



SERVICE CHILDREN'S EDUCATION

ANNUAL REPORT AND ACCOUNTS

2012-2013



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Foreword by the Acting Chief Executive

This is the last Service Children's Education (SCE) Agency Annual Report and Accounts. It was announced in March 2013 that the Ministry of Defence would end the Executive Agency status of SCE and reintegrate its functions into the Directorate of Children and Young People (DCYP) from 1 April 2013. A major programme for DCYP is the Education of Service Children Change Programme. This programme will develop and deliver, with other Government Departments where appropriate, a framework that supports the future provision of education to Service children in the UK and overseas in the light of defined and developing Defence policy.

This report covers the work of the Agency through 2012-2013, including the support to the Regular Army Basing Plan and SCE's management of the closure of schools in Germany while ensuring the smooth transition of Service children back to the UK.

SCE exists to champion the educational needs of Service children worldwide and to provide first class education for children aged 3 to 19 worldwide and 0 to 19 in Germany. Results in 2013 show there have been significant improvements to the outcomes for the youngest children, with more eleven year old children reaching the highest levels in reading and writing. However, in spite of the impending drawdown in Germany, all schools continue to push the boundaries in order to strive to achieve results that are above the national average. This can only happen if there is a highly skilled and committed workforce. Retaining our workforce has become the biggest challenge for SCE and this year we have been able to secure a number of packages to encourage staff to stay until the schools close as well as providing opportunities for staff to extend their qualifications and experience.

As we move forward as part of the DCYP team, SCE personnel are keen to build on the strengths and qualities that have made SCE the success it is today. The Education Change Programme provides us with an opportunity to review the offer and direction of education for Service children. In the meantime SCE schools across the world remain fully committed to providing high quality education supporting the nation's obligations of 'no disadvantage to Service Families' as outlined in the Military Covenant. That dedication and determination will remain in our schools for as long as we are supporting our Service families overseas.



Kathryn Forsyth
Acting Chief Executive
15 January 2014

Agency Mission Statement

The Agency aims to

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

Vision

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

To achieve our vision we will

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

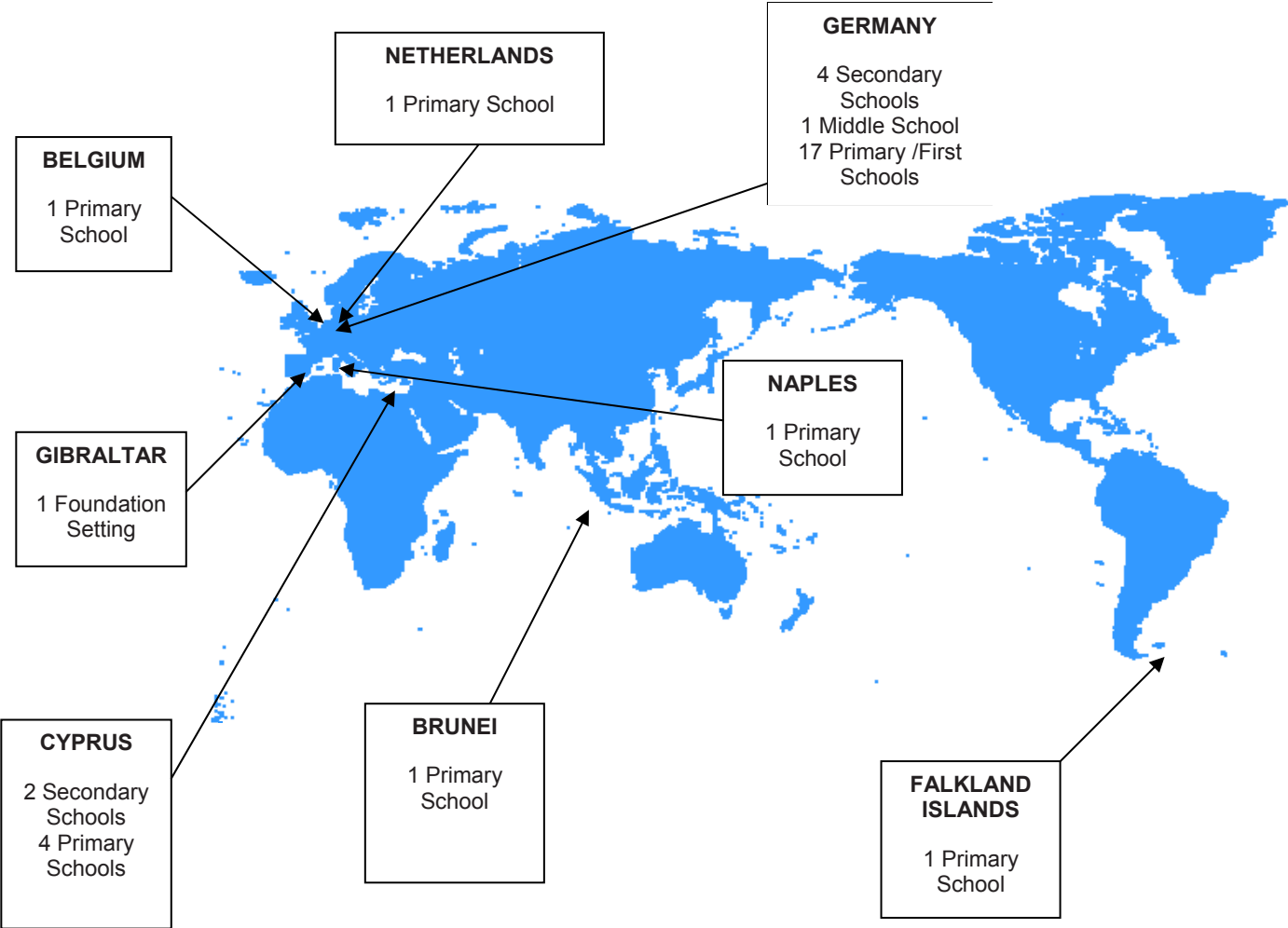
Management Commentary

History

Service Children’s Education (SCE) 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.

In the summer of 2012 the Adjutant General (AG), the Agency’s owner, instigated a wide ranging review to examine future SCE delivery models in the light of the withdrawal from Germany. A report, considering SCE Agency status was submitted to the AG in late 2012, the outcome of which is disclosed in the AG Review section on page 17 of this report.

SCE Schools



As at 31 March 2013, SCE provided education in 34 schools in 8 countries around the world. The schools ranged from a small primary school of fewer than 30 pupils, to a large secondary school, with boarding facilities, of some 715 pupils. Provision for three-year olds is made in Foundation Stage 1 classes, each of which is directly linked to an SCE first or primary school.

Of the 34 schools, the majority are located in Germany and Cyprus, with larger Garrisons having up to six primary schools and a secondary school. The remaining schools support detachments of personnel around the world.

SCE Pupils

During the period of the report there were typically between 8,000 and 9,400¹ pupils in SCE schools and Foundation Stage settings on roll at any one time. SCE schools follow the National Curriculum in England and pupils pursue GCSE, A level and GNVQ courses in exactly the same way as their English-educated counterparts. SCE pupils continue to sit National Curriculum Tests (NCTs) at age 11 (Key Stage 2).

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

SCE Personnel

SCE employs 1463 personnel around the world, including 707 teachers; the remainder being administrative Civil Servants, specialist educational staff and locally engaged support staff.

SCE Headquarters

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

Principal Activities

SCE provides an education service for dependant children and nursery education from 0-3 in Germany and 3+ in the Rest of the World locations.

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

¹ 9369 Pupils SummerTerm 2012, 8161 Pupils Autumn Term 2012, 8085 Pupils Spring Term 2013

Financial Performance

The gross operating costs of the Agency for the year ended 31 March 2013 was £142.3M. This was offset by income of £2.2M. The balance, representing net operating costs, as detailed in the Statement of Comprehensive Net Expenditure was £140.106M.

Total Assets were £50.449M at 31 March 2013. This represented Total Current Assets of £0.255M and Non Current Assets of £50.194M. Non Current Assets comprise Land, Buildings (mainly School premises) ICT equipment in Schools and Plant and Machinery. Total liabilities and charges (including Provisions) were £30.896M resulting in total Net Assets of £19.553M.

Basis of Accounts

The Agency's financial statements cover the period from 1 April 2012 to 31 March 2013 and have been prepared in accordance with a direction issued by HM Treasury under Section 7 of the Government Resources and Accounts Act 2000 and in accordance with the government's Financial Reporting Manual (FReM). The Agency is a Higher Level Budget reporting to Land Forces Top Level Budget. As such we also produce financial information for consolidation into the MOD Annual Resource Accounts.

From 1 April 2013, SCE ceased to be an Executive Agency, as a result its assets and liabilities have been transferred to the Ministry of Defence, and it has been accounted for on a going concern basis. The services will continue to be provided within the MOD and therefore the change will have no impact on the going concern basis.

Pension Scheme

Pension benefits are provided through the Civil Service and Teachers' Pension arrangements. Following a review by Lord Hutton, the government is working to reform the way that public sector pensions, including schemes available to civil servants, are provided in future. The details of the benefit schemes currently available and information on liabilities are included in the remuneration report on page 24.

Review of Activities

There have been no significant changes to the Agency's objectives and activities although SCE has assumed responsibility for the provision and training and development of the 0-3 children's workforce in Germany.

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

Performance

Details of the overall assessment and examination results for Academic Year 2012-13 are set out below.

EYFS²

Percentage achieving a good level of development³

	2013
SCE	60%
England	52%

Year 1 Phonics Check⁴

Percentage of pupils in Year 1 achieving the threshold score

	2012	2013
SCE	54%	74%
England	58%	69%

Key Stage 1

Reading

		2011	2012	2013
Level 2+	SCE	86%	87%	92%
	England	85%	87%	89%
Level 3+	SCE	29%	29%	34%
	England	26%	27%	29%

Writing

		2011	2012	2013
Level 2+	SCE	84%	85%	89%
	England	81%	83%	85%
Level 3+	SCE	16%	17%	20%
	England	13%	14%	15%

Mathematics

		2011	2012	2013
Level 2+	SCE	91%	93%	96%
	England	90%	91%	91%
Level 3+	SCE	22%	23%	27%
	England	21%	22%	23%

² A new assessment system for the Early Years Foundation Stage was introduced in 2012-13. Figures are not comparable with those from earlier years.

³ A child being assessed as at or above the expected level of development for all Prime Learning Goals, plus the Literacy and Mathematics Learning Goals, is deemed to have achieved a good level of development. The Prime Learning Goals cover Communication and Language, Physical Development and Personal, Social and Emotional Development.

⁴ The Year 1 Phonics Check was introduced in 2011-12.

Key Stage 2

Reading

		2011	2012	2013
Level 4+	SCE	86%	90%	86%
	England	84%	87%	86%
Level 5+	SCE	41%	49%	47%
	England	42%	48%	45%
Two levels progress	SCE		92%	86%
	England		90%	88%

Writing⁵

		2012	2013
Level 4+	SCE	83%	81%
	England	81%	83%
Level 5+	SCE	32%	35%
	England	28%	30%
Two levels progress	SCE	92%	89%
	England	90%	91%

Mathematics

		2011	2012	2013
Level 4+	SCE	81%	85%	83%
	England	80%	84%	85%
Level 5+	SCE	32%	35%	33%
	England	35%	39%	41%
Two levels progress	SCE	83%	85%	81%
	England	83%	87%	88%

Reading, writing and mathematics

		2012	2013
Level 4+ in all	SCE	76%	73%
	England	75%	76%
Level 5+ in all	SCE	20%	19%
	England	20%	21%

Grammar, Punctuation and Spelling⁶

		2013
Level 4+	SCE	72%
	England	74%
Level 5+	SCE	45%
	England	48%

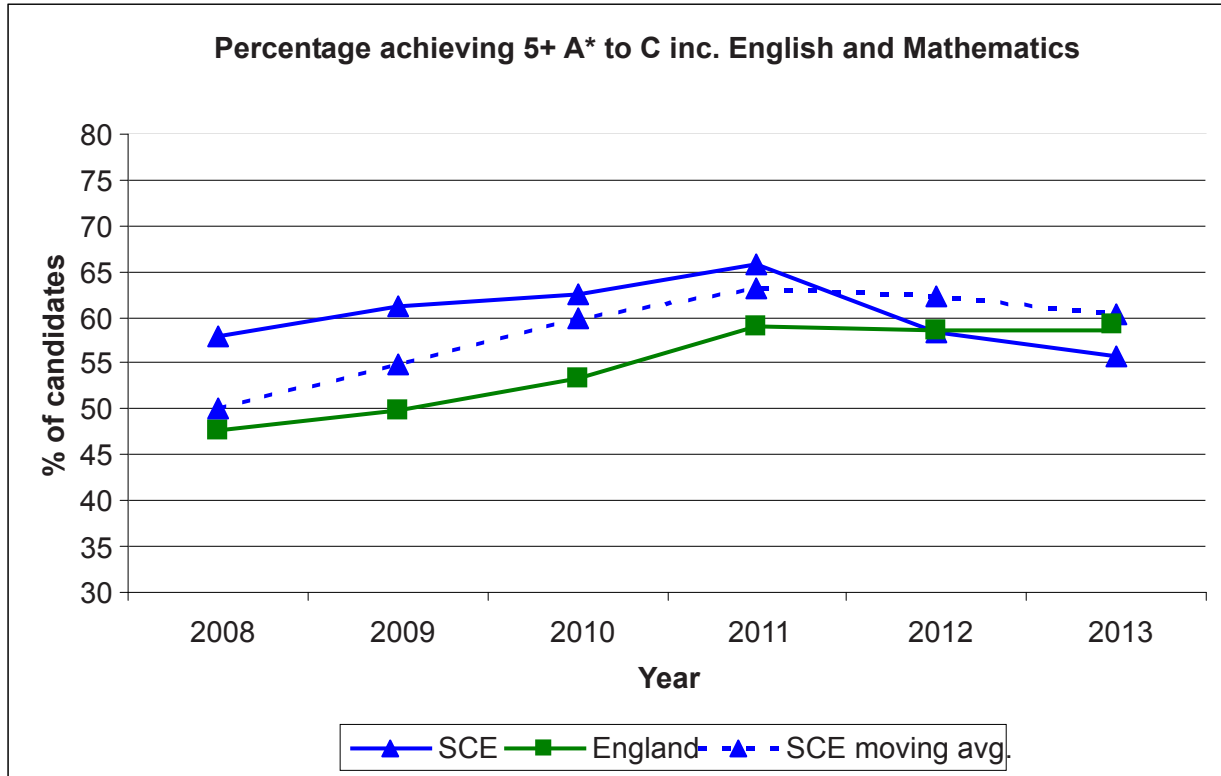
⁵ Prior to 2012 writing was assessed through externally marked tests and tasks. In 2012 and 2013 Key Stage 2 writing has been teacher-assessed.

⁶ The Grammar, Punctuation and Spelling Test was introduced in 2012-13.

Key Stage 4

Percentage achieving 5 or more A* to C GCSEs (or equivalent) including English and Mathematics

	2011	2012	2013
SCE	66%	58%	54%
SCE 3-yr moving average	63%	62%	60%
England	59%	59%	59%



Key Stage 5⁷

Average QCA points per student

	2011	2012	2013
SCE	630.3	574.8	597.4
England	763.5	764.9	769.2

Average QCA points per entry

	2011	2012	2013
SCE	209.9	206.6	206.6
England	212.2	211.2	212.9

Although the gap between SCE and England for points per entry has got steadily larger over the last three years, the difference is only one-seventh of an A-Level grade.

In summary, for any post 16 entry, the outcome on average will be approximately the same in SCE as in England. However, students in England gain, on average, a significantly larger number of total points (qualifications) than students in SCE schools.

⁷ An A* grade at GCE Advanced Level is equivalent to a QCA Point Score of 300, with a gap of 30 points between each A-Level grade so that an E grade is equivalent to 150 points. All approved qualifications are given a point score, with an AS-Level valued as half an A-Level.

School Inspections from April 2012 to March 2013

School	Overall Effectiveness	Achievement	Behaviour	Care, Guidance and Support	Leadership and Management
King Richard	1	1	1	1	1
Ayios Nikolaos	3	3	3	2	3
Bielefeld	2	2	2	2	2
Blankenhagen	3	3	3	2	3
Episkopi	1	1	1	1	1
Haig	4	4	4	3	4
Robert Browning	2	2	2	2	2
Sir John Mogg	3	3	3	2	2
William Wordsworth	2	2	2	2	2

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

During the period April 2012 to March 2013, nine schools were inspected under Section 5 of the School Inspection Framework by Her Majesty's Inspectors. Of these, two were judged to be outstanding for overall effectiveness, three were judged to be good and three were judged satisfactory. Haig School was judged to be inadequate. Following the inspection, the headteacher resigned and left within two weeks. He was replaced by the Acting Director of Education as Executive Head. An experienced SCE headteacher was appointed as substantive headteacher in January 2013. Her Majesty's Inspector (HMI) visited the school in January under Section 8 and judged the school to have made acceptable progress. The school is currently supported by an experienced teaching and learning consultant deployed from Headquarters and the school remains subject to rigorous monitoring by both SCE and HMI.

Two schools in Cyprus, Episkopi and King Richard, were judged to be outstanding. This is a recognition of the hard work and dedication for the staff at both schools. Bielefeld, William Wordsworth and Robert Browning were judged to good. All three of these schools have improved since their last inspection when they were judged as satisfactory.

Blankenhagen School was judged as satisfactory based upon the previous inspection framework and Sir John Mogg and Ayios Nikolaos were judged as requiring improvement under the latest inspection framework. These latter two schools are the subject of monitoring from both HMI and SCE.

Safeguarding

Fundamental to all of our work with children and young people is the commitment to ensure that every pupil is safe and fully supported in every SCE setting.

Throughout each year a significant level of safeguarding training is delivered within SCE. This includes the level 1 induction which is delivered within each setting as well as the level 2 programme delivered to all SCE staff by members of the Pupil and Family Services (P&FS) team. Mobility of staff will always present a challenge for mandatory training however all SCE schools and music centres have a 'designated senior child protection officer' who co-ordinates the through put of staff onto courses. School staff are fully supported by specialist HQ SCE P&FS staff and safeguarding very much remains an area where partnership working is key to success. All of the designated personnel are required to also undertake level 3 safeguarding training, which focuses on inter agency working and delivered with Local Safeguarding Children Board colleagues.

Appropriate SCE representation is present at all Command level Safeguarding Children's Boards and the overarching MoD Safeguarding Children Board. E-safety work is embedded throughout the organisation, both through the curriculum for pupils as well as to parents as an awareness raising agenda. Anti-bullying work is undertaken in all SCE schools. As an organisation, SCE is fully compliant with all safer recruitment practices. Throughout recent years a focus has also been directed towards safer working practices, utilising DfE guidance as well as local expertise to ensure that all of our practices are to the highest standard.

Pupil Support

Pupil mobility remains very high in SCE schools. In order to minimise the impact of frequent changes of school on pupils' education, SCE schools continue to give priority to pastoral and assessment procedures, thus ensuring that pupils settle into school and progress with their learning as soon as possible. Universal pastoral care is provided by school based staff, who in turn are supported in their work by HQ SCE as well as other organisations in the 'children's services' context such as health and social care.

During recent years significant work has taken place in developing SCE specific materials and training across broad areas of pupil support. In 2012-13 this included the release of a 'mobility resource toolkit' DVD which included awareness raising films for staff and families as well as the Special Educational Needs Transfer of Records and Information (SENTRI) documentation developed with CEAS and DfE providing a framework for the transfer of SEN information during a pupils move. Work was also completed in a partnership between SCE and the National College for an online training module on 'understanding mobility' with the trial cohort of UK and overseas education staff completing the 20 hours of on line Continued Professional Development in Spring 2013.

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

The organisation and delivery of pupil support is a complex interaction of policy and practice, implemented within settings and refined to meet individual needs. Within this context it is necessary to regularly review and update policy and structures. During 2012-13 a number of policies and guidance documents have been reviewed including the Exclusion policy (in light of the 2012 DfE update in exclusions regulations), Special Educational Needs policy (building towards the renewed SEN legislation and Code of Practice expected in 2013-14), Managed Move Protocol and Managing Challenging Behaviour guidance.

Raising the Participation Age

The membership of the 14-19 Strategy Group has been strengthened resulting in greater involvement of the Garrisons and other partners in supporting SCE to increase the range of opportunities available to students.

In addition, a number of projects have been put in place to increase the number of work-based and work-related learning alternatives to school sixth form to meet the Raising the Participation Age legislation, the first element of which has come into play from September 2013. A Participation Skills and Progression Service has been established to ensure all young people not in school are following a coherent programme of study including functional skills in line with the recommendations of the Wolf Report.

Early Years

SCE has implemented new robust systems and processes in order to enhance the sustainability of provision, including revised session times that better supports managers and leaders to effectively deploy staff in order to prioritise admissions for the serving soldier and working parents. As a result there are no parents waiting for a full-time placement, however there is further work required to ensure customers are aware of the facilities available prior to their posting. SCE is committed to making certain that there is at least one full-time Nursery in each Garrison.

During the period of the report we have worked hard to improve the manager's knowledge and understanding of their role and responsibilities, particularly as mentors and to support training and development. The revised model of accredited training is producing positive results and from 2014, candidates will be able to commence training in both the Spring and Autumn Terms, ensuring sufficient numbers of qualified staff are maintained.

With effect from 2012 regulation and inspection is compliant with the Early Years Foundation Stage and it is anticipated this will make a difference to driving quality improvement. With improved accountability, transparency and smarter ways of working staff are equipped with the fundamental tools to strengthen the quality of provision.

The SCE Estate

The ongoing drawdown in Germany saw the closure of Andrew Humphrey Primary school in Rhine Garrison and Mountbatten Primary school in Celle in July 2012 as part of Programme BORONA. In addition St Christopher's Primary School in Gibraltar also closed in July 2012.

The design of the new School based at the Supreme Headquarters Allied Powers Europe (SHAPE) in Belgium was completed and building work started in summer 2012.

Drawdown in Germany

On 4 March 2012 the Defence Secretary made an announcement to Parliament on the MoD's future basing plans for the Army. These plans encompass the Government's declared intention to withdraw British Forces from Germany by 2020. This long awaited announcement enabled us to produce our own programme for school closures in Germany, thus ending many months of uncertainty for our staff.

An outline drawdown plan is as follows:

Station	Confirmed Closure	SCE School Closure	
Rhine Garrison			
RMC	Dec 13	Ark School	Jul 13 (Firm)
		Windsor School	Jul 13 (Firm)
Elmpt Station	Dec 15	Brüggen School	Jul 15 (Firm)
Bergen-Hohne Garrison			
Hohne	Dec 15	Montgomery School	Dec 15 (Firm)
		Slim School	Jul 15 (Firm)
		Gloucester School	Jul 15 (Firm)
Fallingbostel	Dec 15	Shackleton School	Jul 15 (Firm)
		Heide School	Jul 15 (Firm)
Gütersloh Garrison			
Münster	Dec 13	Oxford School	Jul 13 (Firm)
Herford	Dec 15	Lister School	Dec 15 (Provisional)
Gütersloh Princess Royal Barracks	Dec 16	Blankenhagen School	Jul 2016 (Firm)
Gütersloh Mansergh Barracks	Not before Dec 17	Haig School	Jul 18 (Provisional)
		King's School	Jul 18 (Provisional)
Bielefeld	Not before Dec 17	Bielefeld School	Jul 18 (Provisional)
Paderborn Garrison			
Hameln	Dec 14	Weser School	Jul 14 (Firm)
		Prince Rupert School	Jul 14 (Firm)
Paderborn	Not before Dec 17	William Wordsworth School	Jul 18 (Provisional)
		Robert Browning School	Jul 18 (Provisional)
		John Buchan School	Jul 18 (Provisional)
		Bishopspark School	Jul 18 (Provisional)
Detmold	To be confirmed	Sir John Mogg School	Jul 18 (Provisional)

Rhine Garrison

Rhine Garrison closed in December 2013 and the 2 remaining schools, Ark Primary School and Windsor Secondary School closed as planned in July 2013. Elmpt Station will close in December 2015. Accordingly a firm date for the closure of Brüggen School has been set for July 2015.

Bergen-Hohne Garrison

Both Hohne Garrison and Fallingbostel Station will close in December 2015. Gloucester Secondary school will close in July 2015, as will Shackleton Primary, Heide Primary and Slim Primary schools. Montgomery Primary School will remain open until December 2015 to provide educational cover through to the finish. We are currently considering with the Chain of Command options for those students due to embark on public examination courses at Gloucester school in September 2014. The current intention is that such courses will be available at Gloucester school, if the demand is there, but only for the academic year September 2014 to July 2015. Parents will need to consider carefully what arrangements to make for their children to complete the second year of the examinations, should they decide to opt for this route. We will of course support them fully in making the most appropriate choices for their children.

Gütersloh Garrison

Oxford Primary School closed as planned in July 2013, following the closure of Münster Station. A provisional date for the closure of Lister Primary School has been set for December 2015, when Herford Station is due to close. This date may be brought forward to July 2015. A firm date for the closure of Blankenhagen Primary School has been set for July 2016, to tie in with the closure of Princess Royal Barracks in December 2016. Any remaining children at the school will be transferred to Haig Primary School on closure. A provisional date of July 2018 has been set for the closure of Haig Primary, King's Secondary and Bielefeld Primary Schools, pending the provision of more detailed information on associated unit moves.

Paderborn Garrison

Weser Primary School and Prince Rupert Secondary Schools will close as planned in July 2014, following the closure of Hameln Station. A provisional date of July 2018 has been set for the closure of William Wordsworth Primary School, John Buchan Middle School, Sir John Mogg Primary, Robert Browning Primary and Bishopspark Primary schools, pending the provision of more detailed information on associated unit moves.

The information above is based upon the most up-to-date at the time of writing. As with any plan, it remains vulnerable to external factors. Although there is a high degree of confidence that the firm dates will not change, some small adjustments cannot entirely be ruled out

Meanwhile, we continue to work with the representatives from the Professional Associations and the appropriate authorities in Army Headquarters and the MOD's Human Resources Directorate to agree our plans for how staff surpluses created by the closure of Germany schools will be managed and the strategies we will employ to retain a high quality workforce.

The closure of all our British Forces Germany schools will leave 12 SCE schools worldwide. This is less than a third of the number operating as recently as March 2012. The effect of the withdrawal from Germany on SCE operations cannot be underestimated. SCE has some experience of closing schools as the MOD's overseas presence has reduced. The scale and pace of the Germany closure programme is, however, unprecedented. As we reduce in size, our ability to absorb staff made surplus through closures also diminishes. This means that it is most unlikely that we will be able to avoid some compulsory redundancies at some stage. Since the Defence Secretary's announcement we have been working hard to agree a package of measures to manage, as best we can, the staff surpluses created by these closures. The centre-piece of our plan is an attractive Early Release package that will not only act as an incentive for staff to leave voluntarily but also encourage them to continue serving until the point at which their school closes.

This latter point is key if we are to honour our commitment to providing first class education through to the closure of the last Germany garrison. Another key element of our plan to manage staff surpluses is a remodelled Preferential Posting Scheme, whereby high quality staff can seek alternative opportunities elsewhere within SCE schools.

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

The review was conducted by the SCE Deputy Chief Executive (SCE DCE). The recommendations were as follows:

- That SCE Agency status should be removed on 31 March 2013.
- That candidates to fill the vacant post of Director Children and Young People (DCYP) should be sought at 2* level from within the Senior Civil Service, to serve for an interim period of up to 24 months, subject to further review of the role.
- That HQ SCE and CEAS should be subsumed into and, in so far as is practicable and desirable, collocated with the new Directorate.

The report also identified a number of linked change activities relating to the education of Service Children that needed to be brought together in a programme of work under the leadership of the new DCYP. This included determining the future business model for the SCE schools that will remain following the withdrawal from Germany.

All SCE DCE's recommendations were accepted by the Adjutant General. Agency status was duly removed from SCE on 31 March 2013. The new DCYP, Mike Cooper, has now been selected and the change programme he will lead has been further defined and endorsed. This work is of crucial importance as it will set the conditions for the delivery of education to all Service children, both in the UK and overseas, for the foreseeable future.

Priorities for 2012-13

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

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

Key priorities for 2013-14 are:

- Continue to support and challenge schools so they are the best they can be
- Supporting the Commands in managing the rebasing plans
- Investing in maintaining a high quality and motivated workforce for children aged 0 - 19
- Reviewing the functions of HQ SCE and ensuring the structure meets the needs of schools
- Developing greater autonomy for schools
- Implementing plans for raising the participation age
- Ensuring adequate funds are available to secure high quality provision
- Preparing our schools for the new OFSTED Framework and Performance Management requirements
- Ensuring greater continuity in learning for secondary students as they transfer between SCE secondary schools in Germany and Cyprus.

Management of the Agency

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

Mrs L FISHER – Chief Executive

Lynda Fisher was appointed to the Agency on 6 April 2009 as Chief Executive of the Agency. She commenced her career as a Teacher and has worked in Education and Children's Services for over 25 years. Lynda joined Local Government in 1997 as Head of Research and Planning with Staffordshire County Council. She was appointed to Wokingham Unitary Council in 1999 as Assistant Director for Education and Cultural Services. Prior to being appointed to the department Lynda was Statutory Children's Services Director at Portsmouth City Council from 2003 to 2009. She also had a corporate portfolio of responsibilities including Cultural Services, Customer Services and Audit and Performance. Lynda was also the Director of Children and Young People (DCYP) for the Ministry of Defence until her resignation from both posts on 31 August 2012.

Mr M R REVELL - Deputy Chief Executive

Mark Revell took up the appointment of Deputy Chief Executive in 2010 and has worked in the Ministry of Defence for some 20 years having been a Merchant Navy Engineering Officer prior to that. He had numerous postings within the department with Defence Estates, as an infrastructure consultant, property manager and project manager in the UK, Falkland Islands and Canada working on partnerships such as VANGUARD and the regional Prime Contract before moving to the Defence Vetting Agency managing a vetting division. In 2008 he started an 18 month tour as a POLAD in the United States at CENTCOM in Tampa and latterly as both POLAD and Chief CivMil Branch in Regional Command HQ in southern Afghanistan. Mark left SCE on 17 July 2012 to take up a post in support of the Afghanistan campaign.

Mrs K FORSYTH - Acting Chief Executive

Kathryn Forsyth was appointed as acting Chief Executive by the Adjutant General following the resignation of Lynda Fisher. She was first appointed to SCE as Director of Education Services in September 2006, 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. She holds overall responsibility for the Education Directorate, including Teaching and Learning, Standards and Assessment and Pupil and Family Service.

Mr P DAVIS OBE - Deputy Chief Executive

Peter Davis was appointed Deputy Chief Executive on 24 September 2012. Peter joined the MOD as an Executive Officer in 1984 and spent his early career in London working in several different organisations. He then moved to Bath to work on the Type 23 Frigate project before taking up a performance management role in the Defence Procurement Agency. Having spent a short time in the Ship Support Agency as corporate planner he moved to RAF Personnel and Training Command in Gloucester in a corporate governance role. In 2001 he transferred on loan to the International Staff in NATO Headquarters working in the peacekeeping section of the Defence Planning and Operations Division, where he worked on defence reform and other stabilisation projects in Bosnia Herzegovina. On his return to the UK he spent two years in Upavon as Head of Adjutant General Secretariat handling a number of difficult and sensitive Army personnel issues arising from Op TELIC. In 2005 he moved to the Defence Logistics Organisation in Bath as head of the Policy Secretariat function, before returning to the Army as Deputy Director Secretariat in HQ Land Command in 2007. In 2009 he deployed to Bagdad as Policy Advisor to the Senior British Military Representative in Iraq. On return he was temporarily promoted to the 1* Deputy Command Secretary post in the new HQ Land Forces in Andover. In 2012 he deployed to Kabul as Policy Advisor to the ISAF Deputy Commander, for which he was awarded the OBE.

Mr M FRASER

Mark Fraser has been Assistant Director (Pupil and Families Services) since 2010. He has worked in a number of posts within SCE since 1999. His 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.

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 was responsible for standards and assessment in schools and takes the lead for SCE school inspections.

Mr P NIEDZWIEDZKI

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

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

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

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

Lynda Fisher (Chief Executive) resigned from the position of Chief Executive on 31 August 2012. Kathryn Forsyth, Director of Education, was appointed Acting Chief Executive by the Adjutant General for the period 1 September 2012 to 31 March 2013.

Mark Revell (Deputy Chief Executive) left the Agency on 31 July 2012 to take up a post in support of the Afghanistan campaign.

Peter Davis joined the Agency on 24 September 2012 as Deputy Chief Executive.

Sustainability

In the majority of cases, SCE is a lodger unit within overseas Garrisons and Commands where responsibility for sustainability issues around energy use on site is the responsibility of the Defence Infrastructure Organisation (DIO). Of course SCE, as a consumer of energy, contributes to delivery of the MOD sustainability targets through its behaviours and means of delivering its services. SCE Schools participate in the Green Flag Award Scheme in order to try and create more sustainable Schools. The award relies upon the hard work of students working with teachers to achieve the Green Flag criteria.

Since 2011, SCE no longer has direct responsibility for utility costs, which transferred to the DIO. The Agency's consumption is however reflected in these accounts as part of the notional charge for Departmental overheads.

Policy in respect to Disabled Employees

SCE 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

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

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

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

Policy in Relation to Equal Opportunities

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

Sickness Absence

During the year the days lost through long-term sickness were 2555 days and through short-term sickness were 1891 days being equivalent of 5.4 per employee (5.05 in 2011-12).

Personal Data Related Incidents

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

The following table sets out the details of the Agency's personal data related incidents during 2012-13 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 2012-13

No Incidents

Table 2: Summary of Other Protected Personal Data Related Incidents in 2012-13

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

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

Table 3: Year-on Year Total Numbers of Protected Personal data Related Incidents Prior to 2012-13

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
2011-12	Nil	Nil	Nil	Nil	Nil	Nil	2011-12	Nil	Nil	Nil	Nil	Nil	Nil
2010-11	Nil	Nil	Nil	Nil	Nil	Nil	2010-11	Nil	Nil	Nil	Nil	Nil	Nil
2009-10	Nil	Nil	Nil	Nil	Nil	Nil	2009-10	Nil	Nil	Nil	Nil	Nil	Nil
2008-09	Nil	Nil	Nil	Nil	Nil	Nil	2008-09	Nil	Nil	Nil	Nil	Nil	Nil

Information Management – Personal Data Related Incidents (Other)

There were no reported personal data related incidents during 2012-13 in respect of data for which SCE was the custodian.

Payment Policy

All SCE's bills are paid through the Defence Business Services (DBS). The Department's invoices, with the exception of some payments to suppliers made by units locally, are paid through the Defence Business Services (DBS) organisation. In the period 1 April 2012 to 31 March 2013, the DBS paid 99.99% of all correctly submitted invoices within 11 calendar days. This contributed to the Department's overall performance of 100% 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. No commercial debt interest was paid during this period (2011-12: £21,000). From May 2010 all Government Departments were asked to pay 80% of invoices from suppliers within 5 working days. The Department, including its Trading Funds, has achieved a performance of 91.63% against this target up to 31 March 2013.

Auditors

The accounts of the Agency are audited by the Comptroller and Auditor General in accordance with Section 7(3)(b) of the Government Resources and Accounts Act 2000. The notional cost of the statutory audit is £84,000 for 2012-13. The auditors received no remuneration during the year for the provision of non-audit services.

Disclosure of Audit Information

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



Kathryn Forsyth
Acting Chief Executive
15 January 2014

Remuneration Report

Summary

The salary of the previous Chief Executive⁸ was determined at national level by the MOD's Senior Staff Management Directorate. The salaries of the other Civil Service Executive Board members were determined by negotiation between the Ministry of Defence and Civil Service Trades Unions in line with Ministry of Defence guidelines.

The Acting Chief Executive and the Director of Education are employed on Soulbury Staff terms and conditions. These salaries are set nationally by the Soulbury Committee on behalf of all Local Educational Authorities.

Salaries and Pension Establishment

The salary, pension entitlements and the value of any taxable benefits in kind of the most senior members of Service Children's Education Agency are shown below⁹.

Salary

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

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. Bonuses for senior staff in 2012-13 are shown in the table below.

The previous Chief Executive bonus is a non pensionable, non consolidated bonus of up to 10% of her salary in the first two years, and 20% in the third year, based upon the successful achievement of Performance Targets. These Targets encompass her role as Chief Executive SCE and MOD Director Children and Young People (DCYP). A Bonus was paid in 2012-13 for the year 2011-12 but relates to Performance Targets for the MOD DCYP role.

⁸ Lynda Fisher resigned from the position of Chief Executive on 31 August 2012. Kathryn Forsyth, Director of Education, was appointed acting Chief Executive by the Adjutant General for a period not exceeding one year.

⁹ The remuneration report does not include the pay costs of the non-executive director as the role did not attract salary costs during the period of this report. Travel and subsistence costs were payable.

This section has been subject to Audit.

Salary Table

All figures £000	Note	Salary at 31/03/13	Bonus Payments	Benefits in Kind at 31/03/13	Salary at 31/03/12	Bonus Payments	Benefits in Kind at 31/03/12
Mrs Lynda Fisher – Chief Executive FYE Salary	1	55 - 60 140 – 145	5 -10	0	120 - 125	10 – 15	0
Mr Mark Revell – Deputy Chief Executive FYE Salary	2	15 - 20 55 – 60	0	0	55 – 60	0 – 5	0
Mrs Kathryn Forsyth – Director of Education / Acting Chief Executive	3	95 -100	0	0	75 – 80	0	0
Mr Paul Niedzwiedzki – AD Policy & Planning		80 - 85	0	0	70 – 75	0	0
Mr Christopher Spencer – AD Standards & Assessments		85 - 90	0	0	65 – 70	0	0
Mr Mark Fraser – AD Pupil & Family Services		65 - 70	0	0	60 - 65	0	0
Mr Peter Davis – Deputy Chief Executive FYE Salary	4	45 – 50 85 - 90	0	0	0	0	0

FYE (Full Year Equivalent)

Notes

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

Lynda Fisher resigned from her post with effect from 31/08/2012. The 2012-13 Salary reported is the actual amount paid up to her resignation from the Executive Board, together with the full year equivalent.

2. Mark Revell left his post on 17/07/2012 for another post within the MOD. The 2012-13 Salary reported is the actual amount paid up to his departure from the Executive Board, together with the full year equivalent.

3. Kathryn Forsyth was appointed to the role of Acting Chief Executive on 1 September 2012; she did not take on her predecessor's dual role as MOD Director Children and Young People. The 2012-13 salary reflects her additional responsibilities as Acting Chief Executive.

4. Peter Davis took over the role of Deputy Chief Executive with effect from 24/09/2012. The 2012-13 Salary reported is the actual amount paid from his joining the Executive Board, together with the full year equivalent.

Pensions Table

All figures £000	Total Accrued Pension at age 60 and related lump sum at 31/03/13	Real increase in pension and related lump sum at age 60 at 31/03/13	CETV* at 31/03/13 or on cessation of appointment if earlier	CETV* at 31/03/12	Real increase in CETV after adjustment for and changes in market investment factors
Mrs Lynda Fisher – Chief Executive	80 - 85 plus Lump sum 0	-2.5 - 0 plus lump sum 0	1,188	1,149	-3
Mr Mark Revell – Deputy Chief Executive	20 - 25 plus lump sum 0	0 - 2.5 plus lump sum 0	358	352	1
Mrs Kathryn Forsyth – Director of Education / Acting Chief Executive	35 - 40 plus lump sum 105 - 110	**	772	713	**
Mr Paul Niedzwiedzki – AD Policy & Planning	30 - 35 plus lump sum 90 – 95	0 – 2.5 plus lump sum 0 – 2.5	718	698	13
Mr Christopher Spencer – AD Standards & Assessments	40 - 45 plus lump sum 0	2.5 -5 plus lump sum 0	884	833	45
Mr Mark Fraser – AD Pupil & Family Services	10 - 15 plus lump sum 35 - 40	0 - 2.5 plus lump sum 0 - 2.5	293	273	16
Mr Peter Davis – Deputy Chief Executive	25 – 30 plus lump sum 0	0 – 2.5 plus lump sum 0	390	383	0

* 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 does not provide these details.

Pay Multiples

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

	2012-13	2011-12
Mid point of the £5000 band for the annual equivalent remuneration of the highest earning Executive Board member in the above table	£142,500	£137,500
Median total remuneration of SCE staff	£45,370	£46,712
Ratio	3.17	2.94

The most significant factor in the increase in the civilian pay ratio is the movement in the FYE Salary of the previous Chief Executive.

Pension

The previous Chief Executive and five members of the Agency Executive Board are ordinary members of the Principal Civil Service Pension Scheme (PCSPS). The current acting Chief Executive is a member of the Teachers' Pension Scheme.

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

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

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

For 2012-13 employers pension contributions of £5.099M were payable in respect of the various schemes in which staff were members (2011-12 £5.387M).

PCSPS Pension details

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

Employee contributions for 2012-13 were set at rates between 1.5% and 3.9% of pensionable earnings for classic and 3.5% to 5.9% for premium, classic plus and nuvos. Employer contributions are calculated using four percentage rates (16.7%, 18.8%, 21.8% and 24.3%) of pensionable pay, based on four salary bands. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service; in addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service; unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 calculated as in premium. In nuvos a member builds up a pension based on pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is increased in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

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

Teachers' Pension Scheme

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

From 1 April 2012 the contribution rates in the Teachers' Pension Scheme (TPS) were tiered over seven salary bands. Contribution rates are based on full-time equivalent (FTE) salary and ranged between 6.4% and 8.8%. Employer contributions remained at 14.1% during the Financial Year 2012-13.

More information on the scheme including contribution rates can be found on the web site www.teacherspensions.co.uk



Kathryn Forsyth
Acting Chief Executive
15 January 2014

Statement of Accounting Officer's Responsibilities

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

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

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

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

Governance Statement 2012-13

Scope of Responsibility

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

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

Governance Framework

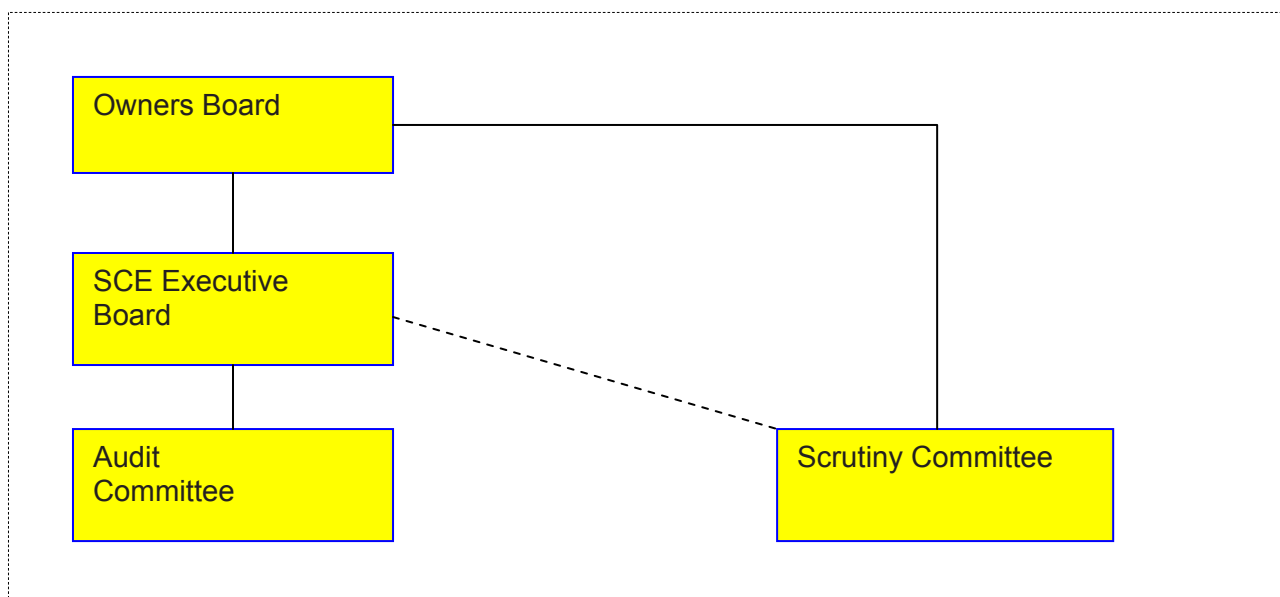
The governance framework sets out how the Agency delivers its services to its key stakeholders in a manner that is compliant with Ministry of Defence policies and best practice while allowing it to discharge its legal responsibilities and be accountable for its actions.

During the year ended 31 March 2013, the key elements of the system and processes that comprise the Agency's governance framework included the following:

Financial Delegation - The Agency financial plan, which is agreed by the Army HQ, sets out the budgetary envelope in which the Agency must deliver services up to and including 2016-17. During 2012-13 the Agency continued to operate under the principle delegated responsibilities granted by Chief of the General Staff (as Top Level Budget Holder) to me as acting Chief Executive. I in turn delegate to members of the Executive Board and Head Teachers. The Deputy Chief Executive, as the Senior Financial Adviser for the Agency, is responsible for ensuring that appropriate financial scrutiny arrangements are in place.

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

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



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

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

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

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

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

Role of the Board. The Executive Board is responsible for the delivery of SCE's strategic vision, policies and services to the MOD and other stakeholders. During the period of the report, the Executive Board met monthly until August 2012 and fortnightly thereafter and was responsible for coordinating activity across the Agency. It is the ultimate forum (supported appropriately by other groups) for making executive decisions about operational, resource, communications and other administrative matters in order to deliver the Strategic Plan (linked to the Agency risk register) and for monitoring performance.

Board composition. During the period of the report, the Board comprised of the Chief Executive, the Deputy Chief Executive, the Director of Education and 3 Assistant Directors and was also advised by the relevant business partners who support the Agency. After the resignation of Lynda Fisher in August 2012 the board remained unchanged but the Chief Executive was replaced by an Acting Chief Executive and the Director of Education was replaced with an Acting member.

Board attendance. In terms of regular Board attendance during 2012/13 each individual member has attended as follows. The first table represents the meetings under the chair of Lynda Fisher and the second table represents the current Acting Chief Executive Kathryn Forsyth team:

Executive Board Member	Attendance (max 4)
Chief Executive – Lynda Fisher	4
Deputy Chief Executive	2
Director of Education	4
Assistant Director (Pupil & Families Services)	3
Assistant Director (Standards & Assessment)	4
Assistant Director (Policy & Planning)	4

Executive Board Member	Attendance (max 11)
Acting Chief Executive – Kathryn Forsyth	11
Deputy Chief Executive	9
Acting Director of Education	7
Assistant Director (Pupil & Families Services)	11
Assistant Director (Standards & Assessment)	Post Vacant
Assistant Director (Policy & Planning)	10

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

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

- To review the Agency's corporate governance, resource management, risk management and internal controls and the associated outputs from assurance providers.
- To provide constructive challenge to the effectiveness and efficiency of the Agency's operational, procedural and financial systems.

Corporate Governance Code

As part of Government, SCE is bound by the Corporate Code issued by the Cabinet Office and SCE aims to conform to this code as much as it is possible within it self but also within the wider framework of the MOD in which SCE operates as a component part.

The Risk and Control Framework

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

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

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

During Financial Year 2012/13 the Executive Board identified 5 main risks. These are monitored and reviewed by the Executive Board on a regular basis as an Agenda Item. Owners of the risks have been identified and report directly to the Executive Board if the risk changes.

Main SCE Risks

- There is a risk that because of the Germany Drawdown SCE will experience haemorrhaging of both teaching and Dependant staff.

To mitigate this, SCE will establish and agree a strategy for managing surplus staff with the Army HQ and MOD HR and will secure a suitable Voluntary Early Release Scheme package. SCE will design a focussed approach to CPD in order to encourage staff, that need to be retained, to stay within SCE.

- There is a risk that SCE will not be in a position to meet its obligation to children with Special Educational Needs (SEN) following a new 2013 SEN legislation.

SCE will engage all organisational stakeholders including DCYP, CEAS, British Forces Germany Health Service, SSAFA plus each of the overseas commands to provide a balanced response to the inter organisational requirements of the legislation.

- There is a risk that SCE will be insufficiently prepared to meet the challenges of managing the 0-3 settings in Germany once this responsibility transfers across to it on 1 April 2013.

To maintain sufficient numbers of qualified staff and drive quality improvement, SCE will ensure the Early Years Development Team is effectively funded to provide ongoing accredited and essential training.

- There is a risk that the capacity of the SCE HQ function will erode to the point where it is unable to provide the level of challenge and support that schools require.

SCE will define a strategy to identify what support schools will continue to require through to closure and define how the requirement will be met. SCE will also decide how best to support enduring schools in Cyprus and the Rest of the World.

Change management

There were eight major change management programmes in progress during 2012/13:

- The continuing provision of first class education through a complex drawdown and re-basing exercise.
- Restructuring of the new organisation post removal of Agency status March 2013.
- Move of the Educational Directorate to Bielefeld in late 2013.
- Restructuring of HQ SCE.
- Management of the SCE Volunteer Early Release Scheme associated with the withdrawal from Germany.
- Increased autonomy for schools by 2014/15.
- Comprehensive review of the Agency strategic plan.

Audit and Assurance

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

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

Risk Management - DIA found that there was a lack of a consistent and fully embedded Agency risk management methodology, that senior management had not provided a business risk management policy and strategy guidance, and that where risks had been identified that they were not always linked to SCE objectives. A subsequent follow up audit by the DIA concluded that the Agreed Management Actions from the previous audit had not

been fully implemented and the work to date to address the management actions was not sufficient to address the weaknesses in the control framework and change the original Audit Opinion. As a result a Further Follow On review will be undertaken in 2013/14.

Business Continuity - DIA found that there was no clearly defined Business Continuity Management (BCM) framework in place, or BCM guidance promulgated from the top down through the Agency. Risk management arrangements and the risks identified were not considered or reviewed in a structured way through the various Boards and Committees and therefore the effectiveness of the system in place could not be evaluated. Responsibility for BCM activity outside of the HQ SCE was vested in a “fragile structure” that would be further tested as the Germany drawdown proceeded. A subsequent follow up audit by the DIA concluded that the Management Actions agreed at the audit had not been implemented sufficiently and therefore will be carrying out a further review in 2013-14.

Finance Payroll - DIA found that the controls around the awarding of Teaching and Learning Responsibility Payments was not robust as they could be and the controls and responsibility to ensure that adjustments to pay or allowances ceased at the end of a qualifying period, or when entitlement changed, were unclear. The subsequent follow on Audit provided the necessary evidence to show that the Management Action Plans had successfully been implemented.

ICT - The DIA ICT audit awarded Limited Assurance because the SCE ICT strategy and Service Level Agreement with the schools was not up to date, that the effectiveness of the ICT service provided to schools was affected by a lack of staff resources, that the ICT procurement strategy did not always reflect the needs of the schools and that the faults and issues reported to the ICT helpdesk were not reviewed in order to improve the service and performance. All these issues have either been resolved or plans are in place to implement the agreed management actions.

Freedom of Information - A DIA audit concluded that requests for information which fell under the auspices of the FOI Act 2000 were recognised for what they were & recorded appropriately. Responses to FOI requests were assessed at the correct level prior to release and were provided promptly and within 20 days of the request being received in the majority of cases. Where delays had occurred this had been adequately communicated to the relevant individual. Because SCE could adequately demonstrate its compliance with the Act, the DIA awarded “Substantial Assurance” for this particular audit report.

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

SCE’s external audit function is provided on behalf of Parliament by the Comptroller and Auditor General supported by staff from the NAO. The NAO has commented on the limited staff resources in the finance section, which has contributed to delays in the finalisation of the 2012-13 Annual Report and Accounts.

Monitoring - The SCE Audit Committee met 4 times during 2012 -13 and examined finance and governance activity within the Agency including risk management, information assurance and health and safety assurance. The Committee also reviewed the recommendations made by DIA and the NAO regarding SCE. The Audit Committee was also copied all DIA reports pertaining to SCE.

Removal of Agency Status

As noted earlier in this report, it was announced in March 2013 that the Ministry of Defence would end the Executive Agency status of SCE and reintegrate its functions into the Directorate of Children and Young People (DCYP) from 1 April 2013. SCE will therefore continue to operate within the MOD and remains bound by MOD policy including personnel management, financial propriety, security, risk management and contractual authority.

One of the most notable changes is that SCE will no longer prepare separate financial statements audited by the NAO and laid before Parliament. However, its activities will continue to be reported in the MoD Resource Account.

Conclusion

As the acting Agency Chief Executive I can confirm that the system of internal control has been in place in SCE for the full year ending 31 March 2013 and up to the date of approval of the Annual Report and Accounts. My review has been informed by the work of the SCE Audit Committee and the SCE finance team, as well as the recommendations made by external auditors and other reports, all with the aim of addressing any weaknesses and ensuring continuous improvement of the systems already in place.

The Agency ceased with effect 31 March 2013 and in addition we moved elements of the HQ back to the UK so we could fully embed within a revised Children and Young Peoples Directorate based in Upavon, Wiltshire. The Education Directorate and elements of HQ SCE that relate solely to Germany has co-located in Bielefeld as a result of the closure of JHQ in September 2013.



Kathryn Forsyth
Acting Chief Executive
15 January 2014

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

I certify that I have audited the financial statements of the Service Children's Education Agency for the year ended 31 March 2013 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Agency; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate. I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

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

Basis for Qualified Opinion on Financial Statements

I disagree with the accounting treatment adopted by the Agency in respect of the impairment to the Agency's German Estate. £32.7 million of a total impairment of £49.1 million has been charged against the revaluation reserve. I consider this to be inconsistent with the Government Financial Reporting Manual, which requires impairments arising from a loss of service potential to be recognised in full as operating costs. If this treatment had been adopted, the Agency's net operating costs for 2012-13 would increase by £32.7 million.

Qualified opinion on financial statements

In my opinion, except for the effects of the matter described in the basis for qualification opinion paragraph:

- the financial statements give a true and fair view of the state of the Service Children's Education Agency's affairs as at 31 March 2013 and of the net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

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

Amyas C E Morse
Comptroller and Auditor General

Date

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

Report of the Comptroller and Auditor General on the 2012-13 Service Children's Education Accounts

The purpose of my report

This Report explains the basis for the qualification of my audit opinion on the Agency's 2012-13 financial statements.

Background

In March 2013, the Defence Secretary made a Statement to Parliament announcing the Regular Army Basing Plan which set out plans for the Army's move back to the UK from Germany. Part of the Agency's overseas estate includes schools in Germany which, following the announcement, will be handed back on a phased basis. Therefore, the Agency has impaired the value of land by £27.3 million to £3.1 million and buildings by £21.8 million to £39.7 million, a total impairment of £49.1 million.

Accounting for the impairment to the value of the Germany Estate

I have qualified my opinion on the financial statements as I disagree with the accounting treatment adopted in respect of the part of the impairment which has been charged against the revaluation reserve. Applying the accounting treatment which I consider to be appropriate and consistent with the Government Financial Reporting Manual (the FReM) would have resulted in an increase in net operating costs of £32.7 million for 2012-13. I also qualified my audit opinion on the Ministry of Defence's 2012-13 Accounts (2013-14 HC 38) because of the same issue.

Accounting requirements

The Agency is required to prepare its accounts in accordance with the Financial Reporting Manual (the FReM). The FReM requires that the impairment of assets arising from a loss of service potential or economic value is recorded in net operating costs. The Agency considers that the impairment is not the result of a loss of service potential. Its view is that the policy announcement has not affected the asset values or their future capability because the assets could be used beyond 2019 if considered necessary. Consequently it has charged £32.7 million of the impairment to the revaluation reserve, which was the full balance on this reserve, with no impact on net operating costs. The remaining impairment of £16.4 million has been charged to net operating cost. The approach adopted by the Agency is consistent with that of the Ministry of Defence in its 2012-13 accounts. As I noted in my report on those accounts, the Department sought the view of and received endorsement from HM Treasury's Group Financial Reporting Team in reaching its conclusion over the accounting treatment applied.

I have considered the Department's views and the advice provided by HM Treasury's Group Financial Reporting Team. However, in my opinion there has been a loss of service potential in respect of these assets. The Agency plans to use these assets for a substantially shorter period than previously anticipated. While the assets could be used for a period beyond 2019 if necessary, I consider it reasonable to assume that the policy announced to Parliament will be implemented and that the consequent loss of service potential should be reflected in the accounting treatment.

Consequently, I am of the opinion that the full value of the impairment should be charged to net operating costs, with a transfer of £32.7 million from the revaluation to the general reserve. If this treatment were adopted, the Agency's net operating costs for 2012-13 would increase by £32.7 million to £172.8 million.

Amyas C E Morse
Comptroller and Auditor General

Date

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

Accounts for the year ended 31 March 2013

Statement of Comprehensive Net Expenditure (SoCNE) for the year ended 31 March 2013

	Note	<u>2012-13</u> £000	<u>2011-12</u> £000
Administration Costs			
Staff Costs	2	65,104	69,187
Other administration Costs		0	0
Total administration Costs		<u>65,104</u>	<u>69,187</u>
Programme Costs			
Staff Costs		0	0
Programme Costs	3	77,171	58,457
Gross Programme Costs		<u>77,171</u>	<u>58,457</u>
Operating income	4	(2,169)	(2,441)
Net Programme Costs		<u>75,002</u>	<u>56,016</u>
Net Operating Cost		<u>140,106</u>	<u>125,203</u>
Other Comprehensive Expenditure for the year ended 31 March 2013			
		<u>2012-13</u> £000	<u>2011-12</u> £000
Net (gain)/loss on revaluation of Property, Plant and Equipment	10	(2,963)	4,706
Impairment loss on German Estate	11	32,709	0
Total Comprehensive Expenditure for the year ended 31 March		<u>169,852</u>	<u>129,909</u>

The Notes on pages 45-60 form part of these Accounts.

Statement of Financial Position (SoFP)
as at 31 March 2013

	Note	<u>2012-13</u> £000	<u>2011-12</u> £000
Non-current assets			
Property Plant and Equipment	5	50,194	117,457
Total non-current assets		50,194	117,457
Current assets			
Trade and Other Receivables	7	255	583
Total current assets		255	583
Total Assets		50,449	118,040
Current liabilities			
Trade and other payables	8	(4,957)	(6,895)
Provisions falling due in less than one year	9	(1,470)	(1,503)
Total Current Liabilities		(6,427)	(8,398)
Non-current assets less net current liabilities		44,022	109,642
Non-current liabilities			
Provisions falling due in more than one year	9	(24,469)	(24,169)
Total non-current liabilities		(24,469)	(24,169)
Assets less liabilities		19,553	85,473
Taxpayers' Equity			
General Fund		(2,384)	23,019
Revaluation Reserve	10	21,937	62,454
Total Taxpayers' Equity		19,553	85,473

The Notes on pages 45-60 form part of these Accounts.



Kathryn Forsyth
Acting Chief Executive
15 January 2014

Statement of Cash Flows (SoCF) for the year ended 31 March 2013

	Note	<u>2012-13</u> £000	<u>2011-12</u> £000
Cash flows from operating activities			
Net operating cost	SoCNE	140,106	125,203
Adjustments for non-cash transactions		(66,274)	(46,551)
Increase/(Decrease) in trade and other receivables	7	(328)	62
(Increase)/Decrease in trade payables	8	1,938	(454)
(Increase)/Decrease in provisions	9	(267)	557
Net cash outflow from operating activities		<u>75,175</u>	<u>78,817</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	5	475	1,721
Proceeds on disposal of property, plant and equipment		0	0
Net cash outflow from investing activities		<u>475</u>	<u>1,721</u>
Cash flows from financing activities			
Net payments on Defence Resource Accounts	13	(75,650)	(80,538)
Net cash outflow from financing activities		<u>(75,650)</u>	<u>(80,538)</u>
Net increase/(decrease) in cash and cash equivalents in the period		0	0
Cash and cash equivalents at the beginning Of the period		0	0
Cash and cash equivalents at the end Of the period		0	0

The Notes on pages 45-60 form part of these Accounts.

Statement of Changes in Taxpayers Equity (SoCiTE) for the year ended 31 March 2013

	General Fund	Revaluation Reserve	Taxpayers Equity
Note	£000	£000	£000
Balance at 31 March 2011	23,113	75,819	98,932
Changes in taxpayers equity for 2011-12			
Net gain/(loss) on revaluation of property, plant and equipment	0	(4,706)	(4,706)
Non-cash charges - auditors remuneration	3	89	89
Net Operating Cost	(125,203)	0	(125,203)
Non cash costs	3	29,309	29,309
Net payments by Ministry of Defence	13	80,538	80,538
Non-cash non donated fixed asset additions	5	6,514	6,514
Realised reserve on disposals	10	1,428	(1,428)
Realisation of back log depreciation	10	7,231	(7,231)
Balance at 31 March 2012	23,019	62,454	85,473
Changes in taxpayers equity for 2012-13			
Net gain/(loss) on revaluation of property, plant and equipment	0	2,963	2,963
Non-cash charges - auditors remuneration	3	84	84
Net Operating Cost	(140,106)	0	(140,106)
Non cash costs	3	28,198	28,198
Net payments by Ministry of Defence	13	75,650	75,650
Impairments - Loss of service potential	11	1,739	(1,739)
Impairments	11	0	(32,709)
Realised reserve on disposals	10	1,312	(1,312)
Realisation of back log depreciation	10	7,720	(7,720)
Balance at 31 March 2013	(2,384)	21,937	19,553

The Notes on pages 45-60 form part of these Accounts.

Notes to the Accounts

1. Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2012-13 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Agency for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Agency for its reportable activities are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

Accounting Convention

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

Going Concern

On 25th March 2013, the Minister of State for Defence Personnel, Welfare and Veterans announced that Service Children's Education would lose its executive agency status with effect from 1 April 2013. As a consequence of this announcement, SCE ceased to exist as a separate entity and the custodianship of all assets and liabilities transferred to the Ministry of Defence at their carrying value on 1 April 2013.

Services will continue to be provided within the Ministry of Defence and therefore the change will have no impact on the going concern basis; the Agency's activities will continue to be accounted for in the MOD Resource Accounts.

Administration and Programme Expenditure

The Statement of Comprehensive Net Expenditure is compiled in line with MOD guidance which was revised during the financial year 2011-2012. It is analysed between administration and programme income and expenditure. Administration costs reflect all staff costs and Programme costs reflect all other costs.

The Statement of Comprehensive Net Expenditure

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

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

Income

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

Non-Current Assets

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

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. Note 11 explains the basis for the valuation of the Agency's German Estate.

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

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

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

Intangible Non-Current Assets

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

Property, Plant and Equipment

The useful economic lives of tangible non-current assets are reviewed annually and adjusted where necessary. In 2011-12 it was identified that the drawdown of British Forces from Germany would lead to SCE vacating certain school buildings prior to the expiry of their remaining economic lives. A decision was therefore taken to revise the estimated useful lives of those affected properties resulting in an increased depreciation expense for the year ended 31 March 2012 of £7.5 million. These asset lives have been further refined in Financial Year 12/13 following additional clarification of the drawdown which has resulted in an increased depreciation expense for the year ended 31 March 2013 of £5.8M.

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

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

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

* with the exception of buildings in Germany which have revised useful economic lives of between 1-5 years; see note 11 for further details.

Donated Assets

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

Income to the value of the donated assets is recognised in the year of donation except where donation is subject to conditions. Where donation is subject to conditions income is deferred to the year in which the conditions are met.

Impairment

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

Disposal of Property, Plant and Equipment

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

Leased Assets

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

Provisions for Liabilities and Charges

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

Provisions are charged to the Statement of Comprehensive Net Expenditure. All long-term provisions are discounted to current prices using the rate advised by HM Treasury. The rate for financial year 2012-13 is 2.35% (2.8% for 2011-12). The discount is unwound over the remaining life of the provision and shown as an interest charge in the Statement of Comprehensive Net Expenditure.

Reserves

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

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

Pensions

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

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

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

The pension schemes undergo a reassessment of the SCAPE contribution rates by the Government Actuary at four-yearly intervals. Provisions are made for costs of early retirement programmes and redundancies up to the minimum retirement age and are charged to the Statement of Comprehensive Net Expenditure.

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

Early Departure Costs

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

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

Staff employed under Teacher Pension Scheme (TPS) Regulations:

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

Insurance

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

Departmental Overheads

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

Audit Fee

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

Operating Segments

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

Foreign Currency

All transactions that are denominated in a foreign currency are translated into Sterling using the General Accounting Rate (GAR) at the date of each transaction. For each currency, from 1 September 2008, the GAR is updated monthly based on spot rates; for US Dollars and Euros

the GAR is based on the published spot rate in the week immediately preceding the new month. Exchange differences will arise when a currency transaction is settled at a GAR which differs from the rate used when the transaction was initially recorded. In addition, monetary assets and liabilities are translated at the mid-market closing rate applicable at the Reporting Period date and the exchange differences are reported in the Statement of Comprehensive Net Expenditure. Overseas non-monetary assets and liabilities are subject to annual revaluation and are translated at the mid-market closing rate applicable at the Statement of Financial Position date. Exchange differences are taken to the Revaluation Reserve.

Cash Balances and Liabilities

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

Financial Instruments

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

Trade and other receivables

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

Trade and other payables

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

2. Staff Numbers and Costs

Staff costs comprise

	£000	£000	2012-13 £000	2011-12 £000
	Permanently employed staff	Others	Total	Total
Wages and salaries	54,558	1,340	55,898	59,543
Social security costs	4,031	76	4,107	4,257
Other pension costs	5,099	0	5,099	5,387
Total net costs	63,688	1,416	65,104	69,187

Reporting of Civil Service and Other Compensation Scheme - Exit Packages

During the reporting period, 19 members of staff were released on voluntary terms under MoD wide Voluntary Early Release Schemes. The MoD, not SCE, controls and holds the budget for these schemes. The costs and liabilities therefore do not fall to SCE and are therefore not included in these accounts. The amounts are recorded in the MoD Resource Account.

Average number of persons employed

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

	2012-13	2011-12
UK Based Administrative Grades	57	65
UK Based Educational Grades:		
Headteachers, Deputy Heads & Assistant Teachers	707	735
Other Educational Grades	59	62
Locally Employed Civilians:	640	752
	<u>1,463</u>	<u>1,614</u>

3. Programme Costs

	2012-13	2011-12
	£000	£000
IT Equipment and services	1,525	1,826
Accommodation charges	1,017	1,151
Works maintenance	530	167
Travel, subsistence and transfer costs	1,574	1,389
Medical, welfare and central MOD services	40	29
Other administration expenses	4,439	6,245
Rentals under operating leases	395	319
MoD Non-Cash Items		
Works maintenance	3,139	3,523
Catering and cleaning	153	131
Travel, subsistence and transfer costs	968	983
Accommodation charges	6,866	7,444
Medical, welfare and central MOD services	2,688	2,742
School transport	9,939	9,897
IT Equipment and services	30	31
MOD, HQ UKSC and HQ AG costs	3,552	3,786
Other administration expenses	739	772
Other Non-Cash Items		
Depreciation	16,668	13,677
Revaluation Impairments	18	243
Reversal of Revaluation Impairments	(114)	(151)
Loss on disposal	3,226	3,384
Impairments – Loss of service potential	1,812	0
Impairments – German Estate	16,382	0
Auditors remuneration	84	89
Increase/(Decrease) in bad debt provision	124	0
Unwinding of discount on provision	677	716
Increase/(Decrease) in provision	(393)	(186)
Change in pension rate	1,093	250
Total	<u>77,171</u>	<u>58,457</u>

4. Income

	2012-13	2011-12
	£000	£000
School Fees (incl Nursery, Music and Home Savings Contributions)	(1,998)	(2,236)
School Meals	(98)	(101)
Miscellaneous	(73)	(104)
Total Income	(2,169)	(2,441)

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.

	2012-13			2011-12		
	Income	Full Cost	Surplus (Deficit)	Income	Full Cost	Surplus (Deficit)
School Fees	1,998	2,379	(381)	2,236	2,499	(263)
School Meal Collection Fee	98	98	0	101	101	0
Miscellaneous	73	73	0	104	104	0
Total	2,169	2,550	(381)	2,441	2,704	(263)

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

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

5a. Property, Plant and Equipment 2012-13

	Land £000	Buildings £000	Plant and Machinery £000	IT & Office Machinery £000	Assets Under Construction £000	Total £000
Cost or Valuation as at 1 April 2012	33,804	147,780	2,897	8,207	1,486	194,174
Additions - normal cashflow affecting	0	0	136	79	260	475
Additions - non-cashflow affecting	0	0	0	0	0	0
Disposals	(2,065)	(5,856)	(506)	(1,539)	(19)	(9,985)
Impairments	(27,268)	(25,374)	0	0	0	(52,642)
Revaluation	846	4,048	81	(94)	0	4,881
Reclassification	0	0	518	809	(1,327)	0
Cost or Valuation as at 31 March 2013	5,317	120,598	3,126	7,462	400	136,903
Depreciation to 1 April 2012	0	70,398	1,602	4,717	0	76,717
Charge for the year	0	15,256	359	1,053	0	16,668
Disposals	0	(4,877)	(452)	(1,430)	0	(6,759)
Revaluation	0	1,829	39	(46)	0	1,822
Impairments	0	(1,739)	0	0	0	(1,739)
Reclassification	0	0	0	0	0	0
Depreciation to 31 March 2013	0	80,867	1,548	4,294	0	86,709
Net Book Value as at 31 March 2013	5,317	39,731	1,578	3,168	400	50,194
Net Book Value as at 31 March 2012	33,804	77,382	1,295	3,490	1,486	117,457
Asset Financing as at 31 March 2013						
Purchased	2,170	36,310	1,578	3,168	400	43,626
Donated	3,147	3,421	0	0	0	6,568
Net Book Value as at 31 March 2013	5,317	39,731	1,578	3,168	400	50,194

Service Children's Education has updated the lives of all of its Germany based assets to reflect the latest plan to withdraw the Agency from Germany by 2018.

5b. Property, Plant and Equipment 2011-12

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

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

6. Financial Instruments

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

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

Liquidity Risk

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

Interest Rate Risk

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

Credit risk

The Agency is subject to credit risk in respect of school fees and the carrying amount of receivables represents the Agency's maximum exposure to credit risk, £255k at 31 March 2013 (31 March 2012: £583k).

Foreign Currency Risk

The Department undertakes certain transactions denominated in foreign currencies; as a result exposure to exchange rate fluctuations arises. Exchange rate exposure for the Euro is managed using forward purchase contracts with the Bank of England and covered 66% of the in-year expenditure in that currency.

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

Fair Values

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

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

Financial Liabilities: The value of the provision approximates to the book value discounted by the Treasury discount rate of 2.35 per cent in real terms. The Agency has no other financial liabilities other than short-term creditors.

7. Trade receivables and other Current Assets

Amounts falling due within one year	2012-13	2011-12
	£000	£000
Trade receivables - Central Government Entities	0	0
Other receivables	229	318
Prepayments and accrued income	26	265
	<u>255</u>	<u>583</u>
Intra - Government Balances		
Balances with other central government bodies	0	0
Balances with public corporations and trading funds	0	0
Balances with local authorities	0	0
Intra - government Balances	0	0
Balances with bodies external to government	255	583
Total receivables at 31 March	<u>255</u>	<u>583</u>

8. Trade payables and other Current Liabilities

Amounts falling due within one year	2012-13	2011-12
	£000	£000
Trade payables	261	56
Other payables	0	0
Accruals and deferred income	2,812	4681
Annual Leave Accrual	1,884	2158
	<u>4,957</u>	<u>6,895</u>
Intra - Government Balances		
Balances with other central government bodies	0	0
Balances with public corporations and trading funds	0	0
Balances with local authorities	0	0
Intra - government Balances	0	0
Balances with bodies external to government	4,957	6,895
Total payables at 31 March	<u>4,957</u>	<u>6,895</u>

9. Provisions for Liabilities and Charges

	2012-13	2011-12
Early Departure Costs	£000	£000
Provisions for Early retirements as at 1 April	25,672	26,229
Provisions utilised in the year	(1,110)	(1,338)
Increase/(Decrease) in provision	(393)	(186)
Change in Pension rates	1,093	250
Unwinding of discount	677	717
Provision as at 31/03/2013	<u>25,939</u>	<u>25,672</u>

	2012-13	2011-12
Early Departure Costs	£000	£000
Not later than one year	1,470	1,503
Later than one year and not later than five years	5,336	5,389
Later than five years	19,133	18,780
Balance at 31 March	<u>25,939</u>	<u>25,672</u>

Early Departure Costs

The Agency meets the additional costs of benefits beyond the normal Teachers Pension Scheme benefits in respect of employees who retire early by paying the required amounts annually to the Teachers Pension Scheme for the life of the employee. The Agency provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by the Treasury discount rate of 2.35 per cent in real terms.

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

It should be noted that SCE has been granted authority to proceed with a bespoke Voluntary Early Release Scheme for teachers and educational specialists, specifically to manage the SD&SR Germany drawdown programme. This scheme will be centrally funded by the MoD and the initial tranche operates from April 2012 to March 2014.

10. Revaluation Reserve

	2012-13 £000	2011-12 £000
Opening Balance	62,454	75,819
Gross revaluation	2,963	(4,706)
Transfer to General Fund (Impairments - Loss of Service potential Impairments)	(1,739)	0
Realised reserve on write-offs	(32,709)	0
Realisation of back log depreciation	(1,312)	(1,428)
	(7,720)	(7,231)
Closing Balance	21,937	62,454

11. Impairments

SCE has incurred the following impairments during the Financial Year;

	Charged to SoCNE £000	Charged to Revaluation Reserve £000	Total £000
Fire Damage - Sir John Mogg	1,812		1,812
Germany Land and Buildings *	16,382	32,709	49,091
Total Impairments	18,194	32,709	50,903

* Following the announcement on 6 March 2013 that UK forces would withdraw from Germany by 2019 the value of land and buildings was impaired. The valuation of the land is based on an estimated investment return of 3% per annum, derived from investment yields for properties in Germany and adjusted to reflect returns on land only. Each 1% change in the rate of return would give rise to a £1.049M change in the valuation of the land. Building valuations are based on existing rates of depreciation up to end 2019. There remains uncertainty surrounding the valuations; the phased nature of the drawdown, the exact timing of individual base closures, the readiness of the UK estate to accommodate returning personnel and families, environmental factors and the value of MOD buildings and enhancements being handed over are all factors contributing to this uncertainty. As the programme for withdrawal from Germany develops, greater certainty will be achieved and future adjustments to the valuations may be required.

12. Capital Commitments

At 31 March 2013 the Agency had no contractual capital commitments to be disclosed in the Financial Statements. (31 March 2012 – Nil).

13. Analysis of Financing

	2012-13 £000	2011-12 £000
Net finance by Ministry of Defence	<u>75,650</u>	<u>80,538</u>

14. Commitments under Leases

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

	2012-13 £000	2011-12 £000
Operating leases which expire:		
Not later than one year	316	589
Later than one year and not later than five years	718	2,023
Later than five years	0	0
Total	<u>1,034</u>	<u>2,612</u>

15. Other financial commitments

The Agency has no other financial commitments that require disclosure

16. Contingent Liabilities

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

17. Losses and Special Payments

Closed Cases

SCE formally signed off 29 cases during FY 12-13 with a total value of £16,041.

Advanced Notifications

An additional 2 cases with a value of £240 arose in FY12-13 but were not formally signed off. SCE has included an amount of £124k for the potential bad debt relating to the recovery of Nursery Fees.

SCE has no cases that require separate disclosure - over £250,000.

18. Related Party transactions

Service Children's Education is an Agency of the Ministry of Defence, which is regarded as a related party. During the year the Agency has had various material transactions with the Department, including a number of notional charges. The Agency has also had a number of transactions with other government departments and central government bodies. Most of the transactions have been with: the Department for Work and Pensions and HM Revenue and Customs.

The time of the previous Chief Executive, Mrs Lynda Fisher, was split between her dual roles of Chief Executive SCE and MOD Director Children and Young People in the ratio 20% and 80% respectively. None of the other Executive Board members, other key management staff or other related parties has undertaken any material transactions with other departments.

19. School Non Public Funds

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

20. Events after the Statement of Financial Position Date.

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

In July 2013 SCE closed Ark and Windsor Schools in Rhine Garrison, Germany and Oxford School in Gutersloh Garrison, Germany. Staff and pupils have been transferred successfully to other SCE schools where necessary.

An official announcement was made to the House of Commons on the 25th of March 2013 that Service Children's Education would cease to be an Executive Agency of the MOD on 31 March 2013. Notwithstanding this, SCE will continue in its responsibility to manage the remaining schools in Germany during the drawdown and also the 12 other schools located throughout the world.

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



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