



Standards
& Testing
Agency

Standards and Testing Agency

Annual Report and Accounts 2013-14

For the year ended 31 March 2014

An Executive Agency of the Department for Education



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INTRODUCTION FROM CHIEF EXECUTIVE

The year from 1 April 2013 to 31 March 2014 was the second full year of operation for the Standards and Testing Agency (Agency), as an executive agency of the Department for Education (the Department).

The Agency has again delivered against all of its objectives, with the flagship Key Stage 2 testing programme being successfully delivered into schools in May 2013 with results returned, on time, in July 2013. The 2013 cycle included the introduction of the new grammar, punctuation and spelling test which also became the first full cohort test to be marked entirely on-screen, showing our commitment to embrace technology and improve service delivery.

The Agency continued to deliver against the successes of the previous year, with a further iteration of the phonics screening check and Level 6 tests for the most able pupils at Key Stage 2. The Agency delivered successfully, meeting all of its key performance indicators.

During 2013-14 we conducted a major procurement exercise for the marking of Key Stage 2 tests. Running this procurement and delivering the setup and mobilisation phases of the new contract, alongside delivering business as usual, was challenging but the rigour with which this has been achieved is a testament to the dedication and commitment of my staff. We are well placed to continue to deliver tests in 2014, further modernising our processes with a transition to full on-screen marking over the life of the contract

We have also started to think about the longer term future of test delivery. It is timely for us to consider how tests are developed and delivered, the balance between insourcing and outsourcing and the nature of our supplier relationships. This major project will ensure that our next procurement, for delivery in 2017, provides best value for money whilst reflecting the changing shape of education in a rapidly changing, technological world.

We will continue to work hard to ensure that our Minister's priorities are delivered successfully. This includes the development of new national curriculum tests at Key Stages 1 and 2 (for delivery in 2016), the development of criteria for a new baseline assessment and supporting Ofqual in the development of Key Stage 4 national sample tests.

Finally, in recognition of our success to date, we were asked to take charge of the Professional Skills Tests for prospective teachers in November 2013 and will take management control of the logistics scheme for General Qualifications in April 2014. These will provide new and different challenges for us going forward.

As always, it is the commitment and dedication of the staff that ensures that we develop and deliver truly world class tests and assessments. It is they who have defined our continuous improvement strategy; "to become a learning organisation, where each cycle of test development and delivery is better than the last, in every respect, in the eyes of all of our customers." I am indebted to them for their commitment to delivering against this key objective.

Ian Todd
Chief Executive
Accounting Officer

9 July 2014

1. SCOPE

ABOUT THIS REPORT

1.1 This Annual Report covers the year to 31 March 2014.

1.2 The Annual Report incorporates the management commentary as required under the Government's *Financial Reporting Manual*. It shows how the Agency has carried out its statutory duties as an executive agency of the Department for Education (Department).

1.3 Our business plan, covering 1 April 2013 – 31 March 2014, is available at www.education.gov.uk/sta

2. MANAGEMENT COMMENTARY

HISTORY AND VISION

History

2.1 The Agency was established by the Secretary of State as an executive agency of the Department for Education on 1 October 2011. The Agency has responsibility, on behalf of the Secretary of State, for the development and delivery of statutory assessment and testing in England.

2.2 With effect from 1 October 2011, all responsibility for development and delivery of statutory assessment and testing for children, in England, transferred from the Qualifications and Curriculum Development Agency (QCDA) to the Agency.

2.3 The Agency's current remit is to provide an effective and robust testing, assessment and moderation system to measure and monitor pupils' progress from the early years up to the end of Key Stage 3. In November 2013, we were also asked to take oversight of the Professional Skills Tests for prospective teachers, supporting the National College for Teaching and Leadership (NCTL).

2.4 The anticipated work to develop Key Stage 4 sample tests, referred to in our last Annual Report, was not added to our portfolio (although we continue to support Ofqual in this regard); however, work to develop criteria for a new reception baseline assessment, against which progress will be measured, has been requested by Ministers.

2.5 The Agency has responsibility for the development and delivery of statutory assessments and testing in England, under statutory instruments, on behalf of the Secretary of State. In carrying out these functions, the Agency:

- develops high quality and rigorous National Curriculum tests and assessments in line with Ministerial policy;
- undertakes operational delivery of National Curriculum tests and assessments (including printing, distribution, provision of systems, marking and data capture);
- supports the process of teacher assessment moderation in order that data is robust and can be used for national statistics;
- investigates and reports on allegations of maladministration during the testing and assessment process; and
- supports schools and other stakeholders by providing guidance, communications and helpdesk support.

2.6 The Agency is responsible for setting and maintaining test standards, including standards related to marking, and producing guidance and exemplification materials for the Early Years Foundation Stage (EYFS) Profile, Key Stage 1 (KS1) and Key Stage 2 (KS2) English writing teacher assessment.

2.7 Following restructuring, the Agency is now formed of two divisions: Test Development and Test Operations. These are respectively responsible for developing high quality and rigorous National Curriculum tests in line with Ministerial policy and managing delivery of the Professional Skills Tests; and undertaking operational delivery of tests and

assessments including supporting schools and other stakeholders to deliver assessments and implementing arrangements for moderation of teacher assessments.

Our Vision

2.8 “Supporting schools in raising standards in education, through the successful delivery of world class tests and assessments that enable every child to realise their unique potential”.

2.9 ‘Supporting schools’ means:

- providing clear, timely, accessible guidance and communications;
- providing a helpline to support schools, teachers and parents;
- ensuring customer complaints are investigated and resolved in a timely manner;
- ensuring that teacher assessment is properly moderated, based on a robust and reliable model, to ensure consistency against national standards;
- ensuring stakeholders are consulted when process changes are being considered, and that intelligence from complaints, the helpline and other forums is used to drive continual service improvements;
- where the integrity of children’s results is questioned, investigating in a sensitive professional manner; and
- investigating potential cases of maladministration.

2.10 ‘Successful delivery’ is:

- developing the required tests to the agreed timeline;
- providing systems that enable schools to order tests, register children, apply for access arrangements, submit teacher assessments and access children’s results;
- ensuring that schools receive their test papers on time;
- ensuring that opportunity for loss or breach of security of materials is minimised, including when transported to and from schools;
- ensuring marking is of a high quality and completed on time;
- ensuring that test results are returned to schools on time and accurately reflect the marks awarded;
- ensuring that teacher assessment is moderated to provide a robust and reliable national dataset;
- following rigorous procurement processes to ensure Value for Money and high quality suppliers are in place to support delivery;
- ensuring all staff have access to learning and development opportunities that enable them to fulfil their role; and
- ensuring all deliverables are achieved within a tightly managed and controlled budget.

2.11 ‘World class tests and assessments’ are developed using recognised procedures, such as pre-testing, expert review and statistical analysis. This generates evidence to

demonstrate that the tests satisfy Ofqual's common assessment criteria of validity, reliability, comparability, minimising bias and manageability.

2.12 With an increased focus on continuous improvement, we have also committed to a strategy by which we aspire; "to become a learning organisation, where each cycle of test development and delivery is better than the last, in every respect, in the eyes of all of our customers."

BUSINESS/PERFORMANCE REVIEW

2.13 Much of the visible delivery activity for statutory assessments and testing aligns with the school year. Preparations for each delivery cycle, including the development of tests and arrangements for assessments, the planning of operations, procurement of services/suppliers and development of support materials, takes place in advance of this time period. We therefore report on the delivery of the 2013 test cycle (mainly April to August 2013), the residual work arising from this (e.g. maladministration) and our preparations for the 2014 test cycle and beyond.

2.14 The vast majority of the tests and assessments that the Agency delivers are designed to measure pupils' attainment at the end of a particular academic year or key stage. The peak period of visible activity for the Agency is therefore in the latter half of the school year (April to August) and, therefore, this is only the second report to contain a full test cycle since the Agency was established in October 2011.

2.15 During the period the Test Development Division has developed and handed over to print, high quality test materials for the 2013 cycle. This included KS2 English reading, KS2 English grammar, punctuation and spelling, KS2 mathematics and Year 1 phonics screening check. Whilst ensuring all development processes have been delivered in line with the requirements published in Ofqual's Regulatory Framework for National Assessments.

2.16 The division has completed the implementation of a new test development process and has commissioned new items to meet the requirements of the review of testing in all subjects for use in 2014, 2015 and beyond. We are looking ahead to the development of tests to support the new National Curriculum from 2016 onwards

2.17 During 2012 the Minister agreed that science sample testing should move to a pupil-level matrix sample approach, whereby a representative sample of pupils are chosen at random from across the full cohort, and be conducted biennially. A new test is being developed to meet this requirement. Pupils will sit this test for the first time in 2014, outside of the period of these accounts.

2.18 During the period the Test Operations Division successfully delivered the conclusion of the 2013 test cycle. The return of results, on time, exceeded performance expectations with a success rate of 99.9% (against a KPI of 99.7%).

2.19 However, we recognise that we have further to go to fully integrate our leadership, management and corporate functioning within the wider Department. For example, internal audit were concerned about compliance with the Department's travel and subsistence policy by some of our staff who were applying rules which were no longer in force. These 'housekeeping' areas will be a focus for 2014-15.

2.20 Notwithstanding the above, the Agency remains well placed to deliver the 2014 test cycle to the same high standards as were achieved in 2013.

2.21 The Agency is an executive agency of the Department for Education whose principal place of business is located at Sanctuary Buildings, Great Smith Street, London SW1P 3BT.

FINANCIAL REVIEW

Total Expenditure

2.22 Net expenditure for the year 2013-14 was £46.0 (2012-13: £38.7m) against a budget of £45.6m (2012-13: £37.4m). Details of the £0.4m over spend are provided below.

Notional Recharge of Shared Service Costs

2.23 The STA incurred a notional recharge relating to shared services of £3.6m. The charge is an allocation of central costs made to enable an approximation to the full cost of the Agency to be disclosed. As this allocation is outside the control of the Agency no budget allocation is made to the Agency. The Agency were within their budget figures prior to the application of the shared service recharge.

Administration Costs

2.24 Administration costs of £9.1m have been recorded for the twelve months compared to a budget of £5.7m. The overspend is wholly due to the central service recharge of £3.6m for which the budget was held centrally at Department level, rather than being delegated to the Agency.

2.25 The full time equivalent number of employees averaged 99 for the year (2012-13: 89).

Programme Costs

2.26 During the twelve months actual Programme costs totalling £38.1 (budget: £41.3m) were reported, an underspend of £3.4m. This is broken down into two divisions as follows:

- **Test Operations – actual spend £32.9m (budget £34.1m).** This is the largest division and the majority of the £1.2m underspend in this area relates to savings within print and logistics and helpdesk areas.
- **Test Development - actual spend £5.2m (budget £7.2m).** The underspend in this area is mainly due to lower than expected activity relating to the Professional Skills Tests which were transferred from the National College for Teaching and Leadership.

Income

2.27 During 2013-14 income of £1.2m (2012-13: £1.8m) against a budget of £1.4m was generated mainly from the sale of tests to international and independent schools. The income recovered was equal to the cost of production of the tests.

Taxpayers' Equity

2.28 Taxpayers' deficit recorded at the end of the year was £2.8m (2012-13: £3.9m).

Treasury Management

2.29 The Agency does not have bank accounts. Payments are made and received on its behalf by the Department.

Fixed Assets

2.30 There are no fixed assets held by the Agency.

ABOUT THE STANDARDS AND TESTING AGENCY

2.31 The following areas are centrally managed by the Department. Data is not collected at Agency level. Policies and outcomes are published within the consolidated annual report and accounts for the Departmental Group.

- equality and diversity;
- fire, health and safety;
- departmental correspondence;
- risk and control framework;
- details of freedom of information; and
- sustainability.

2.32 The Department's consolidated annual report and accounts will not be published until January 2015, when these policies can be viewed online. However data for previous years can be viewed online at:

<http://education.gov.uk/aboutdfe/departmentalinformation/reports/a00390/annual-departmental-reports-accounts-and-spending-reviews>

Sickness Absence

2.33 During the year 289 days (2012-13: 405 days) were attributable to sickness absence. Using the average number of staff employed over the year Staff Numbers and Related Costs per note 3.2 this equates to approximately 3 days (2012-13: 5 days) sickness per employee per year.

BASIS OF ACCOUNT PREPARATION

2.34 The accounts cover the financial year 2013-14 and have been prepared in accordance with a direction issued by HM Treasury (HMT) under Section 7 of the *Government Resources and Accounts Act 2000* and in accordance with the 2013-14 Government's Financial Reporting Manual (FReM).

2.35 As an executive agency of the Department, the Agency's accounts are consolidated within the accounts produced and published by the Department.

2.36 The accounts have been prepared on a going concern basis.

AUDIT ARRANGEMENTS

2.37 The accounts are audited by the Comptroller and Auditor General in accordance with the *Government Resources and Accounts Act 2000*. For the statutory audit carried

out on this annual report and accounts, the Agency will recognise notional fees of £35,000 (2012-13: £35,000). There were no charges for other non-audit services.

DISCLOSURE OF RELEVANT INFORMATION TO AUDITOR

2.38 As the Agency's Accounting Officer, I can confirm that, so far as I am aware, there is no relevant audit information of which the Agency's auditor is unaware, and I have taken all appropriate steps to ensure that I am aware of any relevant audit information and to establish that the Comptroller & Auditor General is aware of that information.

Ian Todd
Chief Executive
Accounting Officer

9 July 2014

3. STRATEGIC REPORT

Agency Remit

Scope

3.1 The Agency is a highly specialist, niche delivery body tasked with the development and delivery of statutory assessments, currently to the end of Key Stage 3. This is described in more detail in the Management Commentary above.

3.2 The business model has been refined over a number of years, including prior to the Agency's formation in October 2011, when the work was conducted under the remit of the Qualifications and Curriculum Development Agency (QCDA).

3.3 We have established that best value for money is provided by a combination of in-house activity and third party outsourcing. Due to the highly specialist nature of the work, test development is predominantly an in-house operation, with individual items (test questions) procured from a number of suppliers but trialled, validated and full tests ultimately constructed by in-house experts. Test delivery (print, logistics, marking etc.) is outsourced on a commercial basis, with the Agency providing a comprehensive contract management role. Oversight is closely managed due to the importance of the test cycle to the wider school accountability agenda. Some test delivery functions such as communications with schools and maladministration investigations are retained in house to ensure both consistency and because of the expertise required.

3.4 The specialist nature of our work creates our biggest risk, which impacts both in-house and outsourced work. The number of individuals and companies with the expertise to deliver our requirements is extremely small. We will always face challenges in recruiting additional staff with the right expertise (and, indeed, as a result have started to develop our own expertise internally, although this is a lengthy process). Similarly, the number of third party suppliers who can balance the volume and timescales, together with the expertise to deliver successfully, is small. Despite open competition for work, including full European Union procurement processes where appropriate, this often leads us into monopoly supplier situations which we need to manage carefully to ensure that value for money considerations are still being met. To encourage this, we have recently introduced gainshare arrangements for agreed innovation and cost reduction measures implemented by our main supplier.

3.5 The development of high quality tests and assessments takes time, however, the risk that Ministers may want to make changes quicker than we are able to respond has not materialised as quality considerations have to take precedence.

3.6 Each year our main delivery risk is simply one of scale. We have approximately 7 weeks to collect, mark and process the data for around 16,000 schools, with 650,000 pupils generating 3.8 million completed test scripts. This requires an ongoing, tightly managed process (using full PRINCE2 project management methodology), the maturity of which has been independently reviewed by the National Audit Office this year.

Strategy

3.7 Given that we are solely a delivery agency; our strategy is focussed on how we can deliver to the highest standards whilst ensuring value for money, meeting the aspirations of our Ministers and policy colleagues, who set the framework within which we operate.

3.8 Our vision is described above and is supplemented, for the first time this year, by our continuous improvement strategy; “to become a learning organisation, where each cycle of test development and delivery is better than the last, in every respect, in the eyes of all of our customers.”

3.9 We will apply this strategy to the newly incorporated Professional Skills Tests and to the logistics service for General Qualifications, when it falls under our remit from April 2014.

Performance

3.10 Our Key Performance Indicators (KPIs) are described in our published Business Plan, available at www.gov.uk/sta

3.11 I am pleased to say that, in 2013-14, we have met all of our KPIs and put in place the detailed planning for delivery of the 2014 cycle, ensuring that we are well placed to deliver again in the next financial year. However, we are not complacent and recognise the challenges facing us in respect of ensuring the correct specialist skills are in place and that we are fully integrated within the Department’s policies and procedures.

3.12 In line with our continuous improvement strategy, we have appointed a Performance and Improvement Manager who will be developing a balanced scorecard for the Agency, allowing us to report more holistically on our corporate performance, rather than the current focus on the operational delivery of testing.

Equality Data

3.13 At the financial year end, the number of persons of each sex comprising the staff and senior management of the Agency was as follows:

	Males	Females
Executive Group	2	1
Senior Managers	-	-
All employees	36	62

Future Development

3.14 Whilst maintaining a strong focus on day to day operational delivery, we recognise the challenges of monopoly supplier markets. To this end, we have launched a major project to look at the test delivery strategy beyond the life of the current contract (which covers delivery up to and including the 2016 test cycle).

3.15 The focus of the project will be review how tests and assessments can best be delivered in the modern classroom, what opportunities exist for the use of technology in logistics and marking and how can risk best be balanced between financial and operational requirements – is a sole supplier the best option or should we consider dividing the work by geographical region, subject, function or Key Stage?

3.16 This work is currently in its early stages but will be the necessary precursor to the next major procurement exercise in this area, for delivery of tests from 2017 onwards.

4. GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

4.1 As Chief Executive and Accounting Officer for the Agency, I have personal responsibility for maintaining a sound system of governance, internal control and risk management within my area of responsibility to support the achievement of the Department's policies, aims and objectives, whilst safeguarding public funds and departmental assets.

4.2 The system of governance, internal control and risk management is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide high and not absolute assurance of effectiveness.

4.3 I have held these responsibilities throughout this reporting year.

CORPORATE GOVERNANCE

Governance Framework

4.4 The framework documents of the Agency and its predecessor agencies set out the arrangements for the governance, accountability and operation of the agencies, agreed between the Secretary of State, the Department's Director General for Education Standards (DG) and myself and approved by HM Treasury.

4.5 I confirm that I have reviewed the governance, internal control and risk management arrangements in operation within the Agency. My opinion has been informed by the work of the Executive Management Board and Senior Management Teams (EMB and SMT respectively) within the Agency, who have responsibility for the development and maintenance of the internal control framework, and by the reports of Internal Audit.

4.6 The Agency's detailed governance arrangements have been operated in line with the Corporate Governance Code.

Governance of the Agency at Departmental Level

4.7 At Departmental level, the corporate performance of the Agency is subject to scrutiny and challenge through the Strategic Performance Review (SPR) process. Quarterly SPR meetings are chaired by the DG and include independent oversight from a Departmental Non-executive Director. During 2013-14 an external independent member was appointed to the SPR membership, as required under our Framework Document which sets out the way in which the Agency operates. The finance and internal audit business partners also attend. All aspects of the Agency's corporate performance, including operational delivery, are reviewed at these meetings, including the interactions between the Agency and the shared services provision from the Department. SPR also takes an interest in strategic business issues such as our future operating model for 2017 and beyond and our performance and improvement strategy.

Governance of the Agency at Departmental Level (continued)

4.8 The Agency received oversight from the Department's Audit and Risk Committee (ARC), chaired by the Department's lead Non-Executive Board Member. ARC is a sub-committee of the Department's Board and is supported by an Audit and Risk Sub Committee. ARC's primary role is to provide scrutiny and challenge of the Department's accounts and key risk areas, and make recommendations to the Permanent Secretary (as Chief Accounting Officer (CAO)), and the Board on the Department's and the Agency's risk management.

4.9 During 2013-14 the Single Education Programme drew to a close and, with it, the Curriculum, Assessment and Qualifications (CAQ) Board, into which operational performance had been reported. Whilst operational performance is monitored through the SPR, day to day operations are managed within the Agency and escalated via the DG when necessary. Formal bilateral meetings are held on a monthly basis between the Chief Executive and the DG to ensure that progress remains on track.

4.10 The wider Department maintains oversight of delivery through the Building Block risk relating to primary testing. This is reviewed twice a year as a matter of routine but may be escalated to the Management Committee of the Department at any time.

Governance at Agency Level***Executive Management Board***

4.11 The Agency's EMB assists me in the discharge of my duties and ensures the efficient and effective management of the Agency.

4.12 The EMB develops and monitors the strategic planning of the Agency. It oversees corporate performance, the use of financial and human resources, provides oversight of risk management, and ensures maintenance of a sound system of internal control which includes adequate sources of assurance to satisfy audit requirements. The EMB is additionally responsible for ensuring the Agency is compliant with all policies (which are shared in common with the Department, save for where individual local policies are required) and corporate business planning.

4.13 The EMB is chaired by me, as Chief Executive, and membership comprises the Agency Deputy Directors. Departmental representation and advice is provided by the Deputy Director of the Qualification and Assessment Division (for policy and delivery) and the Deputy Director Finance Business Partner (for finance and shared services). Members are appointed by me as the Chief Executive. To better reflect the EMB's position as the strategic body within the Agency, and to reduce the administrative burden and avoid duplication, meetings have been reduced from monthly to quarterly to better align with the Department's SPR process. During the period, 1 April 2013 to 31 March 2014, the Board met 5 times.

Governance at Agency Level (continued)**Executive Management Board (continued)**

4.14 Visibility and assurance of progress and an assessment of confidence in delivery of the Agency's work streams are provided to the EMB by the sub-programme boards, which have been reviewed and revised during the year (see below). The EMB receives regular reports on the Agency's operational performance which are subject to challenge at the meetings and are revised as required. Programme risks that exceed the pre-determined tolerance are reviewed by the Risk Committee and, if appropriate, escalated to the EMB for information or action. The EMB also reviews and manages all strategic risks. The board also receives regular financial reports and information on the Agency's resourcing and vacancy position.

4.15 In 2013-14 I am pleased to say that the Agency again met all of its delivery targets, meeting time, cost and quality parameters as set out in the business plan which is available <https://www.gov.uk/government/publications/standards-and-testing-agency-business-plan-2013-2014> . This is a continued testament to the commitment of all of our staff.

4.16 We continue to work to develop a clear differentiation between the EMB and SPR remits and those of our other meetings. We have made a conscious effort to try and make EMB and SPR more strategic, forward looking and based on corporate performance, resisting the potential to drop into operational detail, other than when required. To this end, one of the things the SPR has considered is the terms of reference for our future operating model, which will be run as a project in its own right. We are also making good progress towards a balanced scorecard which will provide the necessary corporate information, including operational performance, at a high level on a single page. We are working with the Department's Continuous Improvement Team and Performance Unit to achieve this.

4.17 The Agency requires EMB members to register any company and organisation directorships or other significant interests. The Agency maintains a register of interests of the financial, political and other relevant interests of EMB members. The register is available for inspection on request during normal working hours at the Agency's office at 53-55 Butts Road, Earlsdon Park, Coventry, CV1 3BH.

4.18 The following people served during the year 2013-14:

Member	Title	Meetings Attended	Out of a possible
Ian Todd (Chair)	Chief Executive	5	5
Amanda-Jane Balfour	Deputy Director, Test Support Deputy Director, Test Operations (from 1 st August 2013)	4	5
Colin Watson	Deputy Director, Test Development	4	5
Elysia McCaffrey	Deputy Director, Test Operations (Until 31 st July 2013)	2	3

4.19 Deputies were in attendance for all meetings where the named member could not be present.

Governance at Agency Level (continued)***Executive Management Board (continued)***

4.20 Key issues that have been discussed by the Board during the period include:

- extending the Agency's remit to include the Skills Test for Prospective Teachers and (from 2014-15) the General Qualifications logistics service;
- the adoption of a continuous improvement strategy;
- the approval of the outline project plan for a future operating model strategy programme;
- the transition of our main operational delivery contract for 2014;
- human resourcing issues, the process for filling vacancies and learning and development;
- payments to suppliers;
- processes for managing the payments to and processing of tax for independent education experts under the real-time information (RTI) system;
- security arrangements; and
- ways of working with Shared Services.

Sub-programme boards

4.21 The sub-programme boards exist at Agency level to support the relevant Senior Civil Servants (SCS) in the direction, leadership and overall management of the programmes of work within agreed tolerances of time, quality and cost. SCSs are responsible for specific delivery aims within the Agency.

4.22 The Agency's sub-programme boards provide visibility and assurance, and an assessment of confidence in delivery to the EMB by ensuring the effective and efficient governance of the:

- Test Development technical programme of work; and
- Test Delivery functions

4.23 Each sub-programme board assesses, monitors and manages the relevant risks. The Test Delivery sub-programme board is supported by a weekly work stream delivery meeting, which moves to daily during the peak delivery window

4.24 This represents a change from previous years. Upon review, it became apparent that the Test Development and Test Operations sub-programme boards were creating an artificial divide. The Commercial sub-programme board also risked focussing commercial decisions away from their operational owners. We have therefore consolidated to two sub-programme boards – one looking solely at the technical aspects of test development and the other looking holistically at operational delivery, including the test development, moderation and commercial contributions thereto.

Governance at Agency Level (continued)***Sub-programme boards (continued)***

4.25 The sub-programme boards are authorised to take technical and operational decisions and to advise on expenditure within the value of the respective SCS's delegated financial authority. Strategic decisions and approval of expenditure above this amount are escalated to the EMB. Delegation of any of the SCSs' responsibilities and actions to members of the sub-programme board does not dilute the SCSs' accountabilities, indeed our commitment to ensuring proper Programme and Project Management (PPM) methodologies has been recognised by the Department asking me to take the lead on Senior Responsible Owner (SRO) training and development across the Departmental Group.

4.26 During 2012 an additional programme board was set up to manage the procurement of the main external marking services contract, for implementation in 2014. Due to the importance of this work and its impact on the childrens' test results, the Chief Executive was appointed as SRO. Whilst driving up quality this project was successfully delivered and in addition produced like for like savings to the taxpayer of around 15%.

Risk committee

4.27 The Risk Committee is a sub-committee of the EMB.

It is responsible for:

- overseeing the operational risk management strategies,
- reviewing the effectiveness and progress of risk and issue management,
- providing challenge and scrutiny to the Agencies risks and issues,
- approving the escalation of risks and issues to the EMB, and
- the closure of risks and issues.

4.28 In order to manage risks at the right level corporate and strategic risks are managed directly by EMB, and monitored by the SPR.

4.29 The Risk Committee is tasked with managing the risks of the functional areas of the Agency, as well emerging risks prioritised by the risk grading.

4.30 To ensure best practice the Agency has always sought an independent chair for the Risk Committee. Following the departure of our first chair, a Civil Servant from the Highways Agency, we have appointed a Senior Civil Servant from the Department's Performance Unit to fill this role.

4.31 The Risk Committee meets once a month and reports to the EMB. Each meeting is attended by one of the Agency's Deputy Directors to ensure that risks escalated for information or action from the Risk Committee are reported to the EMB.

INTERNAL CONTROL

Risk Management and Assurance

4.32 In line with the statutory and high reputational risk from failure of the National Curriculum testing agenda, the Agency's appetite for risk is low (risk averse).

4.33 Risk information is shared with the Departmental Group through risk registers. Risks that need or may need action are escalated to the Departmental Group through the EMB as necessary.

4.34 Throughout the period, the risk policy and detailed guidance have been available and communicated to all staff through the Agency's internal communications channels and the Department's intranet, and training has been provided across the Agency to embed an understanding of the management of risk. The SMT and Heads of Function are responsible for ensuring risks are managed in accordance with the Department's risk assurance policy and the Agency's risk policies and procedures.

Internal Audit

4.35 The Agency receives internal audit and assurance services from the Cross Departmental Internal Audit Service (XDIAS). XDIAS provides independent and objective assurance to me on the adequacy and effectiveness of the Agency framework of governance, risk management and control by measuring and evaluating the Agency's effectiveness in achieving its agreed objectives. A full audit plan was produced and delivered for 2013-14 and, in addition, the Agency utilised Internal Audit on an ad hoc basis to obtain assurance on process and controls arrangements as appropriate.

4.36 The Agency is included in any cross-Department compliance and themed audits where relevant, and in any audits based on the Resource Management (RM) system which included finance and HR systems.

4.37 There have been three STA specific audits during the reporting period (the summary reflects the point in time at which the audit was conducted):

- Skills Test procurement – Amber/Green – decision making is well managed and development of key contract documents called on a wide range of expertise and analysis. Action is required to ensure that viable contingency measures are in place, should an agreement on price not be reached with the prospective supplier.
- External Marking Services contract management – Amber/Green - service delivery risks are well managed and lessons being learnt from earlier exercises – further work is needed on arrangements for delivering benefits realisation and related risk management.
- Travel and Subsistence – Amber/Red – there is a failure in understanding of the Resource Management (RM) process for claiming travel and subsistence leading to a high degree of non-compliance with DfE policies and procedures.

The audit recommendations are being progressed and reported regularly to the SPR. At the time of writing, all actions were on track and had been delivered in accordance with the relevant action plan.

External Assurance

4.38 The National Audit Office conducted a review of STA's process management maturity at the request of the STA and aligned to our continuous improvement strategy. The results enable the STA to benchmark its maturity against other Government bodies and an emerging, evidence based portfolio of best practice. The findings have encouraged STA to think about how it manages its processes from end to end, and about how it can create an environment which encourages continuous improvement.

Programme and Project Management

4.39 The STA has established Programme and Project Management (PPM) practices, based upon the Managing Successful Programmes and PRINCE2 methodologies. Key documentation in place for each programme/project includes: project initiation document; product descriptions; delivery plan; risk register; issues log; action log and decisions log. These are reviewed and agreed by the sub-programme and project boards.

4.40 The Agency uses a PPM framework, which includes the enterprise project management tool PRIME. This system, together with guidance, standards and templates, helps to ensure consistent assessment and reporting of risk throughout the STA.

4.41 The Deputy Director for Test Operations has taken the lead on developing PPM capability across the Education Standards Directorate of the Department. As Chief Executive and SRO for the Agency's corporate delivery remit, I have recently completed a Major Projects Leadership Academy, run in partnership between Cabinet Office, Oxford Said Business School and Deloitte and taken on the lead role as head of profession for SROs across the Department.

Information: IT Management and Data Safeguarding

4.42 Arrangements are in place to ensure that the Agency complies with the requirements of both HM Government and Cabinet Office policy and guidance in addressing risks to information and information systems. This is managed centrally by the Departmental Senior Information Risk Owners (SIRO) who have overall responsibility for the management of information security throughout the Agency.

4.43 The Agency has a variety of information assets which are essential to the effective and efficient operation of the organisation and the delivery of its strategic aims and objectives. Information asset owners (IAOs) have the responsibility for protecting the information assets that are assigned to them. The Agency maintains an information asset register with assigned IAOs, giving an understanding of the type and level of information assets it holds.

4.44 All staff, except for those on long-term absence, have completed the Responsible for Information training package delivered by Civil Service Learning. In light of the impending change to the classification of documents across Government, all staff have also completed the Government Security Classification training.

4.45 The Agency recognises that a key risk to the security of its assets is the understanding of the importance of information security within the organisation and with third parties who may access or use our data in carrying out their work. The Agency's

security manager is responsible for managing the security policy, establishing cost effective ways for testing security and identifying any gaps and how they might be addressed through guidance and training.

4.46 A further key risk is the potential loss of Agency information assets by suppliers and delivery partners (including their sub-contractors). All of the Agency's procurement and current contracts are conducted under and are compliant with the Cabinet Office Security Policy Framework, this sets out the overall standard for all Government Departments. The Agency constantly and actively monitors supplier performance against the contract, including unannounced site inspections. Suppliers are typically required to return or securely destroy data at the end of each test cycle. This year we have focussed upon the Maintenance of the Risk Management and Accreditation Document Set, taking particular care to ensure that our test delivery partners are fully compliant. We have worked closely with the Department's Security Unit to both ensure and assure this accreditation.

4.47 All security incidents affecting breaches of information are reported to the EMB, along with the action taken and how the incident has been closed. Any significant losses would be reported to the Information Commissioners Office (ICO). There have been no reported security breaches in this financial year.

Financial Management

4.48 The Agency follows the Department's Fraud Management policies and procedures which are compliant with HM Treasury guidance. These policies and procedures, as well as those for whistleblowing, are available on the Department's intranet and have been communicated to all staff through internal communications channels.

4.49 Budgets are monitored regularly by the budget managers and supported by the Finance Business Partners. Where necessary, during the year, underspends against budget have been declared to the Department and returned as required. In the main, underspends have been the result of new contractual arrangements leading to lower than anticipated costs. Following a review by Delivery Leads in conjunction with the Business Partners it was felt that budget forecasting, especially in demand led areas, needed to be improved further, this will be taken forward in 2014-15.

4.50 We have reported previously that, whilst financial management targets for payments are being met, this masks a number of case specific problems which have highlighted the need for further training and clearer guidance on Purchase to Pay (P2P) processes, carried out by the Shared Service provider. I am pleased to say that good progress has been made in this respect, although there is always room for further improvement. Relations with the P2P shared service provider have improved and significant additional training for staff has enabled them to prepare purchase orders and receipts which can be processed with fewer issues.

Delivery Arrangements and Achievement against Business Plan

4.51 Achievement against the business plan is monitored through the EMB and assured by the SPR process. Management of third party partners (including the Department's shared service arrangements) and providers of systems and processes for delivery of the business objectives and policies are aligned to achieve effective outcomes and provide customer service, through process and regular challenge. In 2013-14 we have met all of our targets against our Business Plan, a copy of which is at <https://www.gov.uk/government/publications/standards-and-testing-agency-business-plan-2013-2014>, save for one which was deleted due to a Ministerial decision that the work should not proceed.

People Management

4.52 Arrangements are in place for planning and securing the appropriate number of people with the right skills in the right location to deliver business objectives, although we need to think carefully about how the Department of State functions arising from our status as an Agency might impact on our staffing requirements. More discretion has been given to me, as Chief Executive, to approve some recruitment activity. This has eased some of the delays which we were experiencing previously in delivering our business objectives. I remain concerned that the highly specialist nature of some of my staff creates a significant risk as, notwithstanding the approvals to recruit, recruiting and retaining competent staff to fill these roles is becoming increasingly difficult.

4.53 These arrangements are supported by systems and processes which encourage and support high levels of individual performance and on-going development to ensure business needs are delivered. All staff have objectives which are formally monitored through mid and end year reviews but are informally kept under review throughout the year. Objectives and formal reviews are moderated across the Departmental Group to ensure consistency.

4.54 We are keen to invest in our staff and develop them whenever possible. This year the Department has confirmed that each member of staff is entitled to five days of learning and development (L&D). Access to both mandatory and optional L&D through Civil Service Learning has been good. We have conducted a skills audit and created a capability plan, which sits under the wider Departmental capability plan. Due to the nature of our business we continue to focus on PPM and commercial skills for the majority of our staff. Test Developers attend academic conferences on areas of direct relevance, sometimes contributing papers or speaking at such events.

Key control mechanisms

4.55 The Agency has the following key controls in place:

- governance arrangements, policies and procedures, documented in the STA's corporate governance framework (and highlighted in section 2 above). The STA's policies and procedures and systems of delegation have been further reviewed and refined in 2013-14 to ensure that they provide control and assurance;
- a system of delegation of authority with defined spend authorisation limits;
- an independently chaired Risk Committee with risk processes compliant with the Office of Government Commerce's Management of Risk framework;

- wider Departmental scrutiny through the SPR and Departmental Management Committee, both of which have non-executive director involvement;
- internal audit oversight of key areas, identified with the Chief Executive or by reference to wider Departmental risks;
- regular reviews of delivery management information, operational reports, including risks and slippage against plans, and financial reports including performance against forecasts;
- a comprehensive budgeting system with an annual budget that is reviewed and signed off by the SMT; and
- a business continuity plan.

AREAS FOR DEVELOPMENT AND PROGRESS FROM 2013-14

4.56 Last year I highlighted a number of actions as necessary to further enhance the system of governance and control. They are listed below, together with the actions we have undertaken in response:

- 4.56.1 strengthen Audit Committee arrangements based upon the decisions taken by the Department's ARC in December 2012 to expand the role of quarterly strategic performance review and facilitate reporting to ARC;

Action Taken: the SPR has started to focus more on strategic and corporate governance issues, with a reduction in operational performance monitoring. Internal Audit are now part of the membership of the SPR and attend regularly, highlighting both Agency specific and wider Departmental audits of interest to the Agency and linking directly with the ARC

- 4.56.2 the appointment of an independent expert to support the strategic performance review;

Action Taken: an expert in the field of lean operational delivery and continuous improvement has been appointed to the SPR and is also providing leadership and mentoring support to me as the Chief Executive and Accounting Officer

- 4.56.3 set targets and monitor the requisition, purchase order and receipting processes to ensure every payment to suppliers is made in accordance with the agreed terms and conditions;

Action Taken: as noted above, performance targets have regularly been met but individual cases have been outliers. This has reduced in 2013-14 due to a strong focus on staff training and development, both within the Agency and with our shared service providers who now better understand the nature of our business.

- 4.56.4 fully contribute to the Departmental Review to ensure that appropriate and timely decision making and governance processes are in place, allowing the appropriate freedom for the Accounting Officer to act whilst continuing to provide adequate levels of assurance to the Department;

Action Taken: the Agency contributed to the Departmental Review and the subsequent Capability Plan. We have taken the lead on PPM learning and development, including heading up the Department's SRO offering. We worked with the Department to ensure that the criteria for flexible resourcing were tailored to meet the needs of a delivery agency, as well as a policy family. The Department continues to review the reporting processes to the senior organisation but we have removed duplication by streamlining both our internal governance processes and those of the Department.

- 4.56.5 Review the terms of reference and frequency of all agency Governance Boards (to include sub-programme boards) in line with changing Department and Agency requirements; and

Action Taken: as indicated in the text, above, we have reviewed our governance structure, making the changes highlighted to ensure a holistic approach with minimal duplication whilst still providing full assurance to me as Accounting Officer.

- 4.56.6 Establish a programme of work to look at the organisational development of the Agency including the identification of areas that would benefit from a continuous improvement review and develop staff and Agency working practices in line with government Lean procurement methodologies.

Action Taken: The NAO have conducted a process management maturity assessment, the results of which are helping us to identify how we can make further progress.

We have developed three continuous improvement (CI) practitioners and ten CI champions who are all now working on CI improvement projects alongside their day to day activity. We have invited the NAO to conduct a process management review to see where further gains can be made. We are currently recruiting a specialist CI practitioner to the role of Performance and Improvement Manager. Our independent expert has a background in lean and CI methodologies, including holding a senior position within the Japanese car industry. Our CI Strategy has been developed and published and is now a cornerstone of all Agency activity.

- 4.57 For 2014-15 our areas for development will focus on:

- 4.57.1 Getting the basics right – ensuring that the transition to the systems, processes, policies and procedures of the wider Department is fully embedded within the Agency

- 4.57.2 Planning for the future – ensuring that our Future Operating Model programme is delivered to the highest standards of programme and project management, ensuring that competition is enhanced and that any future procurement is best placed to deliver value for money

- 4.57.3 Managing suppliers – developing our end to end supply chain management to develop strategic alignment and enhanced oversight, not limited to functional silos.
- 4.57.4 Continuous improvement – moving from our current focus of CI as an add on to an embedded part of our culture.
- 4.57.5 Flexible resourcing – further enhancing our capacity to deliver both existing and new work through the most effective use of our human resource.
- 4.57.6 Data management – developing our data management strategy to ensure that our data is collected, stored and used in the most effective way, to develop the business, meet our vision and contribute to the DfE more widely.

Ian Todd
Chief Executive
Accounting Officer

9 July 2014

5. REMUNERATION REPORT

PART 1: UNAUDITED INFORMATION

Remuneration Policy

5.1 The Chief Executive and EMB members are Senior Civil Servants (SCS) whose pay is decided by the SCS Pay Committee, chaired by the Permanent Secretary, and comprising members of the Department's Executive Management Board and a non-executive Director. The SCS Pay Committee makes decisions within the limits and delegated authorities set by the government in response to the annual report of the Senior Salaries Review Body (SSRB). The Permanent Secretary meets separately with a Departmental non-executive member to determine the pay of board members.

5.2 Performance management and reward policy for members of the SCS, including board members, is managed within the central framework set by the Cabinet Office. It allows for annual performance related base pay and non-consolidated performance awards, agreed centrally each year following SSRB recommendations. The SCS performance management and reward principles for 2013-14, which include explanations of how base pay and performance awards levels are determined and their relative value, can be found at: www.civilservice.gov.uk. The SCS performance awards are allocated from a central salary pot expressed as a percentage of the department's SCS salary bill, which is agreed centrally each year following the SSRB recommendations. In 2013-14 this pot was limited by the Cabinet Office to less than 3.3% of the total SCS salary bill from which individuals were awarded varying amounts, dependent on performance.

Summary and Explanation of Policy on Duration of Contracts, Notice Periods and Termination Payments:

5.3 The Chief Executive is responsible to the Director General Education Standards Directorate (ESD) for the performance, leadership and day to day management of the agency.

5.4 All senior team members' contractual terms comply with the requirements set centrally for the SCS by Cabinet Office, and the exact terms offered reflect the requirements of the post. The principles governing recruitment to, and departure from the Civil Service, including details of compensation for early termination, are set out in the Civil Service Management Code at www.civilservice.gov.uk.

Service Contracts

5.5 The *Constitutional Reform and Governance Act 2010* requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

5.6 Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org.uk.

PART 2: AUDITED INFORMATION**Remuneration (including salary) and pension entitlements**

5.7 The following paragraphs provide details of the remuneration and pension interests of senior management of the Agency.

Salary and benefits-in-Kind

5.8 In the tables below benefits in kind have been rounded to the nearest £100. For those officials who served part of the year the full year equivalent is presented in italicised brackets below the actual cost.

Salary

5.9 'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Agency and thus recorded in these accounts.

Benefits-in-kind

5.10 The monetary value of benefits-in-kind covers any benefits provided by the Agency and treated by HM Revenue and Customs as a taxable emolument. No directors received any benefits-in-kind.

Bonuses

5.11 Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2013-14 relate to performance in 2012-13.

Review of Fair Pay

5.12 Reporting bodies are required to disclose the relationship between the remuneration of the highest paid employee in their organisation and the median remuneration of the organisation's workforce.

	2013-14	2012-13
Band of the highest paid director's total remuneration (£000)	115-120	105-110
Median total remuneration (£)	34,673	40,000
	3.4	2.7

5.13 In 2013-14 and 2012-13, no employees received remuneration in excess of the highest paid director.

5.14 Total remuneration for the highest paid director includes salary and benefits in kind, and it does not include severance payment, employer pension contributions, and the cash equivalent transfer value of pensions. The calculation of median salary does not include any benefits-in-kind or severance payments.

Remuneration (salary and benefits-in-kind)

	2013-14				Restated 2012-13					
	Salary £000	Bonus £000	Benefits -in-kind £	Pension benefits £000	Total £000	Salary £000	Bonus £000	Benefits -in-kind £	Pension benefits £000	Total £000
Chief Executive Ian Todd	105-110	5-10	1,600	20-25	135-140	105-110	-	1,600	40-45	150-155
Deputy Director Elysia McCaffrey (Until July 2013)	15-20 (75-80)	5-10		0-5	30-35	65-70	5-10	-	10-15	80-85
Amanda-Jane Balfour	65-70	-		5-10	70-75	60-65	-	-	35-40	100-105
Colin Watson	80-85	5-10		25-30	110-115	80-85	-	-	30-35	110-115

The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

The figures for 2012-13 have been restated to reflect benefits in kind data which was not available at the time of publication.

Pension Benefits

Civil service pensions

5.15 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). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos 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).

5.16 Employee contributions are salary-related and range between 1.5% and 6.25% of pensionable earnings for classic and 3.5% and 8.25% for premium, classic plus and nuvos. Increases to employee contributions will apply from 1 April 2013. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with pensions increase legislation. 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.

5.17 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 from a panel of three providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

5.18 The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

5.19 Further details about the Civil Service pension arrangements can be found at the website <http://www.civilservice.gov.uk/pensions>

5.20 The accounting policy relating to pensions is contained within the accounting policy section 1 ACCOUNTING POLICIES (**continued**)

5.21 Pensions

Cash Equivalent Transfer Values

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

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

The real increase in the value of the CETV

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

	Accrued pension (and related lump sum) at pension age as at 31/3/14 £000	Real increase in pension (and related lump sum) at pension age £000	CETV at 31/3/14 £000	CETV at 31/3/13 £000	Real increase in CETV £000
Chief Executive					
Ian TODD	35-40 (0-5)	0-2.5 (0-2.5)	329	294	2
Deputy Director					
Elysia McCaffrey	5-10 (25-30)	0-2.5 (0-2.5)	97	91	0
Amanda-Jane Balfour	15-20 (25-30)	0-2.5 ((2.5)-0)	250	221	18
Colin Watson	20-25 (0-5)	0-2.5 (0-2.5)	207	179	3

Ian Todd
Chief Executive

9 July 2014

6. STATEMENT OF THE ACCOUNTING OFFICER AND CHIEF EXECUTIVE'S RESPONSIBILITIES

6.1 Under the *Government Resources and Accounts Act 2000* (GRAA), HMT has directed the Agency to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Agency and its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

6.2 In preparing the accounts, the Accounting Officer is required to comply with the requirements of the FReM and in particular to:

- observe the Accounts Direction issued by the HMT including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the FReM, have been followed and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

6.3 The Permanent Secretary as Principal Accounting Officer for the Department has designated the Chief Executive as the Accounting Officer of the Agency. The responsibilities of an Accounting Officer, including the responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Agency's assets, are set out in *Managing Public Money* issued by the HMT.

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

I certify that I have audited the financial statements of the Standards and Testing Agency for the year ended 31 March 2014 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, 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, Chief Executive and auditor

As explained more fully in the Statement of Accounting Officer and Chief Executive's Responsibilities, the Chief Executive, as the Accounting Officer of the Standards and Testing Agency, 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 Standards and Testing Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Standards and Testing 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Standards and Testing Agency's affairs as at 31 March 2014 and of the net 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 Management Commentary and the Strategic Review 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 returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse

Comptroller and Auditor General

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

9 July 2014

STATEMENT OF COMPREHENSIVE NET EXPENDITURE

for the year ended 31 March 2014

	Note	Staff Costs £000	Other Costs £000	Income £000	2013-14 Total £000	2012-13 Total £000
ADMINISTRATIVE COSTS						
Staff costs	3	5,228			5,228	5,134
Other administrative costs	4		3,897		3,897	3,841
Staff secondment income	6				-	-
PROGRAMME COSTS						
Programme costs	5		38,083		38,083	31,567
Income	6			(1,234)	(1,234)	(1,818)
Net operating costs		5,228	41,980	(1,234)	45,974	38,724
Total expenditure		5,228	41,980		47,208	40,542
Total income				(1,234)	(1,234)	(1,818)
Net operating costs		5,228	41,980	(1,234)	45,974	38,724
Non-operating costs						
Net (gain)/loss on transfer of function					-	-
Net costs					45,974	38,724
OTHER COMPREHENSIVE NET EXPENDITURE						
					2013-14 Total £000	2012-13 Total £000
ITEMS THAT WILL NOT BE RECLASSIFIED TO NET OPERATING COSTS						
Net (gain)/loss on revaluation of property, plant and equipment					-	-
Net (gain)/loss on revaluation of intangible assets					-	-
Net (gain)/loss on transfer of assets					-	-
Total comprehensive expenditure					45,974	38,724

All income and expenditure reported in the Statement of Comprehensive Net Expenditure is derived from continuing operations.

The notes on pages 38 to 49 form part of these accounts.

STATEMENT OF FINANCIAL POSITION

as at 31 March 2014

	Note	2014 £000	2013 £000
CURRENT ASSETS			
Inventories		-	46
Receivables	8	1,158	1,368
		1,158	1,414
Total assets		1,158	1,414
CURRENT LIABILITIES			
Payables	9	(3,785)	(5,299)
		(3,785)	(5,299)
Assets less liabilities		(2,627)	(3,885)
NON-CURRENT LIABILITIES			
Provisions	10	(126)	-
		(126)	-
Assets less liabilities		(2,753)	(3,885)
TAXPAYERS' EQUITY			
General fund		(2,753)	(3,885)
Total taxpayers' equity		(2,753)	(3,885)

Ian Todd
Accounting Officer

9 July 2014

The notes on pages 38 to 49 form part of these accounts.

STATEMENT OF CASH FLOWS

for the year ended 31 March 2014

	Note	2014 £000	2013 £000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net operating cost		(45,974)	(38,724)
Adjustment for non-cash transactions	4	3,590	3,476
Adjustment for Provisions	10	126	
Decrease/(increase) in receivables	8	210	(134)
Decrease/(increase) in inventories		46	
(Decrease)/increase in payables	9	(1,514)	1,052
Net cash outflow from operating activities		(43,516)	(34,330)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets		-	
Net cash outflow from investing activities		-	
CASH FLOWS FROM FINANCING ACTIVITIES			
Net Parliamentary Funding – drawn down		43,516	34,330
Cash receipts on transfer of functions			
Net cash inflow from financing activities		43,516	34,330
Net (decrease)/increase in cash and cash equivalents		-	-
Cash and cash equivalents at beginning of year		-	-
Cash and cash equivalents at end of year		-	-

The notes on pages 38 to 49 form part of these accounts.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

for the year ended 31 March 2014

Note	General Fund £000
Balance at 31 March 2012	(2,967)
Net Parliamentary Funding - drawn down	34,330
Comprehensive expenditure for the year	(38,724)
Non-cash adjustments:	
Recharge of shared services	3,441
Auditor's remuneration	35
Balance at 31 March 2013	(3,885)
Net Parliamentary Funding - drawn down	43,516
Comprehensive expenditure for the year	(45,974)
Non-cash adjustments:	
Recharge of shared services	3,555
Auditor's remuneration	35
Balance at 31 March 2014	(2,753)

The General Fund represents the total assets less liabilities, to the extent that the total is not represented by reserves and financing items.

The notes on pages 38 to 49 form part of these accounts.

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES

These accounts have been prepared in accordance with the 2013-14 Government Financial Reporting Manual (FReM) issued by HM Treasury (HMT), as set out in a statutory Accounts Direction issued pursuant to section 5(2) of the Government Resources and Accounts Act 2000 (Estimates and Accounts) (Amendment) Order 2012. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRSs) 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 2013-14 are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention.

1.2 Adoption of amendment to FReM

There were no significant FReM changes that affected the Agency in 2013-14.

1.3 IFRSs in issue but not yet effective

In order to comply with the requirements of *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors* (IAS 8), the Agency must disclose where it has not applied a new IFRS that has been issued but is not yet effective. The Agency has carried out a review of the IFRSs in issue but not yet effective, to assess their impact on its accounting policies and treatment, and found that none of the updates have any material impact on the accounts.

1.4 Areas of judgement

The preparation of these accounts requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure. These are based on historic and other factors that are believed to be reasonable, the results of which form the basis for making judgements. The estimates and underlying assumptions are reviewed on an on-going basis. Specific areas of judgement include provisions and impairment.

1.5 Transfer of functions

As part of the ALB reform programme, the Department closed or abolished seven of its ALBs on 31 March 2012 and reorganised its extended activities. The exam administration functions of the Quality and Curriculum Development Agency (QCDA) were transferred into the Department whilst the QCDA's National Curriculum assessment functions were transferred into the Agency.

As part of the ongoing reforms the National College for Teaching and Leadership transferred the responsibility for Initial Teacher Training skills tests to the STA. This was effective from November 2013.

1 ACCOUNTING POLICIES (continued)

1.6 The Agency has accounted for these transfers of functions using absorption accounting as per FReM 4.2.22. There was no transfer of assets. **Financial instruments**

The Agency has adopted *IFRS 7 Financial Instruments: Disclosures*, *IAS 32 Financial Instruments: Presentation* and *IAS 39 Financial Instruments: Recognition and Measurement*. The Agency does not have any complex financial instruments. Financial assets and financial liabilities are recognised when the Agency becomes party to the contractual provisions of the instrument. Embedded derivatives are recognised if separable from the host contract.

1.6.1 Financial assets

Financial assets are classified where appropriate as loans and receivables; available-for-sale or financial assets at fair value through profit and loss. Financial assets include cash and cash equivalents and trade and other receivables. The Agency determines the classification of its financial assets at initial recognition. Financial assets are recognised initially at fair value, normally being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable costs. Presently the Agency does not have any financial assets that need to be classified as financial assets at fair value through profit or loss; neither does it have cash equivalents or derivative financial instruments.

The subsequent measurement of financial assets depends on their classification, as follows: *Trade and other receivables*

Trade and other receivables have fixed or determinable payments that are not quoted on an active market. They do not carry any interest and are initially recognised at their face value. They are then carried at amortised cost using the effective interest method.

Appropriate allowances (provisions/write-offs) for estimated irrecoverable amounts (bad debts) are recognised in the Statement of Comprehensive Net Expenditure when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the estimated future recoverable amount.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and on demand deposits

1.6.2 Financial liabilities

Financial liabilities are classified as financial liabilities measured at amortised cost. Financial liabilities include trade and other payables, loans and accruals. The Agency does not currently have financial liabilities classified as fair value through profit or loss; neither does it have derivative financial instruments. The Agency determines the classification of its financial liabilities at initial recognition.

1 ACCOUNTING POLICIES (continued)

1.6 Financial instruments (continued)

1.6.2 Financial liabilities (continued)

The measurement of financial liabilities depends on their classification, as follows:

Trade and other payables

Trade and other payables including accruals are generally not interest bearing and are stated at their face value on initial recognition. Subsequently, they are measured at amortised cost using the effective interest method.

1.7 Research and development

Research expenditure is reported in the Statement of Comprehensive Net Expenditure in the year in which it is incurred. Development expenditure is also recognised in the Statement of Comprehensive Net Expenditure when incurred unless it meets the specific criteria for capitalisation within *IAS 38 Intangible Assets*.

1.8 Operating income

Operating income is income which relates directly to the operating activities of the Agency. It includes both income as authorised in the Supply Estimate (such as general administration receipts and income from other departments), and income to the Consolidated Fund that HM Treasury has agreed should be treated as operating income. Income is stated net of recoverable VAT.

1.9 Administration and programme expenditure

The Statement of Comprehensive Net Expenditure is analysed between administration and programme income and expenditure. The classification of expenditure and income as administration or programme follows the definition of administration costs set out by HMT in its Consolidated Budgeting Guidance.

Administration costs reflect the costs of running the Agency as defined under the administration cost control regime, together with associated operating income. Income is analysed in the notes between that which is allowed to be offset against gross administrative costs in determining the outturn against the administration budget, and that operating income which is not.

Programme costs reflect non-administration costs, including payments of grants and other disbursements by the Agency which relate directly to the front line delivery of specific programmes.

1.10 Leases

Leases are classified as finance leases whenever the terms of the lease transfers substantially all the risks and rewards of ownership of the leased assets to the lessee. All other leases are classified as operating leases. Operating lease rentals are charged to the Statement of Comprehensive Net Expenditure as expenditure is incurred.

The Agency does not hold any finance leases.

1 ACCOUNTING POLICIES (continued)

1.11 Pensions

In respect of the defined contribution pension schemes and/or unfunded defined benefit schemes the Agency recognises contributions payable for the year.

1.12 Early departure costs

The Agency is required to meet the additional costs of benefits in respect of employees who retire early and for compensation payments payable to employees who take early severance. The Agency provides for the costs when the early departure programme has been announced and is binding on the Agency.

The exit costs of Agency staff are borne and managed centrally by the Department. The exit costs shown in the accounts have been charged directly to the Department.

1.13 Provisions

The Agency makes provision in the accounts where the following criteria are met in accordance with IAS 37: Provisions, Contingent Liabilities and Contingent Assets. The criteria are as follows:

- a legal or constructive obligation exists that will result in the transfer of economic benefit;
- the transfer is probable; and
- a reliable estimate can be made.

The provision's value is discounted when the time value of money is considered material. Changes in the discount rate applied will be recognised in the year in which the change occurred. Comparative figures are not adjusted as this constitutes a change in accounting estimate.

1.14 Contingent liabilities

In addition to contingent liabilities recognised in these accounts in accordance with IAS 37, the Agency also discloses certain other contingent liabilities subject to Parliamentary reporting; which is to comply with Parliamentary reporting and accountability requirements in accordance with the guidance contained in Managing Public Money.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

1.15 Value added tax

Most of the activities of the Agency are outside the scope of VAT. However, the Agency sits within the Department's group VAT registration allowing for Agency to be partially VAT-registered.

In general output tax does not apply, or where it does, input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category. Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT.

1.16 Inventory

Stock is valued at the lower of cost or net realisable value.

1.17 Corporation tax

The Agency is exempt from corporation tax.

1.18 Provisions

The Agency makes provision in the accounts where the following criteria are met in accordance with *IAS 37: Provisions, Contingent Liabilities and Contingent Assets* (IAS 37):

- a legal or constructive obligation exists that will result in the transfer of economic benefit;
- the transfer is probable; and
- a reliable estimate can be made.

The provision's value is discounted when the time value of money is considered material. Changes in the discount rate applied will be recognised in the year in which the change occurred. Comparative figures are not adjusted as this constitutes a change in accounting estimate.

1.19 Shared service re-charges

The Department provides a number of corporate functions to the Agency. These include Human Resources, Information Technology and Finance functions. The Department has notionally re-charged these costs to the Agency in proportion to their usage of these services.

2 STATEMENT OF OPERATING COSTS BY OPERATING SEGMENT

For both management and financial reporting purposes, the Agency is split into two operating divisions: Test Operations and Test Development. During the financial year there was an internal reporting restructure and as a result Test Support was merged with Test Development. Test Support had previously been identified as a separate reportable segment. The current divisions are each classed as reportable segments for the analysis required by *IFRS 8 Operating Segments*.

	Test Operations £000	Test Development £000	Admin £000	2013-14 Total £000	2012-13 Total £000
Gross expenditure	32,867	5,216	9,125	47,208	40,542
Income	(1,234)			(1,234)	(1,818)
Net expenditure	31,633	5,216	9,125	45,974	38,724
Total net expenditure per Statement of Comprehensive Net Expenditure				45,974	38,724

3 STAFF NUMBERS AND RELATED COSTS

3.1 Staff costs

	Permanently Employed £000	Others £000	2013-14	2012-13
			Total £000	Total £000
Wages and salaries	3,970	103	4,073	4,002
Social security costs	360	-	360	364
Pension costs	795	-	795	768
	5,125	103	5,228	5,134
Less recoveries in respect of outward secondments	-	-	-	-
	5,125	103	5,228	5,134

3.2 Average number of persons employed

The average monthly number of full-time equivalent persons employed during the year is shown in the table below.

	Permanently Employed Number	Others Number	2013-14	2012-13
			Total Number	Total Number
Directly employed	95	4	99	88
Other				1
	95	4	99	89

3.3 Pension schemes

Principal civil service Pension Scheme (PCSPS)

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Agency is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).

For 2013-14, employers' contributions of £787,336 were payable to the PCSPS (2012-13 £751,389) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2013-14 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

3 STAFF NUMBERS AND RELATED COSTS (continued)

3.3 Pension schemes (continued)

Partnership pension accounts

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £7,478 (2012-13: £16,251) were paid to one or more of the panel of three appointed stakeholder pension providers.

Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £578.01 (2012-13: £710.12), 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £761 (2012-13:£1,192). Contributions prepaid at that date were nil.

3.4 Reporting of civil service and other compensation schemes

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
<£10,000	-	-		1	-	1
£10,001 - £25,000	-	-		1	-	1
£25,001 - £50,000	-	-			-	-
£50,001 - £100,000	-	-	1		1	-
£100,001 - £150,000	-	-		-	-	-
Total number of exit packages	-	-	1	2	1	2
Total cost (£000)	-	-	95	31	95	31

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the *Superannuation Act 1972*. Exit costs are accounted for in full in the year the departure is agreed. Where the Department has agreed early retirements, the additional costs are met by the Department and not the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

The exit costs of Agency staff are borne and managed centrally by the Department. Information is shown in above table for transparency.

4 OTHER ADMINISTRATION COSTS

	2013-14 £000	2012-13 £000
Travel and subsistence	244	214
Consultancy	17	63
Computers and telecoms costs	33	27
Other office services	4	23
Other expenditure	9	33
Rentals under operating leases:	-	-
Other operating leases	-	5
	307	365
Non-cash items:		
Recharges or Central Services cost	3,555	3,441
Auditor's remuneration	35	35
	3,590	3,476
Total	3,897	3,841

5 PROGRAMME COSTS

	2013-14 £000	2012-13 £000
IT and telecoms	1,720	1,189
Professional fees	2,330	2,149
Travel	361	214
Communications and media	206	1,102
Other office services	2,492	3,727
Other expenditure	267	959
Programme contract expenditure	30,566	21,975
Research and development	15	252
	37,957	31,567
Provisions		
Provided in year	126	-
	126	-
	38,083	31,567

6 INCOME

	2013-14 £000	2012-13 £000
Programme income		
Other income	1,234	1,818

During the year income of £1.2m (2012-13: £1.8m) was generated from the sale of tests and has been accounted for on an accruals basis to match with related costs.

7 FINANCIAL INSTRUMENTS

As the cash requirements of the Agency are met through the Estimate process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the Agency's expected purchase and usage requirements and the Agency is therefore exposed to little credit, liquidity or market risk.

IFRS 7 Financial Instruments: Disclosures requires entity's to provide sufficient disclosures that enable users of accounts to evaluate:

- the significance of financial instruments for the entity's financial
- position and performance; and
- the nature and extent of risks arising from financial instruments to which the entity is exposed during the reporting period, and how those risks are managed.

Due to the largely non-trading nature of its activities and the way in which the Agency is financed, it 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 limited companies to which IFRS 7 mainly applies. The Agency has very limited powers to borrow or invest surplus funds and, except for relatively insignificant purchases of foreign currency, 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.

Due to the limited scope of the organisation's activities the only financial instruments recognised are trading receivables and payables; which due to their short term nature are recognised at cost as an approximation of amortised cost.

Liquidity risk

The Agency's net revenue resource requirements (as well as its capital expenditure) are financed by resources voted annually by Parliament. The Agency is therefore not exposed to any significant liquidity risks.

Interest-rate risk

The Agency's financial liabilities carry either nil or fixed rates of interest and it is not therefore exposed to significant interest-rate risk.

Foreign currency risk

The Agency's exposure to foreign currency risk is low. The foreign currency income received by the Agency is negligible and foreign currency expenditure is less than 0.01% of total gross expenditure, and therefore, is not significant.

Credit risk

The Agency's exposure to credit risk is very low. Credit risk is the risk that a service user or counter party to a financial instrument will fail to pay amounts due causing financial loss to the Agency and arises principally from cash and outstanding debt. The Agency has a credit (receivables) policy that ensures consistent processes are in place throughout the Agency to measure and control credit risk.

For loans and receivables not carried at fair value, there is no active market and there is no intention to sell. Therefore, the Agency does not disclose fair value comparatives.

8 RECEIVABLES

8.1 Analysis by type

	2014 £000	2013 £000
Deposits and advances	1	1
Trade receivables	11	8
Other receivables	3	3
Prepayments and accrued income	1,143	1,356
	1,158	1,368

8.2 Intra-Government analysis

	2014 £000	2013 £000
Balances with other central Government bodies		-
Balances with local authorities	10	4
Balances with NHS bodies		-
Balances with public corporations and trading funds		-
Intra-Government balances	10	4
Balances with bodies external to Government	1,148	1,364
	1,158	1,368

9 PAYABLES

9.1 Analysis by type

	2014 £000	2013 £000
Deposits and advances		
Other taxation and social security	104	105
VAT	-	-
Trade payables	19	253
Other payables	91	81
Amounts payables re pensions	-	-
Accruals and deferred income	3,571	4,860
	3,785	5,299

9 PAYABLES (continued)**9.2 Intra-Government analysis**

	2014 £000	2013 £000
Balances with other central Government bodies	471	560
Balances with local authorities	42	17
Balances with NHS bodies		-
Balances with public corporations and trading funds		-
Intra-Government balances	513	577
Balances with bodies external to Government	3,272	4,722
	3,785	5,299

10 PROVISIONS FOR LIABILITIES AND CHARGES

	Other £000	Total £000
Balances at 1 April 2013	-	-
Provided in year	126	126
Provisions not required written back		-
Provisions utilised in year		-
Balance at 31 st March 2014	126	126

11 CAPITAL AND OTHER COMMITMENTS**11.1 Capital commitments**

There were no capital commitments at 31 March 2014 (2013: £Nil).

11.2 Commitments under leases

There were no commitments under operating leases at 31 March 2014 (2013: £Nil).

11.3 Other financial commitments

The Agency has entered into a contract with a provider in respect of marking key stage tests. Given the specialised nature of the contractual requirements there is currently little scope within the market to award the contract to another provider in the short to medium term. The Agency is working to develop the market thereby reducing potential business risk.

	2014 £000	2013 £000
Not more than 1 year	18,930	7,260
Later than one year and not later than five years	34,119	17,161
Later than 5 years	-	-
	53,049	24,421

12 NON-IAS37 CONTINGENT LIABILITIES

There were no non-IAS 37 liabilities at 31 March 2014 (2013: £Nil).

13 RELATED PARTY TRANSACTIONS

The Agency is an executive agency of the Department for Education and for the purposes of these accounts is regarded as a related party.

In addition, the Department has had a number of transactions with other government departments and other central government bodies on behalf of the Agency. The significant transactions in this regard have been with HMRC and PCSPS.

No board member, key manager or other related party has undertaken any material transactions with the Agency during the year to 31 March 2014.

14 EVENTS AFTER THE REPORTING PERIOD

As part of the ongoing reforms the National College for Teaching and Leadership transferred the responsibility for the logistics scheme for General Qualifications in April 2014.

The accounts were authorised on 9 July 2014 by Ian Todd (Accounting Officer). With the exception of the above, there have not been any other post reporting period events that have required adjustment to these accounts.

GLOSSARY

Agency	Standards and Testing Agency
AO	Accounting Officer
ARC	Audit and Risk Committee
CAQ	Curriculum, Assessment and Qualifications
CEO	Chief Executive Officer
DfE	Department for Education
Department	Department for Education
EMB	Executive Management Board
EYFS	Early Years Foundation Stage
FReM	Financial Reporting Manual
HMT	Her Majesty's Treasury
IAO	Information Asset Owner
XDIAS	Cross Departmental Internal Audit Service
ICO	Information Commissioners Office
KS	Key Stage
LA	Local Authority
NAO	National Audit Office
PCSPS	Principal Civil Service Pension Scheme
QCDA	Qualifications and Curriculum Development Agency
RM	Resource Management
SMT	Senior Management Team
SPR	Strategic Performance Review
SRO	Senior Responsible Owner

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