Education Scotland
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EDUCATION SCOTLAND CORPORATE FINANCE STRATEGY 2025-26

For Scotland's learners, with Scotland's educators

Contents

About Education Scotland

Background

Education Scotland (ES) is the key national improvement agency for education in Scotland. It was established on 1 July 2011 as an Executive Agency of Scottish Ministers under the terms of the Scotland Act 1998. ES brought together the work of Learning and Teaching Scotland (LTS), HM Inspectorate of Education (HMIE) and some functions previously carried out by the Scottish Government (SG), in particular the teams responsible for Continuing Professional Development and Positive Behaviour. The organisation is an Executive Agency of SG and charged with supporting quality and improvement in Scottish education and thereby securing the delivery of better learning experiences and outcomes for Scottish learners of all ages.

The organisation's status as an Executive Agency means that it operates independently and impartially, whilst remaining directly accountable to SG Ministers for its standards of work. This status safeguards the independence of inspection, review and reporting within the overall context of the National Improvement Framework (NIF).

Education Scotland Vision

Education Scotland's vision is to achieve excellence and equity for Scotland's learners with Scotland's educators.

Education Scotland Mission

Education Scotland's mission is to work in partnership with all stakeholders involved in Scottish education to secure sustained improvement in achievement and attainment for all learners, closing the poverty-related attainment gap, and securing positive and sustained destinations for all learners, regardless of their age and where the learning takes place.

Education Scotland's Strategic Priorities

Our six Strategic Priorities are:

- System Leadership
- Curriculum
- Learning, Teaching and Assessment
- Inclusion, Wellbeing, Equity and Equalities
- Best use of evidence
- Culture, values and behaviour & Transition to new organisations (initially these were two separate priorities but they have since been combined given the close alignment between the two).

Education Scotland's priorities directly support SG's priorities which are:

- To eradicate child poverty.
- To grow Scotland's economy.
- Tackling climate emergency by investment in green energy and infrastructure.
- To improve Scotland's public services as an investment in Scotland's future health, equality and prosperity.

Education Scotland Funding

ES is allocated a budget by the Education and Skills portfolio of SG. Budget plans generally cover a three year period but budget allocations are often made annually because of uncertainties around tax receipts and economic forecasts. Details of Education Scotland's budget are published in the Scottish Budget 2025-26.

Corporate Plan

The Corporate Plan and subsequent updates, along with the Agency's Annual Action Plan, take account of education reform, and set out how the organisation will work towards its vision of achieving excellence and equity for Scotland's learners, with Scotland's educators.

Education Reform

On 22 June 2021, the Cabinet Secretary for Education and Skills announced the intention to replace the Scottish Qualifications Authority (SQA) and to take forward reform of ES, including removing the function of Inspection from the agency. At that time the Cabinet Secretary confirmed that there would be a new qualifications body, a new national agency for Scottish Education and an independent inspectorate body, replacing the SQA and ES. Professor Ken Muir's report Putting Learners at the Centre confirmed the need for these changes and ES staff began working with SG to implement these changes.

The Education (Scotland) Bill was published on the Scottish Parliament website on 5 June 2024 and the Cabinet Secretary for Education and Skills also provided an update on the future of ES.

The new Inspectorate is to be called His Majesty's Inspectorate of Education in Scotland which will be headed by His Majesty's Chief Inspector. Once appointed, His Majesty's Chief Inspector, will lead the new education Inspectorate, which is expected to become operational on 1 November 2025. The new Inspectorate will operate independently, but it is intended that Scottish Ministers will retain oversight authority and Ministers will be able to request inspections are carried out by the Chief Inspector. With enhanced independence, the newly created Inspectorate will undertake the education inspection functions which currently sit within ES. Greater independence for the new inspectorate body will see the power to set the frequency and focus for inspections moving from Scottish Ministers to His Majesty's Chief Inspector.

ES will remain as the national education agency but will be refocussed with curriculum as its primary focus, and providing curriculum design, delivery and improvement which will cover the provision of resources to support high quality learning and teaching. The national agency will also have an important role in supporting a thriving professional learning sector through a national framework for professional learning and will build on the existing and well-regarded national leadership professional learning programmes. It will work with local authorities to inform approaches to wellbeing, inclusion, behaviour and enabling better support for those with additional support needs. ES will also employ its unique national perspective to inform, share and promote wider approaches to improvement to close attainment gaps as set out in the NIF.

Oracle Cloud

On 1 October 2024, 'Oracle Cloud' replaced the existing finance, HR and purchasing systems. The 'Oracle' system provides an integrated solution and, as it is not a bespoke system for SG, it should also be more cost effective solution than current systems. ES will access 'Oracle' systems via a shared service arrangement with SG.

Fiscal Context

In common with all public sector organisations, 2025-26 will be extremely challenging in terms of available budget. The fiscal context is one of limited funding alongside rising staff costs and inflationary pressures, particularly in relation to utilities. The Scottish Budget 2025-26 includes information on the 2025-26 plans compared to the previous year.

Salary costs account for the largest part of our budget and the organisation will need to absorb the pay and National Insurance increases. This will mean careful consideration of the size and shape of the workforce. Any reduction in the workforce can only be made by natural attrition as there continues to be a policy of no compulsory redundancies.

Duty of the Accountable Officer

The Chief Executive, as Agency Accountable Officer, is responsible for achieving the Agency's policies, aims and objectives whilst safeguarding public funds and assets. Scottish Public Finance Manual. requires that authority be delegated to the point where decisions can be made most efficiently. The Accountable Officer delegates authority for budgets and associated strategic and financial management responsibilities to the Strategic Directors for further sub delegation as appropriate.

The Finance Strategy is a key element of supporting the Chief Executive and other ES staff in carrying out their financial responsibilities by making sure that public funds are used wisely and only in direct furtherance of the organisation's stated priorities.

Finance in Education Scotland

Purpose of the Finance Strategy

The total budget allocated to ES by Scottish Ministers is finite and this Finance Strategy is designed to ensure that ES is able to deliver its strategic objectives within the Corporate Plan in ways that make the best use of the funding available. This strategy is therefore closely related to all other ES strategies, including, but not limited to, the Procurement Strategy, the Digital Strategy and the Estates Strategy. This Finance Strategy sets out the direction for all of 2025-26 including the period beyond the establishment of a separate HMIE. However, once HMIE is established it will be covered by the Scottish Government's Finance Strategy

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Key Objective of the Finance Strategy

The key objective of the ES Finance Strategy is to deliver the Strategic Priorities set out in the Corporate Plan in a way which maximises outcomes from the available budget.

Finance Mission

The mission of the Finance Team is to ensure that ES staff are provided with high quality and timely financial information which will allow them to make good financial decisions and manage resources effectively.

Finance Principles

Our finance principles and guidance are based on those set out in the Scottish Public Finance Manual. We also follow the reporting principles in the Financial Reporting Manual (FReM) and the budgeting guidance in HM Treasury's Consolidated Budgeting guidance.

Education Scotland's annual accounts are audited by Audit Scotland and internal audit services are provided by SG.

There are three fundamental principles of finance. These are:

- Efficiency – resources must be used in such a way that outcomes are maximised and waste is minimised;

- Effectiveness – resources used must achieve the desired outcome;

- Economy – resources should provide the best possible value for the lowest cost. This does not mean that when buying goods and services that only the lowest cost option will be selected. The best value option will consider both quality and price as set out in Education Scotland's procurement strategy.

Finance and Education Scotland's Strategic Priorities

What we will do:

The Finance Team will contribute to the delivery of Education Scotland's purpose and Strategic Priorities by supporting the organisation's business operations, within and across directorates, with their financial management responsibilities. The Finance Team will provide business areas with spend to date information at the start of each month which will show the split between staff and non-staff costs. The Finance Team will provide advice on financial procedures to ensure that staff adhere to the guidance within the Scottish Public Finance Manual.

We will work in partnership with SG's Finance Business Partners and Central Finance Team(s) so that ES contributes to, and supports delivery of, wider educational objectives.

How we will demonstrate this:
Monthly finance reports will provide a direct link between Education Scotland's Strategic Priorities and financial performance. This will be reported to the Leadership Team (LT) on a monthly basis, and also to the Advisory Board and the Audit and Risk Committee each quarter.

The Finance Team will report on forecast expenditure compared to budget to allow Strategic Directors to effectively manage and control expenditure on an on-going basis throughout the financial year.

At the end of the year the Finance Team will produce a set of annual accounts which complies with International Financial Reporting Standards (IFRS), and which reports on expenditure, performance and accountability over the year. These will be audited by Audit Scotland.

Finance strategic priorities

Finance and Budgeting

What we will do:

As a public sector body, the budget ES is allocated is finite and it is important that taxpayers money is used wisely. The following list highlights what the Finance Team do in order to support effective budget management:

- Engage with LT and SG colleagues as part of the Spending Review to ensure that ES secures sufficient budget to deliver its objectives;
- Support LT by preparing and documenting the budget planning timeline and processes;
- Work with the Strategic Business Unit (SBU) and HR to ensure the staff budget and the forecast cost of staffing are as accurate as possible;
- Prepare a monthly finance report to go to LT and governance boards highlighting the latest position of budget compared to forecast outturn.

How we will demonstrate this:

- Education Scotland's contribution to the Comprehensive Spending Review (CSR) process will be published within the SG annual budget.
- The budget planning timeline and processes will be published on the intranet.
- The Finance Team will work with SBU and HR to cost up short and medium term workforce plans which will be reported to LT. Reporting on current workforce levels will be done monthly and medium term plans will be updated annually.
- The Finance Team will work with SBU and HR to analyse the gap between the baseline organisational structure and staff in post and will report this to LT each month to assist them in making effective recruitment decisions.
- We will provide all Budget Holders with spend to date information at the start of each month to assist in preparing forecasts of expenditure for the remainder of the year.

Finance and Accounting

What we will do:

ES has a duty to account for transactions accurately and quickly and thereby ensure that the data within the financial system is reliable.

Education Scotland's stated objective is to process invoices and have the money in the supplier's bank within 10 days. The Finance Team will review the VAT liability on transactions to ensure the correct treatment has been applied.

At the end of the financial year the Finance Team is responsible for producing the annual accounts. These must comply with legislation and provide a true and fair view of the organisation's financial position.

How we will demonstrate this:

- VAT treatment on transactions will be reviewed monthly and adjustments will be made during the relevant quarter;
- The quarterly VAT return for HMRC will be signed off at SD level;
- Information on payment performance will be reported to the Chief Executive and the Strategic Director for Corporate Services and Governance each month;
- The Annual Accounts will be prepared at the end of the financial year and will be audited by Audit Scotland;
- The Annual Accounts will be published on Education Scotland's website;
- Reviews by Internal Audit and Audit Scotland will demonstrate how well ES is meeting its financial responsibilities and highlight any areas for improvement;
- Information on invoices over £25,000 will be published annually;
- EPC transactions will be reviewed each month and transactions over £500 will be published annually on Education Scotland's web page.

Finance and Oracle Cloud Finance Shared Service

What we will do:

The Finance Team will fully engage with the SG colleagues to ensure that the Oracle finance modules are understood and used effectively by ES staff.

How we will demonstrate this:

- The Finance Team will request updates to the chart of account to ensure that the accounting system aligns with reporting structures;
- The Finance Team will organise weekly Oracle review meetings to highlight any issues and work collaboratively with ES staff using the system to resolve issues internally before raising them more widely. These will continue throughout the year as needed;
- Finance staff will attend the monthly meeting of Oracle updates so that we are aware of the latest developments and can also feedback any concerns.

Finance and Organisational Reform

What we will do:
The Finance Team will support the Chief Executive and the Chief Inspector in setting budgets for a re-focussed Education Scotland and HMIE. This will cover providing information on accounting and Government budgeting issues and how these impact on each organisation.

How we will demonstrate this:

- Costing of updated staff structures for both organisations;
- Preparing estimates of non-staff costs, including accommodation costs, once decisions have been taken on the use of accommodation by each body;
- Updating the chart of accounts to reflect updated organisational structures;
- Ensuring that the updated Chart of Accounts supports accurate and up to date reporting of financial information;
- Once finance roles and responsibilities for both organisations are confirmed Education Scotland's finance team will work with SG finance colleagues to ensure that all finance tasks are covered and reporting arrangements are in place.

Finance and Training

What we will do:
The Finance Team will provide training and advice to increase financial knowledge and skills throughout the organisation. Finance training will be offered to staff, either in groups or on an individual basis, to ensure that they have the required knowledge to carry out financial responsibilities.

How we will demonstrate this:

- Finance Advice Notes will be made available on the finance page of Education Scotland's intranet. These will include, Budget Planning and Monitoring, Financial Accounting and year end processes, Electronic Procurement Cards (EPC), Temporary staff and expenses;
- Staff will be given access to the Oracle finance modules which are appropriate to the role they have in ES. This is called 'Role Based Access Control' or RBAC;
- Staff will only be given access when they have completed relevant training and all requests for access will approved by the Head of Finance;
- Staff using the EPC card will sign to say that they understand the regulations surrounding use of the card.

Finance and Fraud Prevention

What we will do:
Finance has a key role to play in prevention of fraud. There is a potential for fraud in all financial systems (Oracle and EPC) and therefore all systems will have appropriate segregation of duties and approval hierarchies.

The most likely areas of fraud within ES are fraudulent expense claims and misuse of the flexible working system. Managers have a critical role to play in ensuring that they review expense claims before approving them and regularly review flexible working 'clockings' and 'updates'.

How we will demonstrate this:

- ES will utilise SG financial systems which have appropriate segregation of duties and levels of approval embedded within the systems;
- ES will contribute to the National Fraud Initiative by reviewing all transactions and rechecking any transactions which look unusual or are potentially duplicates;
- ES staff will follow SG fraud reporting and staff will be advised on the whistleblowing process and will be reminded to familiarise themselves with the policy;
- Instances of fraud will be reported to the SG Fraud Response Group;
- Staff will be advised to visit the SG Learning site to read the guidance on fraud as well completing the Civil Service online training course on Counter Fraud, Bribery and Corruption each year.

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