

LEARNING AND TEACHING SCOTLAND

Management Statement and Financial Memorandum

Updated : March 2006

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PART 1 : INTRODUCTION

1. This management statement and associated financial memorandum (MS/FM) has been drawn up by SEED, Qualifications, Assessment and Curriculum Division in consultation with Learning and Teaching Scotland, an executive NDPB based at 58 Robertson Street,, Glasgow, G2 8DU and Gardyne road, Broughty Ferry, Dundee, DD5 1NY.
2. Subject to the legislation noted, the Management Statement sets out the broad framework within which LT Scotland will operate, in particular:
 - LT Scotland's overall aims, objectives and targets in support of the Scottish Ministers' wider strategic aims;
 - The rules and guidelines relevant to the exercise of LT Scotland's functions, duties and powers;
 - The conditions under which any public funds are paid to LT Scotland;
 - How LT Scotland is to be held to account for its performance.
3. The associated Financial Memorandum sets out in greater detail certain aspects of the financial framework within which LT Scotland is required to operate.
4. The Management Statement and associated Financial Memorandum do not, however, convey any legal powers or responsibilities.
5. The MS/FM shall be reviewed and updated periodically by the Department, normally at least every three years.
6. LT Scotland, or the Department, may propose amendments to the MS/FM at any time. Any such proposals by LT Scotland shall be considered in the light of the Scottish Ministers' policy aims, operational factors and the track record of LT Scotland itself. The guiding principle shall be that the extent of flexibility and freedom given to LT Scotland shall reflect both the quality of its internal controls and its operational needs. The Department shall determine what changes, if any, are to be incorporated in the MS/FM. Legislative provisions shall take precedence over any part of the MS/FM.
7. LT Scotland shall satisfy the conditions and requirements set out in the MS/FM, together with all relevant requirements in the Scottish Public Finance Manual (SPFM) and such other conditions as the Scottish Ministers / sponsor Department may from time to time impose. Any question regarding the interpretation of the MS/FM shall be resolved by the Department after consultation with LT Scotland.
8. Copies of the MS/FM shall be placed in the Scottish Parliament Reference Centre and provided to the Public Services Delivery Group in an electronic format for inclusion in the Scottish Executive internet and intranet websites. Copies shall also be made available to members of the public on the LT Scotland website.

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1. FUNCTIONS, DUTIES AND POWERS

1.1 Founding Legislation : status

1.1.1 LT Scotland is established as a company limited by guarantee under the Companies Act 1985. The constitution of LT Scotland is set out in the Memorandum of Association and Articles of Association. LT Scotland does not carry out its functions on behalf of the Crown.

1.2 The functions, duties and powers of LT Scotland

1.2.1 The Memorandum and Articles of Association give(s) LT Scotland its functions, powers and duties and Clauses 3B to F of the Memorandum of Association sets these out.

1.3 Classification

1.3.1 For policy/administrative purposes LT Scotland is classified as an executive non-departmental public body.

1.3.2 For national accounts purposes LT Scotland is classified to the central government sector.

1.3.3 References to LT Scotland include, where appropriate, all its subsidiaries and joint ventures that are classified to the public sector for national accounts purposes. If such a subsidiary or joint venture is created, there shall be a document setting out the arrangements between it and LT Scotland.

2. AIMS, OBJECTIVES AND TARGETS

2.1 Overall Aims and Objectives

2.1.1 The Scottish Ministers have defined the overall aims and objectives for LT Scotland as follows (and as set out in more detail in Appendix 3) :

- **actively promote a climate of innovation, ambition and excellence throughout the Scottish education system.**
- **support teachers, schools and local authorities in improving the quality of education and raising levels of achievement of all learners.**
- **ensure that the curriculum and approaches to learning and teaching, including the use of ICT, assist children and young people in Scotland to develop their full potential.**
- **work in close partnership with The Scottish Executive and other key stakeholders to build capacity and support the delivery of a first class education that is recognised as such nationally and internationally.**

2.2 Key targets

- 2.2.1 The Scottish Executive Education Department (SEED) determines LT Scotland's performance framework in the light of the Scottish Minister's wider strategic aims. LT Scotland's key targets shall be agreed within LT Scotland's Strategic planning process (Section 4 below).

3. **RESPONSIBILITIES AND ACCOUNTABILITY**

3.1 The Scottish Ministers

- 3.1.1 The Scottish Ministers are ultimately accountable to the Scottish Parliament for the activities and performance of LT Scotland. Their responsibilities include:

- approving LT Scotland's strategic objectives and the policy and performance framework within which LT Scotland will operate (as set out in this management statement and associated financial memorandum (MS/FM));
- keeping the Parliament informed about LT Scotland's performance;
- approving the resource budget and the associated grant in aid requirement to be paid to LT Scotland, and securing the necessary Parliamentary approval;
- carrying out responsibilities specified in the Memorandum and Articles of Association including appointments to the Board, approving the terms and conditions of Board members, approving the appointment of the Chief Executive, approval of terms and conditions of staff, and laying of the annual report and accounts before the Parliament.

3.2 The Departmental Accountable Officer

- 3.2.1 The Head of the Scottish Executive Education Department is designated as the sponsor Department's Accountable Officer by the Principal Accountable Officer for the Scottish Administration. He is responsible for the overall organisation, management and staffing of the Scottish Executive Education Department and for ensuring that there is a high standard of financial management in the Department as a whole.

- 3.2.2 In particular the Departmental Accountable Officer shall ensure that:

- LT Scotland's strategic aims and objectives support the Scottish Minister's wider strategic aims;
- the financial and other management controls applied by the Department to LT Scotland are appropriate and sufficient to safeguard public funds and for ensuring that LT Scotland's compliance with those controls is effectively monitored ("public funds" include not only any funds provided to LT Scotland by the Scottish Ministers but also any other funds falling within the stewardship of LT Scotland, including gifts, bequests and donations;

- the internal controls applied by LT Scotland conform to the requirements of regularity, propriety and good financial management;
- any funding provided to LT Scotland is within the scope and the amount authorised by Budget Acts.

3.2.3 The responsibilities of a Departmental Accountable Officer are set out in more detail in the Memorandum to Accountable Officers from the Principal Accountable Officer – see Annex 1 of the section on Accountability in the Scottish Public Finance Manual (SPFM).

3.3 The sponsoring team in the Scottish Executive Education Department

3.3.1 Within the Scottish Executive Education Department, the Qualifications, Assessment and Curriculum Division is the sponsoring team for LT Scotland . The Team, in consultation as necessary with the Departmental Accountable Officer, is the primary source of advice to the Scottish Ministers on the discharge of their responsibilities in respect of LT Scotland, and the primary point of contact for LT Scotland in dealing with the Department. The sponsoring team shall carry out its duties under a senior officer who shall have primary responsibility for overseeing the activities of LT Scotland.

3.3.2 The sponsoring team shall advise the Scottish Ministers on:

- an appropriate framework of objectives and targets for LT Scotland in the light of the Scottish Minister's wider strategic aims;
- an appropriate budget for LT Scotland in the light of the Scottish Minister's overall public expenditure priorities;
- how well LT Scotland is achieving its strategic objectives and whether it is delivering value for money.

3.3.3 In support of the Departmental Accountable Officer the sponsoring team shall:

on performance and risk management -

- monitor LT Scotland's activities on a continuing basis through an adequate and timely flow of information from LT Scotland on performance, budgeting, control and risk management, including early sight of LT Scotland's annual Statement on Internal Control;
- address in a timely manner any significant problems arising in LT Scotland, whether financial or otherwise, making such interventions in the affairs of LT Scotland as the Department judges necessary;
- ensure that the activities of LT Scotland and the risks associated with them are properly and appropriately taken into account in the Scottish Executive's risk assessment and management systems;
- ensure that appointments to the Board are made timeously and in accordance with the Commissioner for Public Appointments Code of Conduct.

on communication with the NDPB -

- inform LT Scotland of relevant Scottish Executive policy in a timely manner; advise on the interpretation of that policy; and issue specific guidance to LT Scotland as necessary;
- bring concerns about the activities of LT Scotland to the attention of the full Board, and require explanations and assurances from the Board that appropriate action has been taken.

3.4 The Chairman of LT Scotland

3.4.1 The Chairman is appointed by Scottish Ministers with the appointment made in line with the Code of Practice issued by the Commissioner for Public Appointments in Scotland. The appointment is normally for a period of three years.

3.4.2 The Chairman is responsible to the Scottish Ministers. The Chairman shall aim to ensure that LT Scotland's policies and actions support the wider strategic policies of the Scottish Ministers; and that LT Scotland's affairs are conducted with probity. The Chairman shares with other Board members the corporate responsibilities set out in paragraph 3.5.2, and in particular for ensuring that LT Scotland fulfils the aims and objectives set by the Scottish Ministers.

3.4.3 The Chairman has a particular leadership responsibility on the following matters:

- formulating the Board's strategy;
- ensuring that the Board, in reaching decisions, takes proper account of guidance provided by the Scottish Ministers / Department;
- promoting the efficient and effective use of staff and other resources;
- encouraging high standards of propriety;
- representing the views of the Board to the general public.

3.4.4 The Chairman shall also:

- ensure that all members of the Board, when taking up office, are fully briefed on the terms of their appointment and on their duties, rights and responsibilities, and receive appropriate induction training, including on the financial management and reporting requirements of public sector bodies and on any differences which may exist between private and public sector practice;
- advise the Scottish Ministers of the needs of LT Scotland when Board vacancies arise, with a view to ensuring a proper balance of professional and financial expertise;
- assess the performance of individual Board members on an annual basis.

- 3.4.5 The Chairman shall also ensure that, for those bodies which fall within the provisions of the Ethical Standards In Public Life etc (Scotland) Act 2000, Board Members are fully aware of the body's Code of Conduct approved by the Scottish Ministers. For those bodies not covered by the provisions of the ethical standards framework the Chairman shall ensure that members uphold the requirements of the Company's Act or the principles set out in the Nolan Report as regards ethical standards.
- 3.4.6 Communications between the Board and the Scottish Ministers shall normally be through the Chairman. The Chairman shall ensure that the other Board members are kept informed of such communications.

3.5 The Board of LT Scotland

- 3.5.1 The Board Members are appointed by Scottish Ministers with the appointments made in line with the Code of Practice issued by the Commissioner for Public Appointments in Scotland. Appointments are normally for a period of three years. With the exception of the Chief Executive, all Board members are non executive directors.
- 3.5.2 The Board has corporate responsibility for ensuring that LT Scotland fulfils the aims and objectives set by the Scottish Ministers and for promoting the efficient and effective use of staff and other resources by LT Scotland in accordance with the principles of Best Value as set out in the relevant section of the SPFM. To this end, and in pursuit of its wider corporate responsibilities, the Board shall:
- establish the overall strategic direction of LT Scotland within the policy, planning and resources framework determined by the Scottish Ministers;
 - ensure that the Scottish Ministers are kept informed of any changes which are likely to impact on the strategic direction of LT Scotland or on the attainability of its targets, and determine the steps needed to deal with such changes;
 - ensure that any statutory or administrative requirements for the use of public funds (ie all funds falling within the stewardship of LT Scotland) are complied with; that the Board operates within the limits of its statutory authority and any delegated authority agreed with the sponsor Department, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the Board takes into account relevant guidance issued by the Scottish Ministers / sponsor Department;
 - ensure that the Board receives and reviews regular financial information concerning the management of LT Scotland; is informed in a timely manner about any concerns about the activities of LT Scotland; and provides positive assurance to the Department that appropriate action has been taken on such concerns;

- demonstrate high standards of corporate governance at all times, including by setting up and using an independent audit committee - in accordance with the guidance on Audit Committees in the SPFM - to help the Board to address the key financial and other risks facing LT Scotland;
- provide commitment and leadership in the development and promotion of Best Value principles throughout the organisation;
- appoint, with the Scottish Ministers' approval, a Chief Executive to LT Scotland and, in consultation with the Department, set performance objectives and remuneration terms linked to these objectives for the Chief Executive which give due weight both to the proper management and use of public monies and to the delivery of outcomes in line with Scottish Ministers' priorities.

3.5.3 Individual Board members shall act in accordance with their wider responsibility as Members of the Board - namely to:

- comply at all times with the Code of Conduct [paragraph 3.4.5 above] that is adopted by LT Scotland and with the rules relating to the use of public funds, conflicts of interest and confidentiality;
- not misuse information gained in the course of their public service for personal gain or for political profit, nor seek to use the opportunity of public service to promote their private interests or those of connected persons or organisations;
- comply with the Code of Conduct or for those bodies not covered by the provisions of the Ethical Standards framework, the Board's rules on the acceptance of gifts and hospitality, and of business appointments;
- act in good faith and in the best interests of LT Scotland .

3.6 The Chief Executive of LT Scotland

3.6.1 The Chief Executive of LT Scotland is designated as LT Scotland's Accountable Officer by the Principal Accountable Officer of the Scottish Administration on a non-statutory basis.

3.6.2 The Accountable Officer of LT Scotland is personally responsible for safeguarding the public funds (ie all funds falling within the stewardship of LT Scotland) for which he has charge; for ensuring propriety and regularity in the handling of those public funds; and for the day-to-day operations and management of LT Scotland . He should act in accordance with the terms of the MS/FM and within the terms of relevant guidance in the SPFM and other instructions and guidance issued by the Scottish Ministers – in particular the Memorandum to Accountable Officers of Other Public Bodies (Annex 2 of the section on Accountability in the SPFM).

3.6.3 The Accountable Officer has a duty to secure Best Value, which includes the concepts of good corporate governance, performance management and continuous improvement.

Guidance to Accountable Officers on what their organisations should be able to demonstrate in fulfilment of the duties which make up a Best Value regime is included in the Best Value section of the SPFM.

3.6.4 As Accountable Officer the Chief Executive shall exercise the following specific responsibilities:

on planning, performance management and monitoring -

- establish LT Scotland's Strategic and Annual Plans in the light of the Scottish Minister's wider strategic aims;
- establish a robust performance management framework which supports the achievement of LT Scotland's aims and objectives as set out in the Strategic and Annual Plans; and which enables full performance reporting to the Board, the Department and the wider public;
- inform the Department of LT Scotland's progress in helping to achieve the Scottish Minister's policy objectives and in demonstrating how resources are being used to achieve those objectives;
- ensure that timely forecasts and monitoring information on performance and finance are provided to the Department; that the Department is notified promptly if overspends / underspends are likely or if performance targets are at serious risk and that corrective action is taken; and that any significant problems, whether financial or otherwise, and whether detected by internal audit or by other means, are notified to the Department in a timely fashion;

on advising the Board -

- advise the Board on the discharge of its responsibilities as set out in this document, in the memorandum and articles of association and in any other relevant instructions and guidance issued by the Scottish Ministers / sponsor Department;
- advise the Board on LT Scotland's performance compared with its aims and objectives;
- ensure that financial considerations are taken fully into account by the Board at all stages in reaching and executing its decisions, and that standard financial appraisal techniques as set out in the 'Green Book' documentation are followed as far as this is appropriate and practical;
- take action as set out in section 5 of the Memorandum to Accountable Officers of Other Public Bodies if the Board, or its Chairman, is contemplating a course of action involving a transaction which the Chief Executive considers would infringe the requirements of propriety or regularity or does not represent prudent or economical administration or efficiency or effectiveness;

on managing risk and resources -

- ensure that a system of risk management is embedded in the organisation to inform decisions on financial and operational planning and to assist in achieving objectives and targets;
- ensure that an effective system of programme and project management and contract management is maintained;
- ensure that the funds made available to LT Scotland [including any approved income or other receipts] are used for the purpose intended by the Parliament, and that such monies, together with LT Scotland's assets, equipment and staff, are used economically, efficiently and effectively;
- ensure that adequate internal management and financial controls are maintained by LT Scotland , including effective measures against fraud and theft;
- maintain a comprehensive system of internal delegated authorities which are notified to all staff, together with a system for regularly reviewing compliance with these delegations;
- ensure that effective human resource management policies are maintained and that strategic human resource planning is related to LT Scotland's objectives;

on accounting for LT Scotland's activities -

- sign the annual accounts and be responsible for ensuring that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with any directions issued by the Scottish Ministers;
- sign a Statement of Accountable Officer's responsibilities, for inclusion in the annual report and accounts;
- sign a Statement on Internal Control regarding LT Scotland's system of internal control, for inclusion in the annual report and accounts;
- sign a Certificate of Assurance on the maintenance and review of LT Scotland's internal control systems, for submission to the Department;
- ensure that an effective complaints procedure is in place [including, where applicable, reference to the Scottish Public Services Ombudsman] and made widely known;
- give evidence when summoned before Committees of the Scottish Parliament on the use and stewardship of public funds by LT Scotland.

3.6.5 The Chief Executive may delegate the day-to-day administration of his Accountable Officer responsibilities to other employees in LT Scotland. However, he shall not assign absolutely to any other person any of the responsibilities set out in this document.

3.6.6 The Chief Executive is responsible for informing the Departmental Accountable Officer about any complaints about LT Scotland accepted by the Scottish Public Services Ombudsman for investigation, and about LT Scotland's proposed response to any subsequent recommendations from the Ombudsman.

3.7 The Advisory Council of LT Scotland

3.7.1 The Council is set up and appointed in liaison with Scottish Ministers following consultation with key stakeholder interests for such duration as Scottish Ministers shall determine.

3.7.2 The Chair and the Chief Executive of LT Scotland shall be members of the Advisory Council together with such other office bearers or employees of LT Scotland or other persons as Scottish Ministers may determine.

3.7.3 The Council will carry out consultations, and offer advice, on topics formally agreed between the Board and the Scottish Executive, following consultation with the Council. These include a requirement to keep certain areas under review, and offer advice as required.

3.7.4 The advice provided by the Council would be given direct to the Scottish Executive: it would not be subject to approval by the Board.

4. **PLANNING, BUDGETING AND CONTROL**

4.1 **The Strategic Plan**

4.1.1 Consistent with the timetable for public spending reviews, LT Scotland shall submit to the Department a draft of LT Scotland's Strategic Plan covering the spending review period. LT Scotland shall have agreed with the Department the issues to be addressed in the plan and the timetable for its preparation. The plan, or elements thereof, shall be updated between public spending reviews as and when considered necessary.

4.1.2 The plan shall reflect LT Scotland's statutory duties and, within those duties, the priorities set from time to time by the Scottish Ministers.

4.1.3 The Strategic Plan shall set out:

- LT Scotland's key objectives and associated key performance targets for the forward years, and its strategy for achieving those objectives;
- a review of LT Scotland's performance in the preceding financial year together with reference to the annual report/reviews for information relating to previous year's performance;
- alternative scenarios to take account of factors which may significantly affect the execution of the plan but which cannot be accurately forecast;

- other matters as agreed between the Department and LT Scotland .

4.1.4 The main elements of the plan - including the key performance targets - shall be agreed between the Department and LT Scotland in the light of the Department's decisions on policy and resources taken in the context of the Scottish Ministers' wider public expenditure plans and decisions.

4.2 The Annual Plan

4.2.1 The Annual Plan for the year immediately ahead shall be consistent with the agreed Strategic Plan. The Annual Plan shall be updated annually by LT Scotland to include key targets and milestones for the forthcoming year and shall be linked to budgeting information so that resources allocated to achieve specific objectives can readily be identified by the Department. (See also paragraph 1.3 of the Financial Memorandum). A copy of the Annual Plan shall be submitted to the Department for information and comment where considered appropriate prior to the beginning of the financial year in question.

4.2.2 The timetable for the preparation of the plans is as follows;

Strategic Plan

- March/April Draft outline of plan.
- April Discussions with Council and SEED.
- June Board discussion and approval.

Annual Plan

- August Draft outline of plan.
- October Discussion with key stakeholders, Council and SEED
- December Draft final Plan submitted to SEED for consideration by Ministers. Agreement on core grant and project funding with SEED
- January/February Board discussion and approval.
- March Final plan published and issued.

4.3 Publication of plans

4.3.1 The Strategic and Annual Plans shall be made available on the LT Scotland website.

4.4 Reporting performance to the Department

- 4.4.1 LT Scotland shall operate management information and accounting systems which enable it to review in a timely and effective manner its financial and non-financial performance against the budgets and targets set out in its Strategic and Annual Plans.
- 4.4.2 LT Scotland shall take the initiative in informing the Department of changes in external conditions which make the achievement of objectives more or less difficult, or which may require a change to the budget or objectives set out in the Strategic and Annual Plans.
- 4.4.3 LT Scotland's performance in helping to deliver Ministers' policies, including the achievement of agreed key objectives, shall be reported to the Department on a regular basis. Performance will be formally reviewed regularly by officials of the Department. The appropriate Scottish Minister shall meet the Board annually to discuss LT Scotland's performance, its current and future activities and any policy developments relevant to those activities.
- 4.4.4 LT Scotland's performance against key targets shall be reported in LT Scotland's annual report and accounts [see Section 5.1 below]. Other forms of reporting performance to the public should also be considered.

4.5 **Budgeting procedures**

- 4.5.1 LT Scotland's budgeting procedures are set out in the associated financial memorandum.

4.6 **Internal audit**

- 4.6.1 LT Scotland shall establish and maintain arrangements for internal audit in accordance with the Treasury's Government Internal Audit Standards (GIAS). LT Scotland shall consult the Department to ensure that the latter is satisfied with these arrangements.
- 4.6.2 LT Scotland shall arrange for periodic quality reviews of its internal audit in accordance with the GIAS. The Department shall consider whether it can rely on these reviews to provide assurance on the quality of internal audit. However, the Department reserves a right of access to carry out/commission independent reviews of internal audit in LT Scotland.
- 4.6.3 The Department's internal audit service shall also have a right of access to all documents prepared by LT Scotland's internal auditor, including where the service is contracted out. The audit strategy, periodic audit plans and annual audit report, including LT Scotland's Internal Audit's opinion on risk management, control and governance shall be forwarded without delay to the sponsoring team who shall consult the Scottish Executive's Head of Internal Audit as appropriate.

- 4.6.4 In addition, LT Scotland shall forward to the Department an annual report on fraud and theft suffered by LT Scotland; notify any unusual or major incidents as soon as possible; and notify any changes to its internal audit's terms of reference, its audit committee's terms of reference or its Fraud Policy and Fraud Response Plan.

5. EXTERNAL ACCOUNTABILITY

5.1 The annual report and accounts

- 5.1.1 After the end of each financial year LT Scotland shall publish an annual report of its activities together with its audited annual accounts. The report shall also cover the activities of any corporate bodies under the control of LT Scotland .
- 5.1.2 The report and accounts shall comply, so far as appropriate, with the Treasury document *Executive Non-Departmental Public Bodies: Annual Reports and Accounts Guidance*. The accounts shall be prepared in accordance with the relevant statutes and specific accounts direction (see Appendix 2 to the attached Financial Memorandum) and other relevant guidance issued by the Scottish Ministers.
- 5.1.3 The report and accounts shall outline LT Scotland's main activities and performance during the previous financial year and set out in summary form LT Scotland's forward plans. Information on performance against key financial targets shall be included in the notes to the accounts, and shall therefore be within the scope of the audit.
- 5.1.4 The report and accounts shall be submitted in draft to the Department for comment and the final version shall be laid before the Parliament by the Scottish Ministers before 31 October. LT Scotland shall be responsible for the publication of the report and accounts.

5.2 External audit

- 5.2.1 LT Scotland's accounts are audited by auditors appointed by the Board. LT Scotland shall submit the audited accounts to the Scottish Ministers, who shall lay them, together with the annual report, before the Parliament.
- 5.2.2 LT Scotland shall instruct its auditors to send copies of all management letters (and correspondence relating to those letters) and responses to the Department.

5.3 Value for Money / Efficiency, Effectiveness and Economy examinations

- 5.3.1 LT Scotland agrees that the Auditor General (Scotland) (AGS) may carry out examinations into the economy, efficiency and effectiveness with which LT Scotland has used its resources in discharging its functions.

For the purpose of these examinations the AGS has statutory access to documents and information held by relevant persons specified by an Order made under the Public Finance and Accountability (Scotland) Act 2000.

6. STAFF MANAGEMENT

6.1 Within the arrangements approved by the Scottish Ministers or set out in the body's legislation, LT Scotland shall have responsibility for the recruitment, retention and motivation of its staff. To this end LT Scotland shall ensure that:

- the recruitment of its staff is based on fair and open competition and equal opportunities;
- the level and structure of its staffing, including gradings and numbers of staff, is appropriate to its functions and the requirements of efficiency, effectiveness and economy;
- the performance of its staff at all levels is managed effectively and efficiently; they are satisfactorily appraised; and LT Scotland's performance appraisal and promotion systems are reviewed from time to time;
- its staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve LT Scotland's objectives;
- proper consultation with staff takes place on key issues affecting them;
- adequate grievance and disciplinary procedures are in place;
- whistle-blowing procedures consistent with the Public Interest Disclosure Act are in place;
- a code of conduct for staff is in place based on the document *Model Code for Staff of Executive Non-Departmental Public Bodies*.

7. REVIEWING THE ROLE OF LT SCOTLAND

7.1 The role of LT Scotland shall be reviewed periodically in accordance with the business needs of the Scottish Executive and of LT Scotland, normally at least every five years.

PART 3 : FINANCIAL MEMORANDUM

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1. BUDGETING PROCEDURES

1.1 The Departmental Expenditure Limit (DEL)

1.1.1 LT Scotland's resource and capital expenditure form part of the sponsor Department's Resource DEL and Capital DEL respectively.

1.2 Setting the annual budget

1.2.1 Each year, in the light of decisions by the Scottish Ministers on LT Scotland's Strategic Plan (paragraph 4.1 of the management statement), the Department will send to LT Scotland:

- a formal statement of the annual budgetary provision (disaggregated by main budget headings) allocated by the Scottish Ministers in the light of competing priorities across the Scottish Executive and of the associated grant in aid and any approved forecast income;
- a statement of any planned change in policies affecting LT Scotland.

1.2.2 LT Scotland's Annual Plan will take account both of its approved budgetary provision and of any forecast income, and will include a budget of estimated payments and receipts together with a profile of expected expenditure / consumption of resources and of draw-down of grant in aid and other income over the year. These elements will form part of the Annual Plan for the year in question (paragraph 4.2.1 of the management statement).

1.2.3 Grant in aid provided by the Scottish Ministers for the year in question will be included in the annual Budget Act and will be subject to approval by the Parliament.

1.3 Transfers of budgetary provision

1.3.1 All transfers of budgetary provision between resource and capital budgets and between "cash" and "non-cash" headings require the prior approval of the Department. Other transfers between main budget headings may be undertaken without the prior approval of the Department.

1.4 End-year flexibility

1.4.1 Under the Scottish Executive's end-year flexibility (EYF) arrangements LT Scotland must, at the earliest opportunity, submit to the Department any proposals for carrying forward budgetary provision. Any such proposals shall be considered by the Department in the light of competing priorities.

1.5 Authority to spend

1.5.1 Once LT Scotland's budget has been approved by the Department [and subject to any restrictions imposed by Statute/the Scottish Ministers/the management statement and associated financial memorandum (MS/FM)], LT Scotland shall have authority to incur expenditure / consume resources without further reference to the Department, on the following conditions:

- LT Scotland shall comply with the specific delegations set out in the attached Appendix. These delegations shall not be altered without the prior agreement of the Department;
- LT Scotland shall comply with the conditions set out in this financial memorandum regarding novel, contentious or repercussive proposals and with any relevant guidance in the Scottish Public Finance Manual (SPFM);
- inclusion of any planned and approved expenditure in LT Scotland's budget shall not remove the need to seek formal departmental approval where any proposed expenditure is outside the delegated limits or is for new schemes not previously agreed;
- LT Scotland shall provide the Department with such information about its operations, performance, individual projects or other expenditure as the Department may reasonably require.

2. **LT SCOTLAND'S INCOME**

2.1 Grant in aid

2.1.1 Grant in aid will normally be paid to LT Scotland in monthly instalments, on the basis of a written application from LT Scotland showing evidence of need. The application shall provide the Department with, as a minimum, information which will enable the satisfactory monitoring by the Department of:

- LT Scotland's cash management;
- actual and forecast outturn of expenditure of grant in aid;
- consumption of DEL budgetary provision by main budget headings.

2.1.2 Grant in aid should not be paid out in advance of need. Cash balances accumulated during the course of the year from grant in aid shall therefore be kept at the minimum level consistent with the efficient operation of LT Scotland. No grant in aid shall be paid into any reserve held by LT Scotland.

2.2 Borrowing

2.2.1 Borrowing cannot be used to increase LT Scotland's spending power. All borrowing by LT Scotland - excluding agreed overdrafts - shall be from the Scottish Ministers in accordance with guidance in the Borrowing, Lending & Investment section of the SPFM.

2.3 Maximising income from other sources

2.3.1 LT Scotland shall seek to maximise income from other sources provided that this is consistent with LT Scotland's main functions and its Strategic Plan as agreed by the Scottish Ministers. Proposals for new sources of income or methods of fundraising should be cleared with the Department.

2.4 Receipts from the European Union

2.4.1 LT Scotland should ensure that SEED is informed of all potential EU funding so that there can be a full assessment of the implications of such funding for the Scottish Executive. Structural Funds claimed by LT Scotland via the Scottish Executive score against the Scottish Executive's Departmental Expenditure Limit (DEL) and any proposals must therefore be considered by the Scottish Ministers together with all other pressures on resources. See the guidance in the EU Funding section of the SPFM.

2.5 Fees and charges

2.5.1 Fees or charges for any services supplied by LT Scotland shall be determined in accordance with the Fees & Charges section of the SPFM.

2.6 Receipts from sale of goods or services

2.6.1 Receipts from the sale of goods and services, rent of land, and dividends may be used to provide additional spending power subject to them being included in the approved budget.

2.7 Interest earned

2.7.1 Interest earned by LT Scotland on cash balances may be used to provide additional spending power subject to it being included in the approved budget.

2.8 Proceeds from disposal of assets

2.8.1 Disposals of land and buildings are dealt with in Section 7 below.

2.9 Gifts, bequests and donations

2.9.1 LT Scotland is free to retain any gifts, bequests or similar donations. These shall be treated as receipts that, where appropriate, can be used to increase spending power. [NOTE: Donated assets do not attract a cost of capital charge, and a release from the donated assets reserve should offset depreciation in the operating cost statement.]

2.9.2 Before proceeding in this way LT Scotland shall consider if there are any associated costs in doing so or any conflicts of interests arising.

LT Scotland shall keep a written record of any such gifts, bequests and donations and of their estimated value and whether they are disposed of or retained.

2.10 Unforecast changes in in-year income used to provide additional spending power

2.10.1 If income realised or expected to be realised in-year is **less** than estimated, LT Scotland shall, unless otherwise agreed with the Department, ensure a corresponding reduction in its gross expenditure so that the authorised budget is not exceeded.

2.10.2 If income realised or expected to be realised in-year is **more** than estimated, LT Scotland may apply to the Department to retain the excess income for specified additional expenditure within the current financial year without an offsetting reduction to grant in aid. The Department shall consider such applications, taking account of competing demands for resources. If an application is refused grant in aid shall be correspondingly reduced.

3. LT SCOTLAND'S EXPENDITURE: GENERAL PRINCIPLES

3.1 Delegated authority

3.1.1 LT Scotland shall not, without prior approval of the Department, enter into any undertaking to incur any expenditure, which falls outside the specific limits on LT Scotland's delegated authority as set out in the attached Appendix.

3.2 Appraisal and Evaluation

3.2.1 All expenditure proposals shall, so far as appropriate, be subject to the guidance in the Appraisal and Evaluation section of the SPFM.

3.3 Procurement

3.3.1 LT Scotland's procurement policies shall reflect relevant guidance in the Procurement section of the SPFM. Procurement should be treated as a key component of achieving LT Scotland's objectives, as well as a means of finding the most cost-effective method for securing the quality of assets and/or services. LT Scotland shall also ensure that it complies with any relevant EU or other international procurement rules.

3.4 Competition

3.4.1 Contracts shall be placed on a competitive basis and tenders accepted from suppliers who provide best value for money overall. Proposals to let single-tender or restricted contracts above the relevant delegated limit in the attached Appendix must be submitted to the Department for approval.

3.5 Value for money

3.5.1 Procurement by LT Scotland of works, equipment, goods and services shall be based on value for money, ie quality (in terms of fitness for purpose) and delivery against price. Where appropriate, a full option appraisal shall be carried out before procurement decisions are taken.

3.6 Timeliness in paying bills

3.6.1 LT Scotland shall pay all matured and properly authorised invoices in accordance with the terms of contracts or within 30 days, as provided for the Payments section of the SPFM.

3.7 Novel, contentious or repercussive proposals

3.7.1 LT Scotland shall obtain the approval of the Department before:

- incurring any expenditure for any purpose which is or might be considered novel or contentious, or which has or could have significant future cost implications, including on staff benefits;
- making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by the Department;
- making any change of policy or practice which has wider financial implications (eg because it might prove repercussive among other public sector bodies) or which might significantly affect the future level of resources required.

3.8 Risk management

3.8.1 LT Scotland shall ensure that the risks which it faces are dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance, and shall develop a risk management strategy, in accordance with the Risk Management section of the SPFM.

3.8.2 LT Scotland shall adopt and implement policies and practices to safeguard itself against fraud and theft, in line with the Fraud section of the SPFM.

3.8.3 LT Scotland shall take all reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter into a contract or to give grant or grant in aid.

4. EXPENDITURE ON BOARD MEMBERS

4.1 Remuneration, allowances and expenses paid to Board Members must comply with specific guidance on such matters issued by the Scottish Ministers.

5. EXPENDITURE ON STAFF

5.1 Staff costs

5.1.1 LT Scotland is responsible for determining the number of staff required and the most appropriate organisational structure to deliver its remit economically, efficiently and effectively within the resources available to it. However, any significant changes in staff numbers or organisational structure must be approved in advance by the Department.

5.2 Pay and conditions of service

5.2.1 LT Scotland shall submit to the Department for approval (normally annually unless a multi-year deal has been agreed) a pay remit within the terms and conditions set out in the Scottish Executive's Public Sector Pay Guidance and negotiate a pay settlement within the terms of the subsequently agreed remit. Proposals on non-salary rewards must comply with the guidance in the Non-Salary Rewards section of the SPFM. LT Scotland shall comply with the EU directive on contract workers "Fixed Term Employees Regulations (Prevention of Less Favourable Treatment)". The terms and conditions of the Chief Executive are subject to a separate approval exercise.

5.3 Pensions; redundancy / compensation

5.3.1 Superannuation arrangements for staff are subject to the approval of the Department. The NDPB's staff shall normally be eligible for a pension provided by:

- admittance to the Local Government Pension Scheme (LGPS);

5.3.2 Staff may opt out of the occupational pension scheme provided by LT Scotland. However, the employer's contribution to any personal pension arrangement shall normally be limited to the national insurance rebate level.

5.3.3 Any proposal by LT Scotland to move from the existing pension arrangements, or to pay any redundancy or compensation for loss of office, requires the approval of the Department. Proposals on severance payments must comply with the guidance in the Severance etc section of the SPFM.

6. NON-STAFF EXPENDITURE

6.1 Capital expenditure

6.1.1 Subject to being above the Scottish Executive's capitalisation threshold, all expenditure on the acquisition or creation of fixed assets shall be capitalised on an accruals basis.

Expenditure to be capitalised shall include the (a) acquisition, reclamation or laying out of land; (b) acquisition, construction, preparation or replacement of buildings and other structures or their associated fixtures and fittings; and (c) acquisition, installation or replacement of movable or fixed plant, machinery, vehicles and vessels.

- 6.1.2 Proposals for large-scale individual capital projects or acquisitions will normally be considered within LT Scotland's strategic planning process and within the context of its long-term estate strategy. Any such project shall be subject to the guidance in the Major Investment section of the SPFM and, where appropriate, the Client Pack published by the Scottish Executive's Building Division. Individual capital projects or acquisitions are subject to specific delegated limits as indicated in the attached Appendix.

6.2 Lending, guarantees, indemnities; contingent liabilities; letters of comfort

- 6.2.1 LT Scotland shall not, without the Department's prior consent, lend money, charge any asset or security, give any guarantee - excluding a guarantee of a standard type given in the normal course of business - or indemnity or letter of comfort, or incur any other contingent liability (as defined in the Contingent Liabilities section of the SPFM), whether or not in a legally binding form.

6.3 Grant or loan schemes

- 6.3.1 Unless covered by a delegated authority, all proposals to make a grant or loan to a third party, whether one-off or under a scheme, shall be subject to prior approval by the Department, together with the terms and conditions under which such grant or loan is made. Guidance on a framework for the control of third party grants is included in the Grant & Grant in Aid section of the SPFM. See also below under the heading *Recovery of grant-financed assets*.

6.4 Gifts made, write-offs, losses and special payments

- 6.4.1 Proposals for making gifts or other special payments (including write-offs) outside the delegated limits set out in the attached Appendix must have the prior approval of the Department. Any such proposals should address the considerations listed in the Losses & Special Payments section of the SPFM. Gifts by management to staff are subject to the guidance in the Non-Salary Rewards section of the SPFM.

6.5 Leasing

- 6.5.1 Prior departmental approval must be secured for all property and finance leases. LT Scotland must have capital DEL provision for finance leases and other transactions, which are in substance borrowing. Before entering into any lease (including an operating lease) LT Scotland must demonstrate that the lease offers better value for money than purchase.

6.6 Public/Private Partnerships

6.6.1 LT Scotland shall seek opportunities to enter into Public/Private Partnerships where this would be more affordable and offer better value for money than conventional procurement. Where cash flow projections may result in delegated authority being breached LT Scotland shall consult the sponsor Department. Any partnership controlled by LT Scotland shall be treated as part of LT Scotland in accordance with UK GAAP and consolidated with it subject to any particular treatment required by UK GAAP]. See also the guidance in the Public / Private Partnerships section of the SPFM.

6.7 Subsidiary companies and joint ventures

6.7.1 LT Scotland shall not establish subsidiary companies or joint ventures without the express approval of the Department. In judging such proposals the Department will have regard to the Scottish Ministers' wider strategic aims and objectives.

6.7.2 Any subsidiary company or joint venture controlled or owned by LT Scotland shall be consolidated with it in accordance with UK GAAP for public expenditure accounts purposes [subject to any particular treatment required by UK GAAP]. Unless specifically agreed with the Department such subsidiary companies or joint ventures shall be subject to the controls and requirements set out in the MS/FM.

6.8 Financial investments

6.8.1 LT Scotland shall not make any investments without the prior approval of the Department, nor shall it aim to build up cash balances or net assets in excess of what is required for operational purposes. Equity shares in ventures, which further the objectives of LT Scotland shall equally be subject to departmental approval unless covered by a specific delegation. LT Scotland shall not invest in any venture of a speculative nature.

6.9 Unconventional financing

6.9.1 Unless otherwise agreed with the Department, LT Scotland shall not enter into any unconventional financing arrangement.

6.10 Commercial insurance

6.10.1 LT Scotland may only take out commercial insurance, without the prior approval of the Department, in accordance with the guidance in the Insurance section of the SPFM eg third party insurance required by the Road Traffic Acts. In the event of losses arising under the Scottish Executive's policy of self-insurance the Department shall consider, on a case by case basis, whether or not it should make any additional resources available to LT Scotland and/or agree adjustments to the targets in the Strategic Plan.

6.10.2 A Certificate of Exemption for Employer's Liability Insurance has been issued to LT Scotland.

7. MANAGEMENT AND DISPOSAL OF FIXED ASSETS

7.1 Register of assets

7.1.1 LT Scotland shall maintain an accurate and up-to-date register of its fixed assets.

7.2 Disposal of assets

7.2.1 LT Scotland shall dispose of assets which are surplus to its requirements and in accordance with its long-term estate strategy. Assets shall be sold for the best price, taking into account any costs of sale and in accordance with the guidance in the Disposal of Tangible Fixed Assets section of the SPFM. Proceeds from the disposal of assets may be retained by the NDPB subject to them being included in the approved budget.

7.3 Recovery of grant-financed assets

7.3.1 Where LT Scotland has financed expenditure on capital assets by a third party, LT Scotland shall make appropriate arrangements to ensure that any such assets above an agreed value are not disposed of by the third party without LT Scotland's prior consent. LT Scotland shall therefore ensure that such conditions are sufficient to secure the repayment of its due share of the proceeds - or an appropriate proportion of them if the grant was for less than the whole cost of acquisition or improvement.

7.3.2 LT Scotland shall also ensure that if the assets created by grants made by LT Scotland cease to be used by the recipient of the grant for the intended purpose an appropriate proportion of the value of the asset shall be repaid to LT Scotland.

8. BANKING

8.1 LT Scotland's Accountable Officer is responsible for ensuring that its banking arrangements are consistent with the guidance in the Banking section of the SPFM. In particular he shall ensure that the arrangements safeguard public funds and are carried out efficiently, economically and effectively. These arrangements shall be suitably structured and represent value-for-money, and be reviewed at least every two years, with a comprehensive review, usually leading to competitive tendering, at least every three to five years.

FINANCIAL MEMORANDUM : APPENDIX 1

SPECIFIC LIMITS ON DELEGATED AUTHORITY

Single-tender contracts		£10,000
Investment projects		N/A
Acquisition of capital assets		£100,000
Grant / loan scheme		N/A
Claims waived or abandoned		N/A
Write-off of losses		£1,000
Special Payments		£1,000
Others as appropriate eg)
Lending)
Leases)
Investments)
etc) N/A
)
)
)
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LEARNING AND TEACHING SCOTLAND

DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in pursuance of paragraph 4 the Educational Development, Research and Services (Scotland) Grant Regulations, 1999 (SI 1999/65), hereby give the following direction.
2. The statement of accounts for the financial year ended 31 March 2006, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.
3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
4. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 25 September 2002 is hereby revoked.

Signed by the authority of the Scottish Ministers

Dated 14 December 2005

ORGANISATIONAL REMIT : APPENDIX 3

Vision

LT Scotland will:

- **actively promote a climate of innovation, ambition and excellence throughout the Scottish education system.**
- **support teachers, schools and local authorities in improving the quality of education and raising levels of achievement of all learners.**
- **ensure that the curriculum and approaches to learning and teaching, including the use of ICT, assist children and young people in Scotland to develop their full potential.**
- **work in close partnership with The Scottish Executive and other key stakeholders to build capacity and support the delivery of a first class education that is recognised as such nationally and internationally.**

Learning and Teaching Scotland will support the implementation of national developments in education, including reviewing and refreshing the curriculum, to ensure Scotland is at the cutting edge in delivering high quality support for teaching and learning by:

- building capacity in the system through effective partnership working with key stakeholders;
- developing a range of strategies to support curriculum development and the continuous professional development of staff; and by commissioning, developing and disseminating materials as appropriate;
- leading cutting-edge developments in the use of ICT to support learning in school and post-school contexts;
- contributing educational, technical and communications expertise.

Learning and Teaching Scotland will provide guidance, leadership and support to education authorities and schools to help implement educational policy and promote innovation by:

- working in close partnership with The Scottish Executive, HMIE and SQA to provide or facilitate support for education authorities and schools in raising levels of achievement and promoting inclusion;
- building and sustaining networks of education authority and school staff, and supporting school/college partnerships as appropriate, to develop effective implementation of policy and to support innovation;
- supporting professional debate and disseminating best practice.

Learning and Teaching Scotland will, drawing on evidence from research and external evaluation, provide sound, coherent advice to Ministers on support for continuous improvement in Scottish education by:

- engaging with key stakeholders, including education authorities, teachers, learners, parents, further and higher education, employers;
- taking full account of the contribution of the range of agencies involved in supporting services for children, and engaging with these agencies as appropriate;
- analysing the outputs of national and international thinking and research and inspection evidence; and drawing on recognised best practice.

Learning and Teaching Scotland will systematically evaluate the impact of all aspects of its work across the education system by:

- using Best Value approaches, quality indicators and surveys of stakeholders and customer satisfaction to measure impact and identify areas for improvement;
- improving internal management and quality assurance processes;
- taking timeous and effective action in specific areas identified as requiring improvement