revaluation	678	22	(230)	0	470
Reclassification from AUC	0	0	0	0	0
As at 31 March 2010	64,533	1,190	3,980	0	69,703
NET BOOK VALUE					
As at 31 March 2010	152,015	871	4,306	440	157,632
As at 31 March 2009	157,309	811	4,954	1,186	164,260

* All SCE's land and buildings assets are non dwellings.

Land and Buildings Assets transferred to Defence Estates, Plant and Machinery Assets transferred to Defence Logistics Organisation and IT and Communications Assets transferred to the Defence Communications Services Agency on 1 April 2006.

NOTE 6b LAND & BUILDINGS BREAKDOWN BETWEEN DONATED AND NON-DONATED ASSETS

	Donated Assets		Non-Donated Assets		Total
	2009/10	2008/09	2009/10	2008/09	2009/10
	£000	£000	£000	£000	£000
COST OR VALUATION					
As at 1 April 2009/2008	60,466	61,437	153,413	136,065	213,879
Cash Additions	0	0	0	0	0
Non-Cash Additions	0	467	665	0	665
Disposals	0	(12,166)	(846)	(7,312)	(846)
Revaluation	2,286	10,728	564	24,626	2,850
Reclassifications from AUC	0	0	0	34	0
As at 31 March 2010/2009	62,752	60,466	153,796	153,413	216,548
DEPRECIATION					
As at 1 April 2009/2008	9,631	7,459	46,939	36,290	56,570
Charge for the year	1,352	1,458	6,279	6,410	7,631
Addition	0	139	50	0	50
Disposals	0	(725)	(396)	(2,395)	(396)
Revaluations	237	1,300	441	6,633	678
Reclassifications from AUC	0	0	0	1	0
As at 31 March 2010/2009	11,220	9,631	53,313	46,939	64,533
NET BOOK VALUE					
As at 31 March 2010	51,532		100,483		152,015
As at 31 March 2009		50,835		106,474	157,309

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.

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

	2009-10	2008-09
	£000	£000
Inventories		
Educational and Office Supplies	14	14

9. Trade receivables and other current assets

	2009-10	2008-09
	£000	£000
Amounts falling due within one year		
Trade receivables – Central Government Entities	0	0
Other receivables	309	390
Prepayments and accrued income	379	530
	688	920

10. Trade payables and other current liabilities

	2009-10	2008-09
	£000	£000
Amounts falling due within one year		
Trade payables	369	1,107
Other payables	0	0
Accruals and deferred income	2,659	4,201
Annual Leave Accrual	1,774	1,744
	4,802	7,052

11. Provisions for liabilities and charges

	2009-10	2008-09
	£000	£000
Early Departure Costs		
Provision for Early Retirements as at 1 April	28,290	29,466
Provisions utilised in the year	(1,295)	(1,330)
Increase/(Decrease) in Provision	0	0
Change in Pension rate	494	0
Unwinding of discount	475	154
Provision as at 31 March	27,964	28,290
	2009-10	2008-09
	£000	£000
Early Departure Costs		
In the remainder of the Spending Review period to 2011	1,623	3,040
Between 2012 and 2016	6,530	6,600
Between 2017 and 2021	5,144	5,719
Thereafter	14,667	12,931
Balance at 31 March	27,964	28,290

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 1.8 per cent in real terms.

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

12. Non Cash Items

	2009/10	2008/09
	£000	£000
Civilian Management	1,718	1,682
Permanent Transfer Costs	906	887
Medical Costs	1,861	1,822
Air Travel	55	106
MOD HQ Costs	1,201	1,176
HQ UKSC (G) Costs	710	704
HQ AG Costs	1,004	983
Notional Food Cost	0	0
Contract Catering and Cleaning	1,954	1,497
Postage	72	70
Utilities	1,273	1,097
Accommodation Stores	6	22
Telecommunications	65	57
Cost of Married Quarters and Other Accommodation	6,498	5,440
Rent (Includes Notional Rent for Nurseries)	800	862
Works Services	3,024	4,540
Accommodation Services	96	108
Road Transport	6,809	8,526
NAO Audit Fee	71	66
Miscellaneous Supply Items	28	25
Legal Fees	64	84
	28,215	29,754

13. Revaluation Reserve

	Notes	2009/10	2008/09
		£000	£000
As at 1 April		74,416	64,513
Gross revaluation	6a	2,360	34,898
Revaluation Depreciation	6a	(470)	(7,759)
Gross Revaluation on Donated Assets to Donated Asset Reserve	6b	(2,286)	(10,728)
Revaluation Depreciation on Donated Assets to Donated Asset Reserve	6b	237	1,300
Permanent Diminution in Value of Fixed Assets		642	(47)
Inter reserve transfer – realised element of the revaluation reserve		(4,693)	(7,761)
As at 31 March		70,206	74,416

14. Capital Commitments

At 31 March 2010 the Agency had no contractual capital commitments to be disclosed in the Financial Statements. (31 March 2009 – Nil) A new School is being constructed in Naples, which is funded by Defence Estates.

15. Analysis of Financing

	2009/10	2008/09
	£000	£000
Net Payments on Defence Resource Accounts	82,627	80,822

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

	2009-10	2008-09
	£000	£000
Other:		
Not later than one year	115	160
Later than one year and not later than five years	230	27
Later than five years	0	0

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.

There is a contingent liability for the staff costs that will fall to SCE as a result of the closure of Schools, under Project Borona, with the planned drawdown and closure of the Rhine Garrison and Munster Station.

19. Losses and special payments

Total number of cases of losses and special payments reported for the year ended 31 March 2010 was 17 with a total value of £30,200.

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 which are explained in Note 1.36 to the Accounts. During the year none of the Management 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.

Under Programme BORONA, GOC UKSC announced on the 9th June 2010 that a decision had been made that Windsor School would close in Summer 2013. Options are being considered as to how best provide secondary education for those dependant children who are posted to the area between September 2011 and July 2013.

It was announced in the Budget on 22 June 2010 that the Government intends to adopt the Consumer Price Index (CPI) for the indexation of public service pensions from April 2011. This will have an impact upon the future operation of the pension schemes that Service Children's Education provides to employees.

On the 19th October 2010 the Government published the Strategic Defence and Security Review which announced that approximately 50% of British Forces Personnel will be withdrawn from Germany by 2015 and the remainder by 2020. Further detailed analysis is required to consider the implications of the announcement regarding Germany basing and the proposed timescales.

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.



information & publishing solutions

Published by TSO (The Stationery Office) and available from:

Online

www.tsoshop.co.uk

Mail, Telephone, Fax & E-mail

TSO

PO Box 29, Norwich, NR3 1GN

Telephone orders/General enquiries: 0870 600 5522

Order through the Parliamentary Hotline Lo-Call 0845 7 023474

Fax orders: 0870 600 5533

E-mail: customer.services@tso.co.uk

Textphone: 0870 240 3701

The Parliamentary Bookshop

12 Bridge Street, Parliament Square

London SW1A 2JX

Telephone orders/General enquiries: 020 7219 3890

Fax orders: 020 7219 3866

Email: bookshop@parliament.uk

Internet: <http://www.bookshop.parliament.uk>

TSO@Blackwell and other Accredited Agents

Customers can also order publications from:

TSO Ireland

16 Arthur Street, Belfast BT1 4GD

Tel 028 9023 8451 Fax 028 9023 5401

ISBN 978-0-10-296917-7

