Department for Education

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Consolidated annual report and accounts

For the year ended 31 March 2020

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Performance report

Overview

This section sets out, at a high level, the Department's objectives as laid out in its single departmental plan published in June 2019, the key challenges to its delivery and our objectives and how we performed during the year.

Who we are and what we do

The Department for Education (the Department) is a major government department providing education, training and care for everyone, whatever their background.

We are responsible for:

- teaching and learning for children in the early years and in primary schools
- teaching and learning for young people in secondary schools
- teaching, learning and training for young people and adults in apprenticeships, traineeships and further education
- teaching and learning for young people and adults in higher education
- supporting professionals who work with children, young people and adult learners
- helping disadvantaged children and young people to achieve more
- making sure that local services protect and support children

Our business model

We are a ministerial department supported by 16 executive agencies (Agencies), non-departmental public bodies (NDPBs) and non-ministerial departments. Together the core department, Agencies and NDPBs make up the departmental group (Group) reported on in this annual report and accounts (ARA). The non-ministerial departments report their performance separately.

We work closely with:

- national and local agencies who look after children
- local authorities
- education providers, such as schools, academies, colleges and universities
- professionals who work in schools and further and higher education institutions, children's services and health services

Our vision

Our vision is to provide world-class education, training and care for everyone, whatever their background. We will make sure that everyone has the chance to reach their potential, and live a more fulfilled life. We will also create a more productive economy, so that our country is fit for the future.

The seven principles

As we strive to achieve our vision, seven principles guide our work. These principles help direct our reforms and plans. The principles are cross-cutting and shape everything we do as a department, from strategy development through to delivery.

We will develop world-class education with the following principles:

- ensure our academic standards match and keep pace with key comparator nations
- strive to bring our technical education standards in line with leading international systems
- ensure that education builds character, resilience and wellbeing

To help achieve this we will:

- recruit, develop and retain the best people we can, while remembering that in education and care, the most important factor is the people delivering it
- focus on those most disadvantaged and prioritise in all that we do the people and places left behind
- protect the autonomy of institutions by intervening only where clear boundaries are crossed
- make every pound of our funding count

Key risks

During 2019-20 the Department continued to strengthen its risk management processes, and identified the key risks to successful performance presented in the table below to successful performance. These do not include risks relating to COVID-19 which emerged in March 2020. The Department's response to these was managed separately to the established risk management process. More detail on COVID-19 risks is provided on page 29.

More information about the 2019-20 non-COVID-19 risks highlighted below is provided later in the Performance Report and the Governance Statement.

A significant number of further education colleges are not financially resilient enough to make the long-term investments required
High needs costs increase significantly more than available funding
Schools have an insufficient number of high-quality teachers resulting in poor educational outcomes for pupils
We are unable to deliver timely and accurate 2020/21 allocations to the education and skills sectors
We fail to have in place enough critical resource to deliver Corporate Services Reform Programme (CSRP) activities

Our financial performance

The Group is financed through the annual Supply Estimates process managed by HM Treasury (HMT).

The Group also generates low levels of revenue from levies and fees raised by its industry training boards and regulators, as well as fees and income from other public bodies and third parties.

We are accountable to Parliament, HMT and the public for how we have used public funds during the year. Annually, the Department publishes its audited consolidated ARA to support parliamentary accountability by comparing the Group's actual financial performance (outturn) to its budgets (Estimate). The Statement of Parliamentary Supply (SoPS), found in the Accountability Report, provides more detail on the Group's outturn against its Estimate.

In conjunction with the SoPS, we also publish our financial performance based on the government's accounting framework in the Statement of Comprehensive Net Expenditure which is found in the Financial Statements section.

The sectors we served this year

Children’s services, early years and wellbeing

75,000
Looked-after children (2018-19: 75,000)

1.4m
2-4 year olds funded in early education

400,000
Children in need (2018-19: 405,000)

52,000
Children subject to a protection plan (2018-19: 54,000)

Schools

Over 8,500
Open academies

Over 550
Open free schools

(2018-19: over 8,000 academies and 400 free schools)

Total number of state schools (including academies)
Over 21,500

3.3m
Pupils in state-funded secondary schools

£40.7bn
Core funding for schools and high needs (2018-19: £39.7bn)

4.7m
Pupils in state-funded primary schools

1.3m Pupils with special educational needs (SEN) (2018-19: 1.1m)

453,000
Number of full-time equivalent (FTE) teachers in state schools (2018-19: 452,000)

The sectors we served this year

Post-16 and skills

Over 1.6m

Funded students in further education and sixth form colleges

2m Applications for support (2018-19: 1.8m)

6m Telephone calls handled

£17.6bn

English student loans (2018-19: £16.4bn) paid to around 1.3m students on higher education courses

which included over £9.4bn

Paid as tuition fees to providers in higher education (2018-19: over £8.9bn)

198,600

Apprenticeship starts between August 2019 and January 2020

Our highlights this year

Children's services, early years and wellbeing

49%

Of local authority children's services are rated good or outstanding by Ofsted as at 31 March 2020, up from 36% in 2017-18

331

Apprentices have started the new Social Worker Apprenticeship

600,000

Children have benefited from 30-hours free childcare since 2017

Schools

320,000

508 open free schools to provide over 320,000 places when at capacity

Senior mental health lead

Training offered for a senior mental health lead in every school and college over five years from 2019-20

Over £47 billion

Over £47 billion funding paid to providers across the whole sector on time

Our highlights this year

Post-16 and skills

25%

25% increase in undergraduate BAME enrolments in UK HE providers between 2014/15 and 2018/19

75%

Of apprenticeship starts were on apprenticeship standards in the first three quarters of 2019/20

80

Over 80 grants awarded during 2018/19 from the Strategic College Improvement Fund

62% more likely

Disadvantaged 18-year olds 62% more likely to enter university in 2019 than in 2009

1.6m

Learners aged 19 and over participated in government-funded further education in the first three quarters of 2019/20

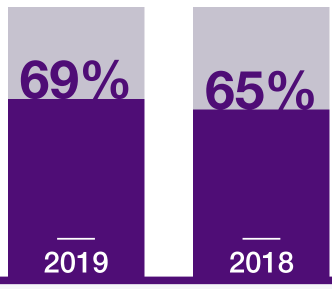
Corporate transformation

Over 7,000

Over 7,000 attended virtual training sessions in smarter working practices with a satisfaction rate of 4.6/5

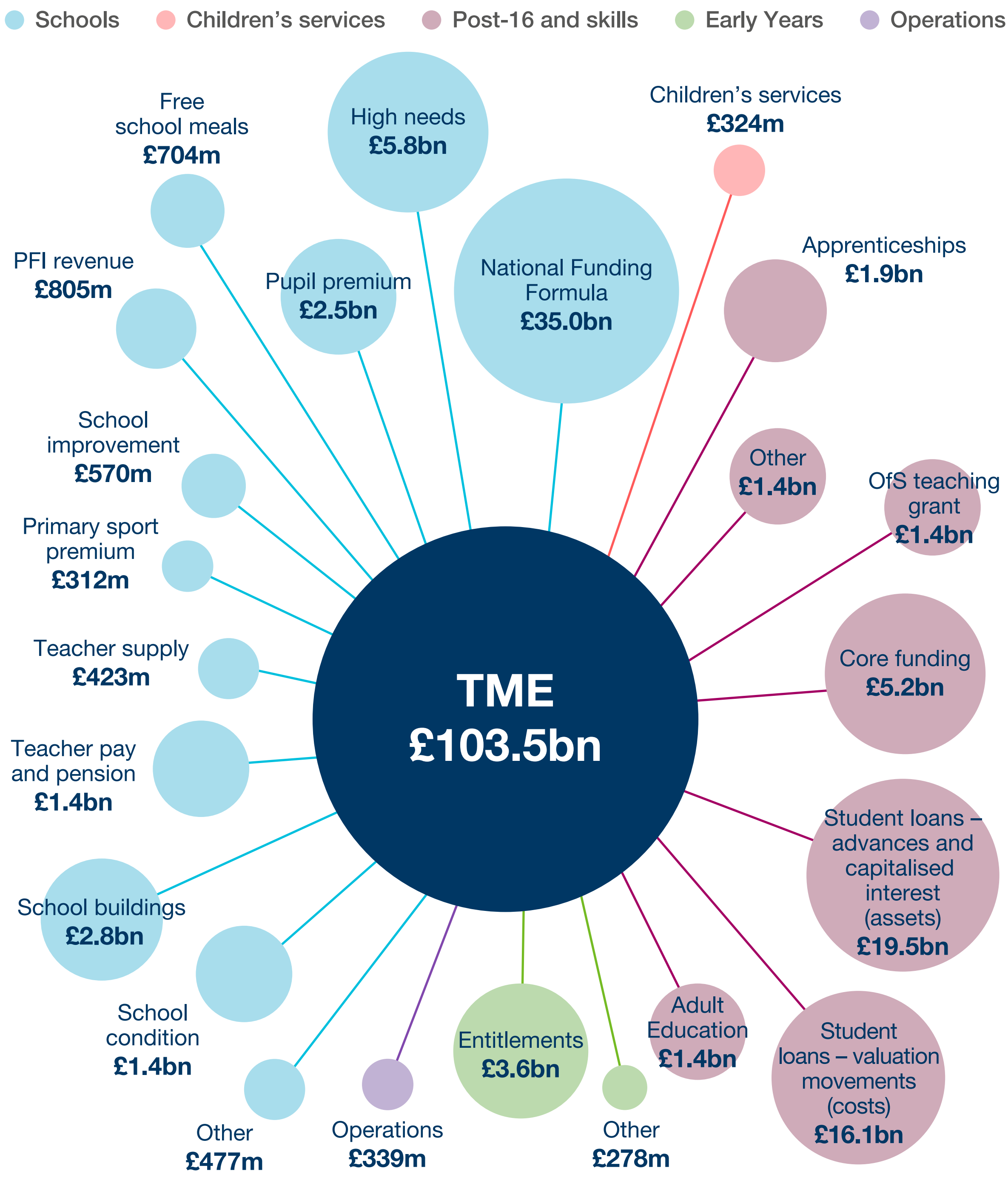
Increased to 69%

Staff engagement increased to 69% in the 2019 People Survey (2018: 65%)



Where we spent taxpayers' money

The figure below shows the total amount spent (total managed expenditure (TME)) by the Group analysed across each of the Department's five key high-level policy areas. As such it includes more than just grant spend but also other costs and spending on new assets such as student loans. Therefore, the values below are not directly comparable to the values presented in the grant note (note 5) or operational expenses (note 6).



Forewords

Secretary of State's overview

We cannot look back at the past year without considering the enormous challenge that has been posed by COVID-19. As 2020 began we were looking forward to a packed agenda, where we could continue to build on our momentum of delivering a world-class education for all our young people. This mission, of course, continues but we quickly had to adapt our focus to manage the effects of a virus that continues to have a catastrophic effect throughout the world.

As Education Secretary the last thing you ever want to do is close schools but on 18 March 2020 we were forced to take this course for all but a minority of children. The Department was then on something of a war footing, as the remaining school and early years population had to continue with their education remotely and any that were eligible for free school meals had to be provided for. Since then, the Department has managed a number of milestones, including providing £380 million worth of free school meal vouchers, making sure disadvantaged children and young people had the technology and internet connections to learn online. In addition, we have begun to feed through £1 billion of the COVID Catch Up Fund for those young people who were in danger of slipping behind as a result of the pandemic.

As part of the COVID-19 response we unfortunately had to cancel public exams. When it became clear that the assessment process advocated by the regulator Ofqual to replace them was likely to result in results that were not a fair reflection of students' efforts, we switched to teacher-assessed grades. We also worked with the higher education sector to make sure students could still take up their places at university.

September saw the successful return of 90% of pupils back to school, with strengthened health and safety measures to reduce the risk of COVID-19 transmission. This was followed by the reopening of universities and other higher education institutions, all observing strict COVID-19 protocols to keep students and staff safe.

At the start of the year, we welcomed a largely new ministerial team to the Department. Gillian Keegan, Michelle Donelan, Vicky Ford and Baroness Berridge have all joined Nick Gibb, while Susan Acland-Hood has more recently joined as Acting Permanent Secretary. I would like to put on record the Department's thanks to the outgoing Permanent Secretary Jonathan Slater for his huge contribution over the past four years and to wish him well in the future.

In 2019-20 we:

- continued to open free schools, with another 59 opened in the year
- welcomed the first students taking T Levels

- started to implement the findings of the Children in Need review to safeguard and support vulnerable children
- invested in the high needs and SEND areas to support children, carers and providers to ensure that all children reach their potential
- began a programme to establish mental health support teams across education providers

We continue to press ahead with active responses to COVID-19 as it evolves.

I would like to thank everyone working in education and children's social care for their incredible work over the past year. None of our achievements this year would be possible without their talent and commitment. A world-class education system for all is an ambitious goal, but to settle for anything less would be selling our young people short. Each one of us in this department is committed to helping everyone to reach their potential, whatever their ability or wherever they live.

I look forward to pursuing this aim together over the course of the next 12 months.

Rt Hon Gavin Williamson CBE MP
Secretary of State for Education

22 October 2020

Permanent Secretary's overview

I am pleased to be introducing the 2019-20 annual report which sets out the Department's key achievements and progress over the 2019-20 financial year, and the accounts, which show how we spent the public money entrusted to us to allow us to make that progress.

My predecessor, Jonathan Slater, ran the Department for the period of this annual report and credit is due to him for the achievements it sets out, and for the good husbandry shown in the accounts. Jonathan stepped down in September 2020, and I was then appointed Acting Permanent Secretary – a role I am immensely proud to hold.

The COVID-19 pandemic has dominated life since March to such a great extent that it is hard to look back at the year that went before other than through its lens. I would like to pay tribute to all that the brilliant staff of the Department did in 2019-20 before the onset of the pandemic – which risks being lost in its shadow – but also to the remarkable creativity, determination and resilience they have shown since March. The pandemic has brought challenges, from which we have learnt a great deal – but it has also driven innovation, and created new partnerships. The close work it has engendered not just across the Department, or with arm's length bodies or other parts of Whitehall, but far beyond, with all those working in schools, colleges, early years, and children's social care, to do the best they possibly can during rapidly changing times, has been powerful; and carries lessons for the future.

The Department's work could not be more important as we look forward to a COVID and post-COVID world. Education and skills – and the ability they bring to learn and adapt to changing circumstances – are central to every possible version of the future; and the unified national effort to make sure children could return to school this September sprang from a collective realisation of the power of education – and the risks, especially to the most vulnerable, of its absence. The work done to sustain, through everything, our protection of children at risk and in need similarly spoke of the critical importance of what we do. I look forward to working with colleagues for the rest of 2020-21, as we take forward this vital work, responding to the challenges of now but also laying the foundations for the new future.

Susan Acland-Hood
Acting Permanent Secretary

22 October 2020

Lead non-executive's overview

As the Department's lead-non executive it has been an honour to continue to support the work of the Department over the past year.

In the reporting year 2019-20, the Department's governance structure remained broadly the same and the committees have worked well to effectively support the Department's challenging and ambitious programme of delivery.

The effective operation of the Department's governance structure this year was supported strongly by the sponsorship and commitment of our then Permanent Secretary, Jonathan Slater, and my thanks go to him.

Full information on membership changes and the roles of committees can be found in the Governance Statement.

Departmental board

The board met twice in 2019-20. A meeting planned for November was cancelled due to the 2019 General Election and a board strategy day planned in March 2020 was postponed as the Department focused its resources on managing urgent issues relating to the COVID-19 pandemic. The board's agenda included consideration of the commercial approach to school's resource management, the Department's initial response to the review of post-18 education and funding review, business planning and the Departmental risk appetite.

I am grateful to the Rt Hon Gavin Williamson CBE MP who chaired his first meeting in February. The chair recognised the continued importance of the board to the Department, and the expertise and contributions of individual members throughout the Department. I also thank the Rt Hon Nick Gibb MP who brings a great deal of expertise and constructive challenge to the board.

I am also grateful for the continued valuable contributions from my fellow non-executive board members: Ruby McGregor-Smith, Irene Lucas, Toby Peyton-Jones and Ian Ferguson who continue as board members and the relationships they have built within the Department have allowed them to provide a deep level of insight and challenge to some of the most critical areas of work. In March I welcomed Nicholas Timothy as a non-executive director. Nick brings a range of experience that will support the Department as it continues to deliver on its key priorities.

I would like to pay tribute to the contribution of Jonathan Slater to the well running of the Department in the year of this report.

Committees

The Audit and Risk Committee (ARC) continued with Ian Ferguson as Chair and met six times over the year. The ARC welcomed that the 2018-19 Group ARA was laid before the House on time. The committee also scrutinised the consolidated academy sector annual report and accounts (SARA) for 2017/18 and 2018/19, which were both laid pre-recess. The 2018/19 SARA was laid unqualified in July 2020. It is a real achievement and the first time we have been able to do so.

The network of audit committee chairs from across the Department's arm's length bodies met twice this year providing a line of sight to and from the Department and allowing for best practice to be shared.

Nominations Committee met twice over the year and provided assurance on the Department's public appointments processes and continues to support the Permanent Secretary in talent management and succession planning for the Department's most senior officials.

Implementation Committee continued to consider how the Department is set up to deliver policy priorities and complements the work of the non-executive team in advising on the delivery of major projects.

Leadership Team and its sub-committees continued to meet regularly. The Investment Committee, formed in November 2018, is now well-established, meeting regularly to give scrutiny and assurance on Departmental spend.

Following a review of the Department's governance it was agreed to enhance the Department's financial controls at Group level by setting up mini-investment boards for each of the Directors General's areas to maintain sufficient oversight of investments and commercial agreements. It is anticipated that these will be formed over the next financial year. I am grateful to the Permanent Secretary and his executive team for managing these committees.

I am also grateful to my non-executive team for their support on panels for significant public appointments to the boards of our arm's length bodies including Ofqual, the School Teachers' Review Body, the Student Loans Company, Ofsted and Social Work England.

Looking ahead

I have worked with the Secretary of State to agree an enhanced role of non-executive colleagues to ensure that we are readily available and can input effectively outside of formal committee time to support critical areas in the Department. This will include supporting deep dives and projects on critical areas of delivery, sitting as panel members for significant public appointments and contributing to the oversight of arm's length bodies.

I am also keen to continue work through the network of Chairs of arm's length bodies, as well as networks of CEOs and audit committee Chairs, to strengthen the Department's relationship with its arm's length bodies and share best practice.

I look forward to working with my fellow non-executive board members and the wider Department to continue to promote effective support, challenge and guidance, and to continually work to improve our governance system.

Richard Pennycook
Lead non-executive board member

22 October 2020

High-level performance summary

The Department is responsible for children's services and for education and training in England, including early years, schools, further and higher education, apprenticeships, and skills. We have a strong department with challenging objectives. We are constantly working to deliver excellent results against these while providing value for money.

We support schools to provide universally high-quality education, so young people are better prepared with the knowledge, skills and qualifications they need to lead fulfilled and prosperous lives. We have done this by:

- Recruiting and supporting high-quality teachers, which has remained a Departmental priority. In November 2019, the Department published a revised core content framework for initial teacher training.[1] The framework underpins an entitlement to a funded two-year package of structured training and support for early career teachers and ensures all new teachers benefit from at least three years of evidence-based training. The Department has also proposed financial incentives to make a career in teaching more competitive in the graduate market.
- We have opened 59 new free schools in the academic year 2019/20, creating over 320,000 places across all free schools when at capacity. 86% of mainstream free schools have opened in areas where there was a need for more school places.
- Focusing on key subjects within the curriculum – we have established a national network of 34 English Hubs in order to strengthen the teaching of phonics, working with up to 2,800 schools.
- Building school-led system capacity – as part of the Department's continuing efforts to build capacity within a school-led system, we have allocated £1.1 million over 2019-20 and 2020-21 to pilot a new approach to tackling entrenched underperformance.
- Providing over £47 billion in funding, which was paid to local authorities, schools and early years providers on time.

The Department strives to improve the skills pipeline needed to support a productive economy and society, fit for the future. The further education sector has a key role in delivering our national priorities to improve productivity, fill skills gaps and equip people with the skills both they and the country need. Through excellent technical and higher education, we have:

- Developed new T Levels, with the first three courses to be taught from September 2020, and a further seven taught from September 2021. We have implemented an extensive range of support for delivery including £38 million in funding, training for all providers delivering T Levels in 2020, and £55 million to build capacity for industry placements.
- Worked to encourage 271,900 apprenticeships starts between August 2019 and April 2020. We have also moved non-levy paying employers into the new apprenticeships system, ensuring everyone can now get an apprentice through this service.
- Collaborated with universities and key businesses to work toward establishing 20 Institutes of Technology, at least one in every region in England. These will provide businesses with a skilled workforce and get more people into rewarding jobs.

1 https://www.gov.uk/government/publications/initial-teacher-training-itt-core-content-framework

- Seen the proportion of 16 to 18-year olds in education or apprenticeships increase to 81.6% at end 2019, the highest participation rate since consistent records began in 1994.
- Seen 335,980 full-time undergraduate Black, Asian and minority ethnic (BAME) enrolments at UK higher education institutions. This has increased by 25% from 268,250 in 2014/15.

We support access to high-quality early years education and childcare, to help more parents work and to provide children with the best start to their education. This has included:

- In January 2020, 93% of the 3- and 4-year old population benefited from some funded early education (known as the universal 15-hours childcare entitlement), the same as 2019. In January 2020, 345,700 3- and 4-year old children also benefited from the extended early entitlement (also known as 30-hours free childcare), worth an additional 15-hours. In 2019-20, the Group spent £3 billion on both the universal and extended entitlements (2018-19: £3 billion).
- Investing £1.4 million in 2019-20 on the Hungry Little Minds campaign to help parents support their child's early language development. The first burst of social media advertising reached over 1.4 million accounts. In November 2019, the Department published a list of approved Home Learning Environment apps to help parents make informed choices about the apps they use with their children.
- Universal Infant Free School Meals (UIFSM). The Department continues to spend around £600 million to ensure 1.4 million more infants enjoy a free, healthy and nutritious meal at lunchtime. There was an 87% take-up rate of UIFSM in January 2019 compared to 85% when the policy was introduced in September 2014.

The Department also sees caring for and supporting disadvantaged children and young people as a priority, so everyone is better able to reach their potential. This work has included:

- Our work to drive up standards in social work. Social Work England, our new regulator for social workers, is now fully operational. In addition, over 1,000 high-achieving graduates have joined a fast track programme to train to become a social worker and a further 3,000 newly qualified social workers have participated in the assisted year in support of the step from study to practice.
- The Department's Opportunity Areas have delivered results. This programme set up a place-based approach to improving outcomes to address social mobility challenges faced by children and young people.
- Our continued focus on delivering a high-quality service for children and young people with special educational needs and disability (SEND). We have established the SEND System Leadership Board to bring together leaders across education, health and social care to improve joint working. The Department has also recognised the pressures on SEND services and has announced an additional £780 million for high needs funding in 2020-21 alongside a £12 million investment to support local authorities and clinical commissioning groups.
- We invested £42 million in the Adoption Support Fund to help pay for essential therapeutic services for 14,000 families whose children had left the care system either through adoption or special guardianship order.
- We continue to support children in need of help and protection – the What Works Centre for Children's Social Care

(WWCSC) became fully incorporated in August 2019. The Department is investing £99 million across the Strengthening Families, Protecting Children programme and Supporting Families programme. Three trailblazers have been established to test delivery before the wider roll-out of the programme and another 15 local authorities have been selected to join the programme with implementation starting from April 2020.

The Department has played its part in supporting the government's COVID-19 response both during the year and after:

- Following the decision to close education settings, we have taken urgent steps to support schools to provide vital care for the children of key workers and vulnerable children, as well as providing guidance and assistance as schools plan the phases of re-opening.
- We have taken considerable steps to streamline contact and minimise burdens on local authorities during COVID-19. The Regional Education Children's teams are supporting the safeguarding of vulnerable children by co-ordinating support to local authorities that need it most.
- We have provided free IT devices to children with a social worker who need them to continue to learn at home and to keep in touch with the services they need.
- In April 2020, we launched an Adoption Support Fund COVID-19 scheme to provide immediate and flexible support for eligible families struggling to cope with the challenges during COVID-19. £6.5 million has been provided to support up to 61,000 families.

Over the past year, we have continued to focus on embedding our four transformation aims in everything we do, so we can fully achieve our ambition of creating a department that is more user-centred, where we empower ourselves and others, make evidence-based decisions and deliver end-to-end. Our People Survey recorded the highest level of engagement since the survey began in 2009, at 69%, up from 65% in 2018.

We have continued to make real progress on diversity and inclusion. The Department was 22nd in the Social Mobility Employer Index and our Social Mobility Employee network won a Civil Service Diversity & Inclusion award. We are also a Stonewall Champion employer. Our positive score for inclusion and fair treatment in the 2019 People Survey was 85%, which is our highest ever for this theme and 3% above the Civil Service High Performers score. A particular highlight was the 91% positive score for people feeling that they are treated with respect by colleagues. We continue to be the leading department for representation of women in the Senior Civil Service (SCS), with 58% of our senior civil servants being female.

Structure of the Departmental Group

The Department is led by the Secretary of State for Education who is responsible to Parliament for the Group as a whole.

Ministers look to the Department's Accounting Officer, the Permanent Secretary, to delegate within the Group to deliver their decisions and to support them in policy-making and managing public funds.

Public sector bodies are classified based on the level of control the Department has over them. Executive agencies act as an arm of the Department, undertaking executive functions, rather than giving policy advice.

The other bodies in the Group are separate legal entities, but the Department usually sets their strategic framework. The Department also normally appoints the body's Chair and all non-executive members of the board, and is consulted on the appointment of the body's CEO.

As well as the Group bodies covered by this ARA, the Department works with other public sector bodies, such as Ofqual, Ofsted and the Teachers' Pension Scheme (England and Wales) (TPS), to achieve our objectives. These bodies have more authority and control over their own policies and so are not judged to be controlled by the Department or Secretary of State. Consequently, the bodies are not consolidated into this Group ARA. ARAs for the non-Group bodies above (Ofqual, Ofsted and TPS) can be found on GOV.UK.

Core Department and Executive Agencies
Department for Education
Education and Skills Funding Agency (ESFA)
Standards and Testing Agency (STA)
Teaching Regulation Agency (TRA)

Executive NDPBs
Office of the Children's Commissioner (OCC)
Construction Industry Training Board (CITB)
Engineering Construction Industry Training Board (ECITB)
Film Industry Training Board for England and Wales (FITB)
Institute for Apprenticeships and Technical Education (IFATE)
Office for Students (OfS)
Social Work England (SWE)
Located Property Limited (LocatED)
Student Loans Company Limited (SLC)

Advisory NDPBs
School Teachers' Review Body (STRB)
Social Mobility Commission (SMC)

Other
Aggregator Vehicle PLC
Office of the Schools Adjudicator

The Department separates its strategic responsibilities and priorities into five operational groups, one of which (ESFA) is also an executive agency of the Department.

The Group does not receive income arising from payments made by employers under the Apprenticeship Levy. The levy is collected by HMRC through PAYE; HMRC recognises employer levy costs as income in the trust statement found in their ARA. See note 20.6 for more information regarding the Group's exposure to the levy.

The lowest level of financial information presented in this ARA is the sub-consolidation of the core Department and its three Agencies, presented as "Department & Agencies". The full consolidation ("Group") is the core and Agencies together with the NDPBs named in the structure diagram above and in note 23.

At the year end, the operational groups had the following responsibilities:

Group	Responsibilities	Contributing Agencies and NDPBs
Early Years and Schools Group (EYSG)	Responsibility and oversight for early years and schools, including: • early years • academies, free schools and regional delivery • the curriculum and qualifications • school accountability and safeguarding • supply and retention in the teaching workforce • school funding, analysis and infrastructure • school strategy	Office of the Schools Adjudicator STA STRB TRA

Group	Responsibilities	Contributing Agencies and NDPBs
Education and Skills Funding Agency (ESFA)	Responsibility for improving education and skills through excellent policy design, operational delivery, expert funding and impactful market oversight, including: • funding of schools, sixth form and FE colleges, specialist institutions and independent training providers • provision of assurance around how these funds are deployed • oversight and intervention in respect of financial and governance matters • delivery of technical and vocational education qualification reforms • apprenticeships policy and delivery • National Careers Service	IFATE

Group	Responsibilities	Contributing Agencies and NDPBs
Higher Education and Further Education Group (HEFE)	Overall responsibility for oversight of higher education, further education and international education, including: • student finance • funding for 16-19 and the adult education budget • careers advice • student choice • implementing the higher education primary legislation • sponsorship of the Office for Students • the Student Loans Company • the Post-18 Review	CITB ECITB FITB OfS SLC

Group	Responsibilities	Contributing Agencies and NDPBs
Operations Group (OG)	Overall responsibility for: • ensuring the Department is sufficiently resourced (people, data/information, finance and IT) and organised to deliver its business objectives • ensuring that efficient and effective systems and processes, driven by customer needs, underpin our services • delivering the Department's objectives for the school estate so that all children can access a good school place and learn in good quality, safe environments	LocatED Aggregator Vehicle PLC

Group	Responsibilities	Contributing Agencies and NDPBs
Social Care, Mobility and Disadvantage Group (SCMD)	Overall responsibility for oversight of social care, mobility and disadvantage, including: • promoting outcomes of disadvantaged pupils and young people • development and delivery of the SEND strategy • delivering major reforms to children's social care • increasing social mobility through Opportunity Areas around the country • management of the private offices for the Permanent Secretary, Secretary of State and ministers • management of the communications directorate including the ministerial and public communications division	OCC SMC SWE

COVID-19 response and impact

The emergence of COVID-19 in the last quarter of 2019-20 has significantly affected the services that the Group provides to children and young people.

From 20 March 2020, early years providers, schools and colleges were open only to vulnerable children and the children of key workers. Exams and assessments were cancelled to enable schools and colleges to focus on these pupils and provide children, young people, parents, and teachers with the certainty they needed to plan. From 26 March 2020, lockdown restrictions came into force affecting the operation of the wider economy, including higher education institutions and the businesses that employ apprentices.

In order to better manage the Group's response, a new Leadership Team sub-committee was created in early May 2020, the COVID-19 board. The board meets with the aim of ensuring that the Group's overall response is coherent, appropriate and co-ordinated and that resources are effectively allocated to deal with the challenges faced. Replacing the initial response team, it works to align both the Group's and government's overall strategy.

The Group was fully engaged in the government response to COVID-19 from the start. It has supported providers, sector workforces, parents, children and young people by:

- regularly issuing and updating guidance to communicate the availability of support and services (including a dedicated COVID-19 helpline), how to operate safely, and other actions to take
- continuing provision of standard funding to providers, where necessary with amended terms, and clarifying providers' access to wider financial support schemes to make sure that they can continue to provide necessary services and pay their employees
- providing additional support where this has been necessary to maintain existing services and respond to emerging needs
- establishing Regional Education and Children's Teams (REACT) to better co-ordinate how the Department and Ofsted capture information and intelligence about local needs and circumstances in response to the COVID-19 outbreak, whilst also offering support to local authorities where they need it, covering the breadth of the Group's responsibilities. REACT teams discuss matching practical support offers to those local authority areas that require it. In addition, the COVID-19 recovery school-to-school support scheme has seen over 300 strong school leaders matched to vulnerable schools for support and this offer is being extended into the autumn term.

The actions we have taken in response to the outbreak

Key examples of additional support the Group provided during the lockdown period include:

- **Continuing provision of Free School Meals –** a national voucher scheme was made available from 31 March to July 2020, to make sure eligible pupils could continue to access free school meals. We then extended provision through the COVID Summer Food Fund, which enabled children who were eligible for free school meals to be supported over the summer holiday period.

- **Supporting schools to stay open –** a fund to reimburse schools for exceptional costs they may have incurred as a result of COVID-19, from March to July 2020, including through keeping premises open during the holidays and providing support for free school meals where not covered by the national voucher scheme described above.
- **Developing remote education –** a commitment of over £160 million to boost remote education and access to online social care services, including by providing: laptops, tablets, and internet access for those who need it most, ensuring every school that wants it has access to free, expert technical support to set up education platforms; and access to peer support to deliver remote education.

  Schools can also access a new central support hub, where resources and information on remote education are housed. This support has been co-designed with schools and includes a range of school-led webinars and resources intended to share good practice. This is in addition to the support already available, including from the sector-led Oak National Academy. The Department has made £4.8 million available for Oak National Academy to provide video lessons for reception up to year 11. Specialist content for SEND pupils is also available.
- **Protecting vulnerable children –** during the initial phase of lockdown, schools were kept open to provide for vulnerable children, alongside those of critical workers. Our definition of vulnerable children, for the purposes of the COVID-19 outbreak, included those with an education, health and care plan and those with a social worker, but also gave educational settings and local authorities discretion to provide an educational place and additional support to those considered 'otherwise vulnerable' – including children in a temporary accommodation, or young carers. The innovation programme provided funding of more than £12 million for 14 projects across the country to tackle the increased risk and challenges some children and young people are facing as they have stayed at home. Working with the Department for Culture, Media and Sport (DCMS) we have also provided £26 million to support vulnerable children, including support for families of disabled children and working to safeguard vulnerable children including care leavers and children in the early years. To further protect children from harm, we continued to support Childline and work with NSPCC to expand and promote their helpline, which offers advice and support to adults on how to raise concerns about children at risk, by providing them with an additional £1.6 million. The Ministry for Housing, Communities and Local Government has also provided funding of over £3.7 billion to local authorities so that they can continue to provide essential services and support to those who need it most, including through children's social care.
- **Supporting Early Years settings –** since March 2020, we have continued to pay funding to local authorities for the free entitlements for 2-, 3- and 4-year-olds, as usual, providing reassurance for early years settings in light of COVID-19. This entitlement funding has continued to be paid to providers to try and ensure that as people return to work, there remains sufficient childcare for all those who need it. Early years settings will

continue to benefit from a planned £3.6 billion funding in 2020-21 to create free early education and childcare places for children.

- **Supporting further education –** we took steps to ensure that, wherever possible, apprentices could continue their training and complete their apprenticeships, despite any break they might need to take as a result of COVID-19, and to support providers during this challenging time.
- **Supporting higher education –** with the Department for Business, Energy and Industrial Strategy (BEIS), we developed a package of measures to stabilise university admissions and support our world-class higher education system to continue to deliver for all students and the wider economy. This included an agreement to bring forward payment of tuition fees, worth approximately £2.6 billion, to the autumn term to help universities with cash flow and to manage financial risks. In addition, government announced £100 million of public funding will be brought forward to the current academic year to help protect vital university research activities in England. They confirmed providers are eligible to apply for the government financial support schemes estimated to be worth at least £700 million to the sector.
- **Regularity –** to lower workloads on education providers, the Group delayed completion of some 2019-20 grant assurance programmes whereby grant recipients, or their auditors, attest that they have used funds correctly. The programmes were delayed over the summer term and holidays when providers, and their auditors, were understaffed. The assurance programmes were restarted in September on the return of schools and colleges. The delay in the Group receiving assurance on grant spend is one of the causes of the delayed completion of the ARA.

Supporting the country to open more fully and recover

Since the early summer we have supported education settings to open to more children and young people. Firstly, from 1 June 2020, early years settings, including childminders, were able to welcome back children of all ages. Also, from 1 June 2020, the government asked schools to welcome back children in nursery, reception and years 1 and 6, alongside children of critical workers and vulnerable children. Then, from 15 June 2020, secondary schools, sixth form and further education colleges were asked to begin providing some face-to-face support to students in years 10 and 12. This support supplemented their learning from home, alongside full-time provision for students from priority groups. In September 2020, schools, colleges and nurseries fully reopened to all children and young people.

The Department has worked to support the education and care sectors to open more widely as restrictions have started to ease, including by giving providers the guidance they need to operate in a safe way. It has also supported children, young people and their parents to understand the measures in place, so that they can feel confident about their return.

The Department has confirmed additional support to help the country to recover:

- **School ‘catch-up’ package –** to tackle the impact of lost teaching time directly, some £650 million will be shared across state primary and secondary schools over the 2020/21 academic year. Schools have the flexibility to spend their funding in the best way for their cohort and circumstances. To support schools to make the best use of this funding, the Education Endowment Foundation has published a support guide for schools with evidence-based approaches to catch up for all students. Additionally, a £350 million national tutoring fund targeted at the most disadvantaged pupils aged 5-19 will be delivered, starting from the autumn term, to provide high-quality tuition for those whose studies have been most disrupted.

- **Early Years funding terms –** from the 2020 autumn term, we expect the demand for childcare to increase, and it will become increasingly important for local authorities to ensure sufficiency of childcare and delivery of the early years entitlements for all children. The government has committed to continue paying local authorities for the childcare places they usually fund, even if providers are caring for fewer children, as a result of low demand from parents or due to public health reasons. This gives another term of secure income to nurseries and childminders who are open for the children who need them.
- **Capital investment in schools and colleges –** to support wider government plans to create skilled jobs, and to boost the construction sector, the Department will provide £560 million and £200 million for repairs and upgrades to schools and further education colleges respectively this year. We have also committed over £1 billion to fund the first 50 projects of a new, ten-year school rebuilding programme, starting from 2020-21.
- **Training and apprenticeships –** as part of a wider package of support, announced by the Chancellor at his summer economic update, the Department will invest £111 million to triple the scale of traineeships in 2020-21 ensuring more young people have access to high-quality training. Over a quarter of a million more young people will also benefit from an extra £32 million investment in the National Careers Service. In addition, the government is committed to providing businesses with £2,000 for each new apprentice they hire under the age of 25.
- **Higher education –** we have announced details of a new restructuring regime, specifically for higher education providers in England, that could be at risk of insolvency when other mitigating steps have not proved sufficient. The scheme aims to support the important role universities play in their local economies and preserve the country's science base.

The Group continues to monitor the impact of the outbreak and will ensure supporting the country to recover is a focus in its discussions with HMT at the Spending Review, which has been announced for later in the year.

Looking after our staff

Throughout the COVID-19 outbreak, the Group has strived to look after its staff. In line with government guidance, it closed its offices to all but a small number of staff for whom access is essential. The Group supported the remainder to work from home, including by helping staff to address the practicalities of remote working, and providing tools to help manage their health and wellbeing. The Group continues to allow staff to work from home. However, now that we have entered the government's Phase two: smarter controls,[2] we are opening more doors on more sites to allow for more staff to return to offices.

Financial impact

The pandemic emerged towards the end of the 2019-20 year and so the direct financial impact on the accounts is limited. We expect a more distributed impact in 2020-21. We have considered the following effects of COVID-19 on the Group's finances:

2 https://www.gov.uk/government/publications/our-plan-to-rebuild-the-uk-governments-covid-19-recovery-strategy/our-plan-to-rebuild-the-uk-governments-covid-19-recovery-strategy

- **The cost of additional support –** we expect most of the costs attributable to the interventions described above to be incurred from 2020-21 onwards.
- **Loans to further education providers and academies –** we have considered whether COVID-19 would increase levels of impairment on loans we have made to due to a deterioration in providers' financial position. We do not expect a significant increase in impairment of our loans as at the year end. While providers' financial position may deteriorate further, we are satisfied that impairment levels are realistic given the continued support provided by the Group.
- **Student loan valuation –** the valuation of the Group's student loans is dependent upon macroeconomic conditions existing at the year end and forecast beyond. COVID-19's impact on the economic forecast has reduced the fair value of student loans by £2.5 billion. In September 2020 the Chancellor announced his Winter Economy Plan in response to the continued impact of COVID-19 on the economy. The government acknowledged that there may be significant long-term changes to the economy as a result of COVID-19, with knock-on effects on job prospects (both graduate and non-graduate) and market sectors. These at present unknowable potential changes to multiple macroeconomic factors spread over the coming years may influence the long-term value of student loans through acting on the valuation model inputs. However, at this time the Department is unable to quantify the potential economic shifts and so has not reflected these in the student loan carrying value. The Department notes the uncertainty this brings student loan valuations.
- **Assurance over the proper use of public funds –** to make sure that the Group handles public funds with probity and in the public interest, the Accounting Officer has considered the regularity, propriety, and value for money of proposals in line with HMT's guidance *Managing Public Money*.
- **Issuing clear guidance in applying for government assistance –** the Group issued detailed guidance to support our sectors in how they should properly access the wider financial support schemes offered by government, while in receipt of public funding. We are also developing monitoring processes to ensure that public money was drawn on appropriately.
- **Repurposing underspends –** to ensure value for money, the Group has worked collaboratively with HMT to ensure repurposing of reduced expenditure (due to COVID-19-related delays or under-utilisation of funding streams) was able to be redirected to the right areas.

We will keep the financial impact of COVID-19 on these matters under review as the situation continues to develop.

Financial review of the year

Introduction

As the 2019-20 financial year ended, we have looked back at the challenges that the Department has faced during the year and reviewed the way that it has taken ownership of the financial implications of its decisions, while ensuring that it remains accountable for how it spends taxpayers' money.

The priority for this year has been to ensure that we have a tight grip on Group finances, and are able to demonstrate our ongoing commitment to delivering value for money in everything we do, whilst continuing to deliver a world-class education system.

This review will focus on the financial performance achieved by the Group in 2019-20 including a focus on:

- significant events that occurred during the year
- financial outturn
- future plans

Significant events

EU Exit

During the financial year the Group has loaned staff to other government departments to support work on EU Exit.

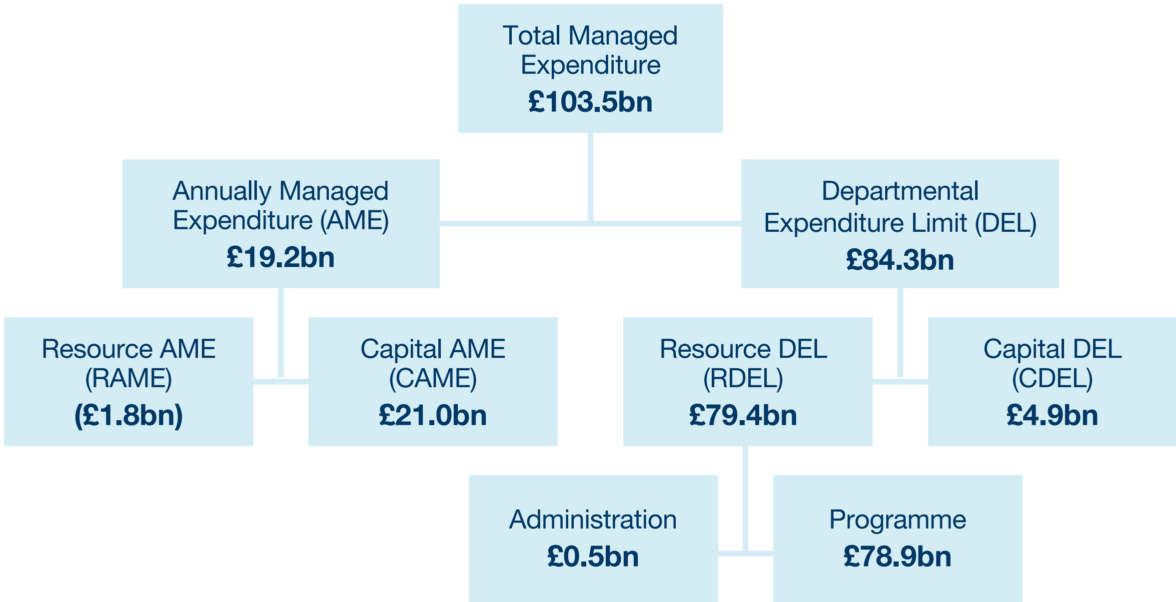
COVID-19

The Group is actively supporting the education and children's social care sectors through the COVID-19 outbreak. This has included supporting the initial closure of a majority of education settings, whilst others remained open to support vulnerable and keyworker children.

COVID-19 has had a significant and well-documented impact on the economy post-year end. The lower longer-term economic forecasts have depressed the carrying value of the Group's student loans through its impact on graduate employment prospects and earning potential. Note 11.3 has more information.

Outturn by budget type

The following diagram and table explain the different budgets managed by the Department and their purpose. The balances provided below are the actual outturn for the year with figures in brackets representing income. Summary explanations of the budget types are provided below. For more detailed explanations see HMT's *Consolidated Budgeting Guidance*.



Budget type	Summary description
TME	The total amount that the Group spends is known as Total Managed Expenditure (TME). TME is split into two categories: AME and DEL.
AME	Annually Managed Expenditure budgets are volatile or demand-led in a way that the Department cannot control. The majority of the Group's AME expenditure is derived from student loans. AME can itself be split into RAME and CAME which are detailed below.
RAME	Resource AME budgets are all classed as programme costs. This includes non-cash costs of provisions and for budgetary purposes only effective interest on student loans.
CAME	Capital AME budgets cover funds that contribute towards long-term investment such as student loan origination and repayments, interest capitalised to student loan borrower accounts, plus the capital cost of levy bodies.
DEL	Departmental Expenditure Limit budgets are firm, planned annual budgets set for multi-year Spending Review periods.
RDEL	Resource DEL is mainly programme budgets, which is spent in delivering the Group's front line services such as schools and social work.
Admin	A subset of RDEL is administration – the running costs of the Group including back office staff, buildings and ICT.
Programme	Programme budgets are mainly grants and contract payments associated with front-line delivery. It also includes non-cash costs such as impairment of student loans, depreciation and some provisions.
CDEL	Capital DEL is for spending on assets and investment such as colleges, universities and schools. Always programme costs.

2019-20 financial outturn

In 2019-20 the Department's TME limit was £107.5 billion (2018-19: £104.9 billion) against which the Group spent a total £103.5 billion (2018-19: £87.9 billion).

The table below shows the Group's performance against its 2019-20 control totals as agreed by Parliament in the 2019-20 Supplementary Estimates.[3]

			2019-20			2018-19
Type of spend	**Budget**	**Outturn**	**Variance**	**Budget**	**Outturn**	**Variance**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Departmental Expenditure Limit	**85,853**	**84,274**	**1,579**	**83,501**	**73,302**	**10,199**
Resource	80,941	79,410	1,531	77,977	67,900	10,077
of which cash	63,989	63,539	450	62,294	61,623	671
of which non-cash	16,952	15,871	1,081	15,683	6,277	9,406
Capital	4,912	4,864	48	5,524	5,402	122
Annually Managed Expenditure	**21,650**	**19,243**	**2,407**	**21,412**	**14,602**	**6,810**
Resource	(889)	(1,739)	850	(1,341)	(1,029)	(312)
Capital	22,539	20,982	1,557	22,753	15,631	7,122
Total Managed Expenditure	**107,503**	**103,517**	**3,986**	**104,913**	**87,904**	**17,009**

Resource DEL cash

The underspend of £450 million is primarily driven by unused budget cover set aside at Supplementary Estimates to cover volatility in demand-led programmes such as apprenticeships and higher education.

Resource DEL non-cash

The non-cash underspend of £1.1 billion reflects unused budget cover set aside for potential volatility of student loan book impairment (which is still applied for budgetary purposes even though not for accounting).

The movement in impairment is dependent on the year end student loan carrying value; which is itself dependent upon the Office for Budgetary Responsibility's (OBR's) macroeconomic forecasts, including earnings, RPI and the Bank of England base rate. All of these year end valuation inputs are published after Supplementary Estimates are finalised.

Capital DEL

The underspend of £48 million is primarily due to a combination of lower than anticipated capital spend on demand driven activities.

Capital AME

The underspend of £1.6 billion is a result of unused budget cover set aside at Supplementary Estimates to cover the volatility in student loan outlay, capitalised interest and repayments. These year end balances are dependent on macroeconomic forecasts, published by the OBR after Supplementary Estimates are finalised.

Resource AME

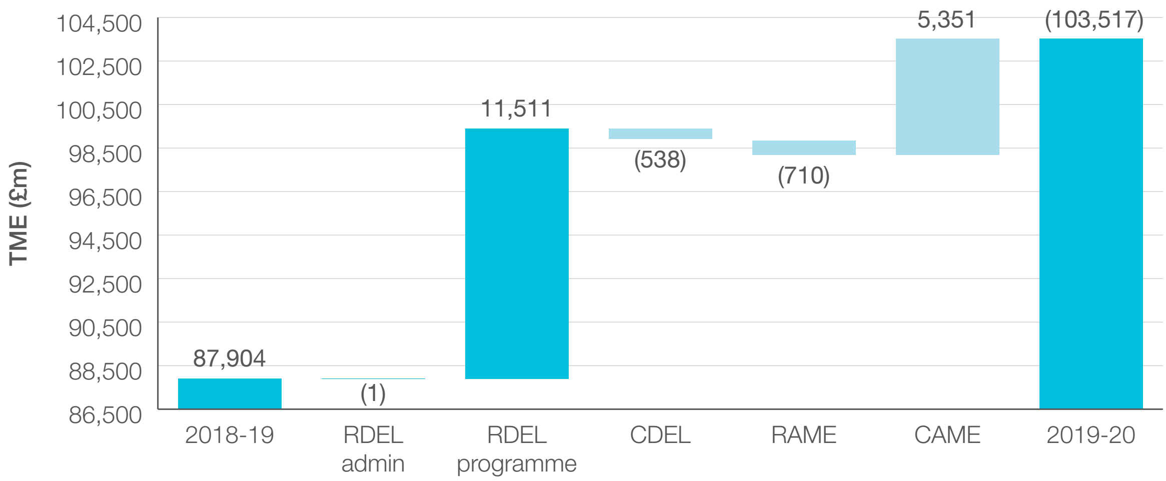
The underspend of £850 million is a result of the final outturn being lower than the budget cover that the Department requested at Supplementary Estimates for the expected volatility in effective interest relating to student loans (which is still recognised for budgetary purposes).

3 https://www.gov.uk/government/publications/supplementary-estimates-2019-20

Year-on-year variance

The Department's TME has increased by £15.6 billion from £87.9 billion in 2018-19 to £103.5 billion in 2019-20.

The graph below shows the increase of TME from 2018-19 to 2019-20.



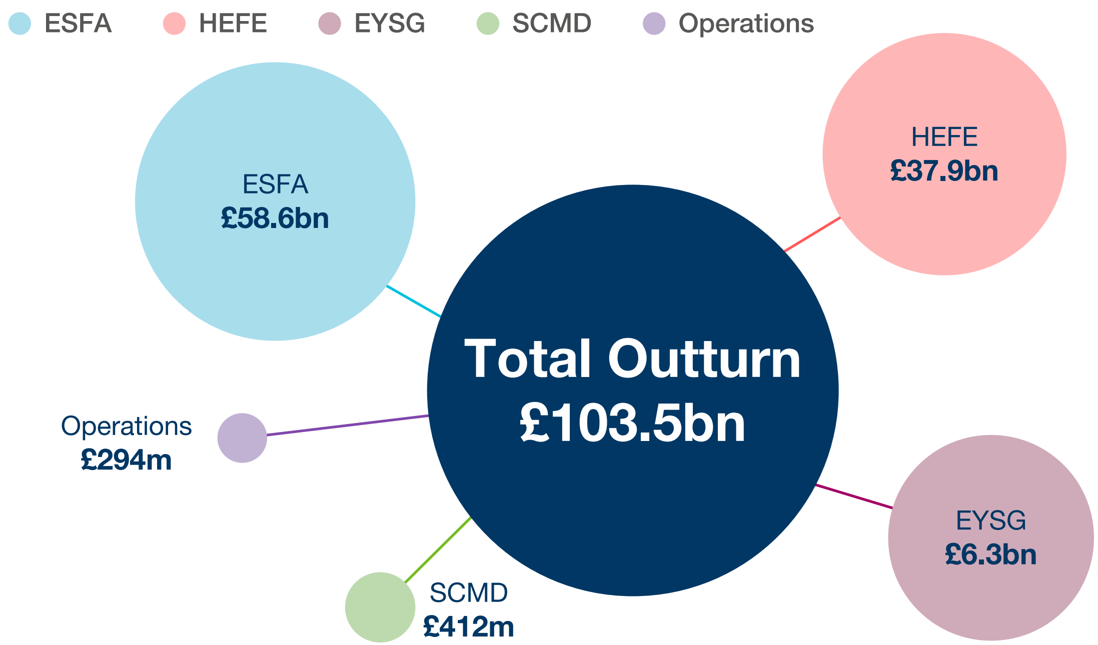
The increase is primarily due to the following factors:

- **RDEL programme:** the increase of £11.5 billion since 2018-19 is primarily driven by an increase in the non-cash expenditure driven by spending on student loan impairment, including those elements driven by changes to macroeconomic forecasts
- **Capital DEL:** the £538 million decrease from 2018-19 is primarily driven by one-off capital grants to schools made in 2018-19 which did not reoccur in 2019-20
- **Resource AME:** the reduction of £710 million is due to an increase in both resource AME income offset by an increase in expenditure. This is mainly due to the volatility of effective interest applied to student loans and the impacts of changes in macroeconomic forecasts
- **Capital AME:** the increase of £5.4 billion is mainly driven by the impact in 2018-19 of the second student loan sale, in addition to an increase in capitalised interest, and a slight increase in student loan outlay

Outturn by business group

The figure below shows the amount spent by each of the Department's five key business groups. This section provides commentary to support the financial statements and the Group's performance during the past year and should be read in conjunction with the financial statements (including notes) that are set out from page 155.

2019-20 Outturn by business group



Note 2 details total outturn (spend as shown in the Statement of Parliamentary Supply and calculated under the budgetary framework) by operating segment. The note also reconciles segmental outturn to segmental net expenditure as calculated in the financial statements and notes 3-7 set out expenditure and income in detail.

HEFE: responsible for funding the provision and uptake of higher education and further education learning as well as the support for the sector and learners to provide and undertake these learning opportunities.

EYSG: responsible for funding the early years and schools system; supporting the sector to strengthen system and school leadership; reforming the curriculum; design and delivery of national curriculum tests; improving the supply and retention of talented teachers and leaders and ensuring effective oversight of academies and free schools through the work of Regional School Commissioners.

Operations: responsible for the provision of essential corporate services to support delivery of ministerial priorities, and delivering the Department's objectives for the school estate.

SCMD: responsible for leading work to deliver major reforms to children's social care and increasing social mobility through Opportunity Areas around the country. SCMD is also responsible for providing essential corporate services including overseeing ministers' private offices, communications and department of state functions.

ESFA: is an executive agency sponsored by the Department that is accountable for funding education and skills for children, young people and adults. In addition to this, ESFA provides assurance around, and oversight of, these funds. The Agency leads on policy and delivery around skills and technical education, which includes the development of T Levels and the apprenticeship programme for England.

Case study – student loans

Valuations

Student loans are recognised at fair value, the calculation of which includes external factors such as the state of the economy now and during the long life of the loans. Economic strength influences the valuation through multiple factors such as graduate salaries which directly influence the numbers of borrowers who earn more than the repayment threshold. There are also longer-term impacts such as salary growth, that will drive repayment levels over the period of the loans.

COVID-19 has impacted this year's valuation process because it has increased the uncertainty of the immediate and medium-term economic outlook. In July 2020 the OBR published three economic scenarios (best, central and worst cases) that reflected their views on how COVID-19 and the government's responses might impact the economy. We have chosen to adopt the July central scenario to use in our valuation model to avoid influence from the two outlier scenarios. Note 11.3 provides more details regarding the impact of adopting the central scenario as opposed to either of the other two scenarios.

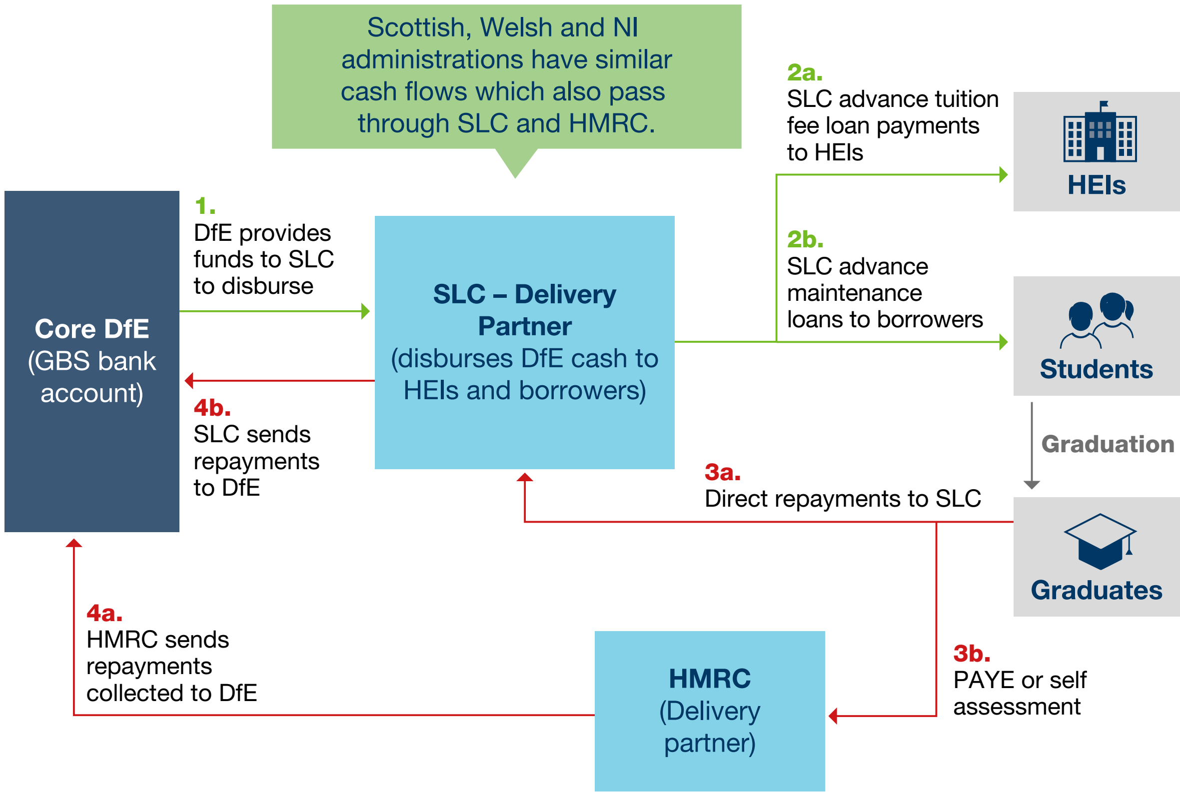
Notes 1.3.5 and 11.3 provide more information as to how the student loan valuation is performed.

Cash flows

Student loan cash flows and related accounting are complex and involve several Group bodies and other public sector bodies. To improve understanding the graphic below shows the cash flows generated by the origination and repayment of student loans between the Department, the Student Loans Company (SLC), HMRC, students and higher education institutions (HEIs).

SLC administers the student loans for the Department – issuing tuition fee loans to HEIs (on behalf of borrowers) and maintenance loans and grants directly to borrowers. The SLC also administers student loan portfolios for the Scottish, Welsh and Northern Irish devolved administrations.

Student loan repayments made by borrowers are mainly collected by HMRC through the tax system (PAYE/self-assessment), with loan repayments then being passed on to the Department. Direct repayments may also be made to SLC through voluntary repayments, and SLC collects repayments directly from borrowers living overseas. Acting as loan servicer, SLC forwards the direct repayments collected onto the Department and updates borrowers' loan accounts with the latest information on repayments collected by HMRC or directly by SLC itself.



Future plans

The Department's finance function plays a critical role in supporting ministers and the Department to allocate resources effectively to deliver its strategic objectives.

Looking ahead to 2020-21, the key areas of focus for the Department's finance function are:

- working to help the Department and our sectors respond to and recover from the COVID-19 pandemic
- contributing to the government's strategy of 'levelling up' boosting incomes and productivity across English regions
- assuring our spending is used by recipients for the purposes it is given
- leading and negotiating the Group's budget for years beyond 2020-21, as part of the 2020 Spending Review (which may only be for one year)
- maintaining focus and discipline in delivering our financial strategy, improving financial capability, governance, control and a cost-conscious culture to put us in a good position to deliver our priorities
- continuing the implementation and delivery of a single finance system across the Department and Agencies

Trends in TME

Type of spend	2019-20 Outturn £m	2018-19 Outturn £m	2017-18 Outturn £m	2016-17 Outturn £m	2015-16 Outturn £m
Departmental Expenditure Limit					
Administration	**490**	**491**	**529**	**510**	**485**
of which cash	467	458	494	478	455
of which non-cash	23	33	35	32	30
Programme	**78,920**	**67,409**	**72,806**	**67,771**	**61,985**
of which cash	63,072	61,165	59,736	58,995	58,866
of which non-cash	15,848	6,244	13,070	8,776	3,119
Capital	**4,864**	**5,402**	**4,907**	**5,732**	**5,068**
of which cash	4,862	5,402	4,907	5,732	5,068
of which non-cash	2	-	-	-	-
Total DEL	**84,274**	**73,302**	**78,242**	**74,013**	**67,538**
of which cash	68,401	67,025	65,137	65,205	64,389
of which non-cash	15,873	6,277	13,105	8,808	3,149
Annually Managed Expenditure	**19,243**	**14,602**	**14,182**	**11,231**	**3,446**
Resource	(1,739)	(1,029)	(1,589)	(1,841)	(8,196)
Capital	20,982	15,631	15,771	13,072	11,642
Total Managed Expenditure	**103,517**	**87,904**	**92,424**	**85,244**	**70,984**

Performance analysis

Our priorities

The Department has published a Single Departmental Plan[4] for 2019-20 which sets out our strategic priorities across four main delivery areas. We have reviewed our progress against these priorities to assess the Department's performance over the year.

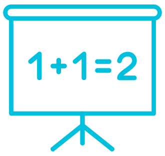
Our vision

World-class education, training and care for everyone, whatever their background.

Delivery area 1: Children's services, early years and wellbeing

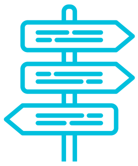
- support local authorities to deliver high-performing children's services everywhere – aiming to reduce the number of inadequate local authorities to below 10% by 2022
- work with health partners to deliver high-quality services for children and young people with special educational needs and disability
- secure a highly capable, highly skilled social work workforce (including through the national assessment and accreditation system and Social Work England)
- ensure that children in need of help and protection are supported by a national system of excellent and innovative practice (including through a new What Works Centre)
- continue to deliver and embed our offer of 30-hours of free childcare for working parents
- improve our understanding of how best to support parents to develop their children's learning at home
- improve our understanding of child wellbeing and happiness
- provide targeted, place-based support, across the Department's remit from early years through to post-16 and skills, in the areas that need it, including through our Opportunity Areas

4 https://www.gov.uk/government/publications/department-for-education-single-departmental-plan/department-for-education-single-departmental-plan--2



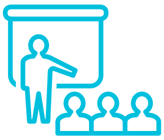
Delivery area 2: Schools

- ensure there are sufficient high-quality teachers in our schools for the long term, by delivering our teacher recruitment and retention strategy which includes our Early Career Framework
- support schools to get the best out of their budgets, improving school resource management, providing more advice, support and deals for schools
- maintain our focus on ensuring all children can access a place at a ‘good’ or ‘outstanding’ school
- support schools and colleges in developing character, resilience and wellbeing in young people
- elevate the status of our teaching profession, including by: strengthening qualified teacher status, reducing unnecessary workload, and supporting the Chartered College of Teaching
- continue to build school-led system capacity across the country, giving our academies and maintained schools the space and support to thrive, and helping schools to make the positive choice of grouping together in successful multi-academy trusts
- promote the educational outcomes of disadvantaged children and young people including through implementing the commitments made in response to the Timpson review to ensure schools can support children at risk of exclusion, and ensure they have access to high-quality education after exclusion
- design and deliver the new curriculum fund to provide excellent curriculum plans and content
- drive forward our focus on key subjects within the curriculum, including through the English Baccalaureate, and strengthening the teaching of phonics and computer science



Delivery area 3: Post-16 and skills

- deliver T Levels as a gold standard for technical and professional excellence, ensuring our young people can access a world-class education whichever route they choose
- continue our ground-breaking reforms to apprenticeships, with quality at the core
- consider the review of post-18 education and funding to make sure that our system is joined up and promotes access and success in all forms of post-18 education – providing real choice, quality and value for money for everyone, as well as delivering the skills our country needs
- develop a national retraining scheme to drive up adult learning and retraining
- launch the review of qualifications at level 3[5] and below with extensive public consultation, and design and implement a T Level transition offer
- scrutinise the quality of technical education at higher levels through a qualifications review, focused on levels 4 and 5
- improve capacity, quality and resilience of the further education sector
- work with BEIS to support the implementation of the Industrial Strategy, by reforming the skills system to deliver skills demanded by employers, and needed to boost productivity
- raise the status of our further education teaching profession
- improve the quality of careers advice and guidance for children, young people and adults so that they are aware of the breadth of opportunities available to them
- boost exports by making the most of our international reputation in the provision of higher education and other areas
- put in place the right conditions for a flourishing education technology sector, supporting innovative ideas in online and offline delivery



Delivery area 4: Corporate transformation

- be user-centred: we know who our users are and meet their needs
- empower yourself and others: we feel trusted and supported to do our work and be at our best
- make evidence-based decisions: we use evidence to make effective decisions
- deliver end-to-end: we design and deliver around our users' needs

Delivery area 5: EU Exit

- The UK left the EU on 31 January 2020 on the basis of the agreement reached in October 2019. We will continue to support the government as its process of transition to our new relationship with the EU moves to completion at the end of 2020, at which point we will have full control over our own laws and trade.

5 A description of education levels can be found at https://www.gov.uk/what-different-qualification-levels-mean/list-of-qualification-levels

Performance against our priorities

Delivery area 1: Children's services, early years and wellbeing

Area primarily delivered by: SCMD

Supporting local authorities

The Group works with:

- local authorities judged inadequate by Ofsted – to secure improvement in performance
- those at risk of failure – to bring about improvements
- others – to drive innovation and excellence

During 2019-20, we have continued to intervene directly in local authorities judged to be inadequate by Ofsted.

The number of local authorities judged by Ofsted as outstanding has

doubled

from 4% in 2018-19 to 8% in 2019-20

Prior to the COVID-19 pandemic we had remained on track to have 10% or fewer "inadequate" local authorities in total by 2022. This figure has steadily improved from 19% of local authorities being judged as inadequate in March 2017 to 14% in March 2020. Under Ofsted's current inspection framework and its previous single inspection framework, a total of 34 re-inspections of inadequate local authorities have taken place, and 79% of these have resulted in an improved judgement.

To safeguard and protect the welfare of vulnerable children, we have published COVID-19 guidance for children's social care services. It is for all those delivering or with an interest in children's social care and recognises how the sector is working extremely hard in the face of unprecedented challenges to support the most vulnerable during this period.

We have taken considerable steps to streamline contact and minimise burdens on local authorities during COVID-19. The Regional Education Children's teams are supporting local authorities to safeguard vulnerable children by co-ordinating support to local authorities that need it most and gathering intelligence to aide policy development. We have given local authorities greater flexibilities by amending statutory timeframes of some regulations in *The Children Act 1989*.

Working with local authorities in response to COVID-19, we have seen some clear strengths of effective contingency planning and partnership working. Equally, we recognise the impact this will have for some local authorities in the delivery of children services and local authorities' financial stability, especially in areas where there are already identified weaknesses, as many have either paused or slowed down their improvement work.

Supporting children in need of help and protection

The conclusion of the children in need review was published in June 2019, setting out new data and analysis on the cohort of children who need or have needed a social worker and their educational outcomes, best practice for frontline practitioners in supporting them and a number of areas for further action.

Since its publication we have been working with the sector to take forward the actions set out so that children in need are recognised, they are safe through being in school and they are able to succeed through high aspiration and effective support in schools.

Being at an early years setting, school or college can be an important lifeline for many vulnerable children and young people, which is why they have continued to be able to attend throughout the COVID-19 period, and we have provided free IT devices to children with a social worker who need them to continue to learn at home and to keep in touch with the services they need.

The What Works Centre for Children's Social Care (WWCSC), launched as an independent charity status organisation on 1 April 2020.

The WWCSC has been key in driving up the need for, and use of, robust evidence based research within the children's social care sector.

The centre is currently working with two-thirds of local authorities on research projects. Published research already evidences the impact that changing practice can have on improved safeguarding and outcomes.

The WWCSC is leading the evaluation of the Strengthening Families, Protecting Children programme. It will invest £84 million over five years and support 18 local authorities to improve work with families to safely reduce the number of children entering care. Eligible local authorities required an Ofsted rating of "requires improvement to be good".

In partnership with WWCSC, we will invest £17 million in 2019-20 and 2020-21 in the Supporting Families: Investing in Practice programme. The programme will help families work on issues together, to help create stability in the home. It aims to prevent young people being taken into care, where that is in their best interest. These programmes are currently paused to allow local authorities to prioritise their resources on protecting vulnerable children during the COVID-19 outbreak.

In response to COVID-19, the Strengthening Families, Protecting Children programme and Supporting Families: Investing in Practice programme were paused from April 2020. On 24 April 2020, government announced over £12 million funding for extra support to keep children at risk of neglect or abuse safe during the COVID-19 outbreak with a multi-million pound support package for vulnerable children during COVID-19. This funding has been given to innovation projects which have adapted their delivery to continue throughout social distancing.

Securing a skilled social work workforce

We have invested in the development of an even more highly skilled social care workforce to improve the life chances of vulnerable children. By providing better support to the workforce, we also enable better recruitment and retention of high-quality social workers.

Over the past year:

- the new professional regulator, Social Work England, went live on 2 December 2019
- the National Assessment and Accreditation System has helped over 1,700 social workers to improve their knowledge and skills
- over 680 students began training as social workers on the Step Up to Social Work programme
- the sixth frontline cohort, which started in July 2019, continued to train over 390 high-achieving graduates, with a

further 450 graduates beginning their training this year

- a further 2,866 newly qualified social workers registered for our Assessed and Supported Year in Employment programme – a 12-month, Department-funded, employer-led programme supporting newly qualified social workers to make the step from study to practice
- 23 teaching partnerships, involving 110 local authorities, 51 HEIs and 28 other organisations have continued to ensure that social work students are better prepared for the realities of practice
- 448 apprentices have started on the new social worker degree apprenticeship

In response to COVID-19, Social Work England set up a temporary register for over 8,000 social workers who left the permanent register in the past two years. The Group and the local government association have together built a new online platform (Social Work Together), to match returning social workers with local authorities needing assistance. The Group, through SWE and along with the Principal Social Worker Network, have also published guides for practitioners responding to the impact of COVID-19 on frontline practice.

Children in care and care leavers

We have continued our focus on improving the experiences and outcomes of children in care and those who have left care. We have supported local authorities to:

- improve looked-after children and care leavers' educational and employment outcomes
- improve fostering services following the publication of Fostering Better Outcomes[6] in 2018
- provided funding to local authorities through our £200 million innovation programme to improve commissioning of placements
- support young people to stay with foster parents beyond the age of 18, including through a 40% increase in funding for the Staying Put programme
- pilot support for those leaving residential care

We have also increased the number of regional adoption agencies and are working with the adoption sector to boost recruitment of adopters. We have increased the provision of therapeutic support to adopted children through the Adoption Support Fund,[7] including introducing a specific COVID-19 support package, which will provide £6.5 million to support up to 61,000 eligible families.

In response to COVID-19, we have announced a new offer of digital devices and connectivity for children in care and care leavers. We have issued guidance to local authorities to provide additional support to care leavers and to ensure no young person has to leave care during this time if it is not in their best interests. Government has also provided £3.7 billion additional funding to enable local authorities to meet new demands for services including support for vulnerable children in their care and care leavers. We have also ensured those caring for and working with children in care have access to personal protective equipment and testing where necessary.

6 https://www.gov.uk/government/publications/fostering-better-outcomes
7 https://www.gov.uk/guidance/adoption-support-fund-asf

Deliver high-quality services for children and young people with special educational needs and disability

Supporting children and young people with SEND to thrive alongside their peers is a key priority for the Group.

We have focused our efforts on driving up the quality of SEND services following the 2014 reforms that introduced education, health and care plans.

The Department works closely with the Department for Health and Social Care (DHSC) and NHS England to improve services for those with SEND.

In 2019, we established the SEND System Leadership Board to bring together leaders across education, health and social care to support improving joint working and local service delivery.

We provide support and challenge to local areas (including schools, local authorities and health partners) to produce a written statement of action following identification of significant weaknesses in an Ofsted Care Quality Commission SEND inspection.

Increased capacity to deliver training and resources by SEND advisors from 1,251 days in 2019-20 to 1,335 days in 2020-21

We have announced an additional £780 million for high needs funding in 2020-21.

This investment will enable local authorities to meet the growing demand for SEND provision, putting in place effective support for those children and young people with the most complex needs.

In September 2019, we launched a cross-departmental review to consider how the SEND system is currently delivering for children, young people and their families, and what more we can do to improve services.

We are working closely with DHSC and NHS England partners through this review, a key consideration of which is how we can improve the joint working across education, health and care.

The review will consider the long-term ramifications caused by the COVID-19 pandemic, to ensure any new reforms take into account the new policy and delivery context.

Promote the educational outcomes of disadvantaged children and young people

Our ambition is for every child and young person, no matter what challenges they face, to have access to world-class education with equal opportunities for them to express their talents and make the most of their lives.

Over £2.4 billion

paid through the pupil premium in 2019-20 (2018-19: £2.4bn)

To tackle educational inequality, we spent over £2.4 billion through the pupil premium. This is additional funding for mainstream and special schools, based on the number of children who have been eligible for free school meals in the last six years. The funding is provided to assist schools to close the gap in attainment between these children and their peers.

We have invested over £137 million in the Education Endowment Foundation (EEF) since 2011 to research and promote the most effective ways of using the pupil premium, so that all schools can make a difference to their disadvantaged pupils' futures.

In June 2019, the EEF published a new Pupil Premium Guide[8] to support schools in spending their pupil premium to maximise the benefit for their pupils.

Introduced in 2014, the Group spends around £600 million each year on Universal Infant Free School Meals (UIFSM). This ensures 1.4 million infants enjoy a free, healthy and nutritious meal at lunchtime. As well as UIFSM the Group also spent £78 million on other free school programmes.

87% take-up rate of UIFSM in January 2019 compared to 85% when the policy was introduced in September 2014

The Department has set up local holiday activity and food co-ordinators to oversee free high-quality holiday clubs in 11 local authority areas, targeted at disadvantaged children.

Opportunity Areas

Launched in 2017, the Opportunity Areas programme is a tailored, place-based approach to improving outcomes and opportunities for children and young people in 12 areas facing the biggest challenges with social mobility.

With initial funding of £72 million over three years, the programme involves intensive local interventions, covering every education stage from the early years to employment. School-based projects include work on literacy, maths, school attendance, post-16 options and careers advice, professional development for teachers and teacher recruitment and retention.

The programme is already demonstrating a positive impact. For example, children in West Somerset, Oldham and Derby have historically performed well below the national average for outcomes at the end of reception year. But these areas are now showing year-on-year improvements.

OA case study: Hastings
Provided £1.3 million to improve mental health in young people. Through local partnerships with NHS Hastings, Public Health England, and the Troubled Families Early Help team, they are increasing direct access to support in and out of school, supporting parents and equipping schools to support those with poor mental health.

In November 2019, the Department announced an additional £18 million extension of the Opportunity Areas programme, to help sustain long-term improvements and outcomes.

In January 2020, we published the Opportunity North East (ONE) delivery plan. The plan sets out how ONE is investing up to £24 million over three years to improve educational and employment outcomes, and boost the aspirations of young people in the North East.

To date, we have invested in bespoke improvement plans for 28 North East secondary schools and funded four projects working with over 100 schools that aim to ensure children progress well from primary into secondary education.

We are working with the North East's local enterprise partnerships to deliver a programme of enhanced personalised careers advice and guidance, and we have opened up the North East Collaborative Outreach programme's access to higher education offer to more schools.

8 https://educationendowmentfoundation.org.uk/evidence-summaries/pupil-premium-guide/

Home Learning Environment

The Department continues to support learning at home and has invested £1.35 million on the Hungry Little Minds[9] campaign to help parents support their child's early language development, to help set them up for school and beyond.

Work on the Home Learning Environment (HLE) continues to be well received by stakeholders with the first burst of social media advertising reaching over 1.4 million accounts.

In November 2019, we published a list of approved HLE apps to help parents make informed choices about the apps they use with their children.

30-hours free childcare

In January 2020, 93% of the 3- and 4-year old population benefited from some funded early education (known as the universal 15-hours childcare entitlement), the same as 2019. In January 2020, 345,700 3- and 4-year old children also benefited from the extended early entitlement (also known as 30-hours free childcare), worth an additional 15-hours. In 2019-20, the Group spent £3 billion on both the universal and extended entitlements (2018-19: £3 billion).

378,774 children in a 30-hours place between 1 April and 31 August 2019, compared to 339,974 children in the same period in 2018

9 https://hungrylittleminds.campaign.gov.uk/

Delivery area 2: Schools

Area primarily delivered by: EYSG

Supporting high-quality teachers

The number of teachers in our schools remains high, with more than 453,000 in 2018, over 12,000 more than in 2010.

The Department has proposed raising starting salaries for new teachers to £30,000 by 2022-23, to recognise the high value of the teaching profession and to make teaching more competitive in the graduate market.

To further incentivise recruitment and retention in priority subjects, we are offering a phased bursary of £26,000 for new chemistry, physics, mathematics and languages teachers starting initial teacher training (ITT) in 2020/21, followed by early-career payments totalling £6,000 once in teaching.

Science, languages and computing teachers in 25 local authorities can also claim back the student loan repayments they have made for up to 11 years.

In November 2019, the Department published a revised core content framework for ITT.[10] The framework has been re-designed to support trainee development in five core areas – behaviour management, pedagogy, curriculum, assessment and professional behaviours.

This framework is designed to work coherently with the Early Career Framework, which is a subsequent entitlement of support for early career teachers delivering a funded two-year package of structured training and support to replace the current one-year induction from 2021.

This will ensure all new teachers benefit from at least three years of evidence-based training.

School resource

Over £47 billion

of funding paid to local authorities, schools and early years providers on time (2018-19: £40bn)

The Dedicated Schools Grant is the Group's main expenditure. The grant provides funding for:

- the government's free early years childcare entitlements for 2-, 3- and 4-year-olds
- the core running costs of all state-funded mainstream schools – both maintained schools (which are funded by the local authority) and academies (which are funded directly through the General Annual Grant)
- additional support for children with high-cost special educational needs and disabilities, including the core running costs of state-funded special schools
- educational support that local authorities provide directly

The funding continues to be distributed through the National Funding Formula (NFF), which targets funding according to need, based on the characteristics of children and local areas, rather than historic spending patterns. The NFF provided a minimum of £3,500 per primary pupil and £4,800 per secondary pupil in 2019-20, rising to £3,750 per primary pupil and £5,000 per secondary pupil in 2020-21.

10 https://www.gov.uk/government/publications/initial-teacher-training-itt-core-content-framework

Although the calculations are complex, funding allocations have been made without substantive errors, providing schools, local authorities and early years providers with certainty over their budgets, helping them to make their spending plans with confidence.

The Department updated the School Resource Management[11] offer in September 2019 to help schools reduce their costs and get value for money. Examples include:

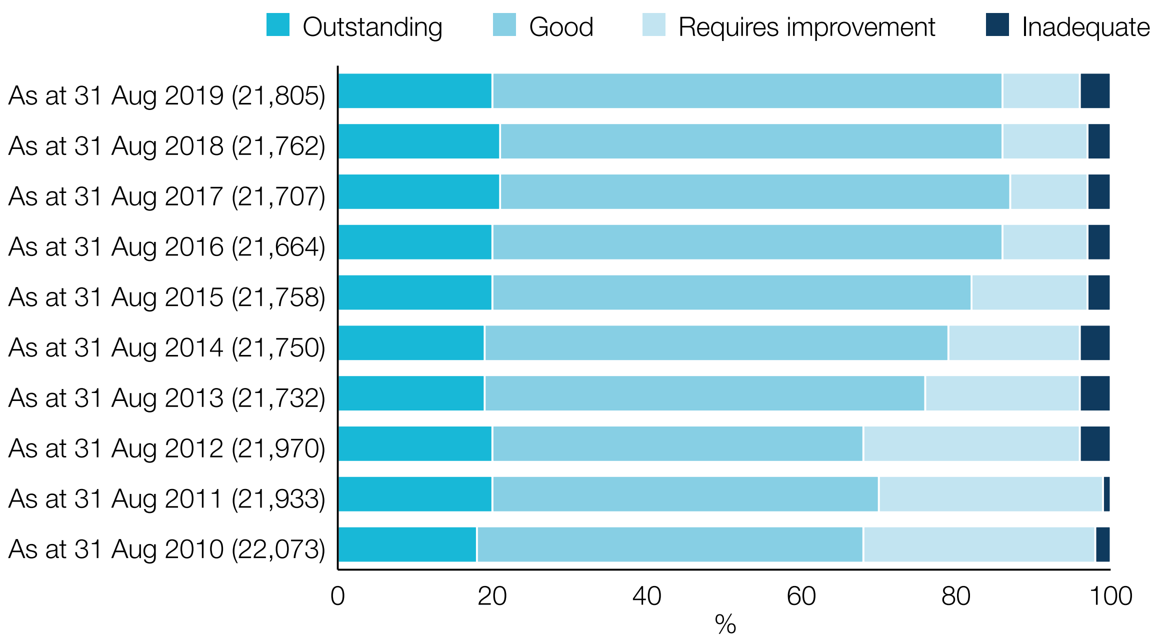
- roll-out of School Resource Management Advisors to provide expert, hands-on support to schools on using their resources effectively
- continuing with the Teaching Vacancies Service, to list teaching roles free of charge
- pilot Buying Hubs which help schools get the best value when purchasing through a range of national buying deals and end-to-end purchasing support

Access to 'good' or 'outstanding' schools

86% of schools are good or outstanding in August 2019 (August 2018: 86%)

The proportion of schools deemed to be good or outstanding overall by Ofsted was 86% as at 31 August 2019.[12] This proportion has remained stable over the last three years but prior to that had climbed steadily from 68% in 2010.

Most recent overall effectiveness of schools over time



11 https://www.gov.uk/government/collections/schools-financial-health-and-efficiency

12 https://www.gov.uk/government/statistics/state-funded-schools-inspections-and-outcomes-as-at-31-august-2019

Mental health delivery

We are delivering a joint programme with the DHSC, NHS England and Health Education England, which aims to promote good mental health and wellbeing among children and young people and provide support in and around schools and colleges.

Specifically, the programme will:

- offer training for a senior mental health lead in every school and college over a five-year period
- provide mental health support teams (MHSTs) to between 20% and 25% of the country by March 2023
- pilot a four-week waiting time for access to specialist NHS mental health services

The first **59 MHSTs**
in 25 trailblazer areas in the country to become fully operational in 2020

During 2019-20, we announced the roll-out of a further 123 MHSTs, expected to become operational in early 2021, and started the recruitment for the next wave of MHST sites in 2021.

We have also began to roll out the £9.3 million link programme training to ensure pupils struggling with mental health can benefit from more joined-up care with specialist NHS services.

Character and resilience

In November 2019, we published guidance for schools on character education,[13] to help equip young people with the knowledge they need to build confidence, resilience, empathy and employability.

The guidance supports schools as they consider the social, moral, cultural and spiritual development of pupils. From September 2019, Ofsted inspections recognise the importance of schools' provision for character education.

Build school-led system capacity

Through the Trust Capacity Fund 2019-20, we have allocated £16.4 million of funds to over 130 academy trusts nationwide, enabling multi-academy trusts (MATs) to bolster their internal capacity and incentivising MAT entry into national cold spots.

As part of our continuing efforts to build capacity within a school-led system, we have allocated £1.1 million over 2019-20 and 2020-21 to pilot a new approach to tackling entrenched underperformance.

We have set up a new type of MAT – Falcon Ed – to turn around underperforming schools facing the greatest challenges, where other academy trusts have not been able to take them on.

The pilot is starting in the North and the Lancashire and West Yorkshire regions of the country. These are areas where evidence tells us we particularly need to boost existing school improvement capacity.

We are piloting this approach over two to three years and will consider extending it further as part of our ongoing work to build system capacity.

13 https://www.gov.uk/government/publications/character-education-framework

National Leaders of Education

National Leaders of Education (NLEs) are outstanding headteachers who, together with the staff in their national support school, use their skills and experience to support schools in challenging circumstances. In addition to leading their own schools, NLEs work to increase the leadership capacity of other schools to help raise standards.

In the 2019/20 academic year, NLEs will work with up to **2,500** schools eligible for support (2018/19: 1,200 schools)

Teaching school hubs

Following an internal review of the Department's system leader programmes, we have begun a test and learn pilot of teaching school hubs to reform and strengthen the system of school leadership support.

The pilot started in February 2020 with six designated schools. Teaching schools hubs will simplify the school-led system, and will play a central role in school improvement through teacher development.

The **£10 million** 'behaviour hubs' programme to promote good behaviour in schools to be launched in Spring 2021

Exclusion from school

The Department published the externally-led Timpson Review of school exclusion and responded with the commitment to take forward an ambitious programme of action on behaviour, exclusions and alternative provision.

This will back headteachers' powers to use exclusion, enable schools to support children at risk of exclusion, and ensure excluded children continue to receive a good education.

Curriculum fund

In January 2018, the Department announced £7.7 million over five years to the Curriculum Fund to reduce unnecessary workload in curriculum planning and resourcing.

The aims of this policy are to reduce workload and improve the quality of teaching for participating schools by improving teachers' access to high-quality Complete Curriculum Programmes. These are a set of resources covering a whole key stage, made up of schemes of work, lesson plans and teacher guidance.

46% of teachers have reported a reduction in workload since using the curriculum programmes.

Focus on key subjects within the curriculum

We have established a national network of 34 English Hubs to strengthen the teaching of phonics working with up to 2,800 schools.

With an investment of £26.3 million over three years from 2018-19 to 2020-21, the English Hubs will help to increase reading standards across the country and to improve educational outcomes for the most disadvantaged pupils in reception and year 1, particularly in underperforming schools.

A recent schools snapshot survey (used by the Department to collect data on how policies are working) found 74% of primary leaders aware of the network.

Those with the highest proportion of free school meal (FSM) pupils were significantly more likely to know where their nearest hub was (61%) compared with those with the lowest proportion of FSM pupils (43%).

With a total budget of £84 million from 2018-19 to 2022-23, the National Centre for Computing Education will help upskill the teaching workforce for GCSE computing.

The Computer Science Accelerator programme, which now provides 40-hours of continuing professional development for secondary school teachers to ensure they have the knowledge needed to teach the new GSCE computer science.

Computing is the fastest growing GCSE.

80,000 pupils

sat the exam in 2019.

The programme also developed the Isaac Computing platform – a programme supporting the delivery of A Level computing to:

- improve the quality of teaching
- increase students' knowledge, skills and understanding
- better prepare students for further study, especially in universities, and employment in digital roles

We continue to ensure that children have the opportunity to study the core academic subjects at GCSE: English, maths, science, history or geography and a language – together the English Baccalaureate (EBacc).

The government's ambition is that more pupils in mainstream secondary schools enter the EBacc to provide them with a strong academic foundation that keeps options open for work and further study.

The government believes that the EBacc should be studied as part of a broad and balanced curriculum and every child should experience a high-quality arts and cultural education throughout their time at school.

In 2010, the number of pupils taking the EBacc suite of core academic subjects was only 22%.

Currently, EBacc uptake stands at 40% (38% in 2019), with more progress to be made in working towards the government's ambition that 75% of year 10 pupils in state-funded mainstream schools will study EBacc GCSEs.

In July 2019 the Department, together with DCMS and DHSC published a School Sport and Activity Action Plan[14] which set out a cross-government approach to ensure that sport and physical activity are an integral part of both the school day and after-school activities, so that all children have the opportunity to take part in at least 60 minutes of physical activity every day. A dedicated grant supports access to sporting activities for pupils with SEND.

Relationships Sex and Health Education (RSHE)

From September 2020, relationships education (all primary pupils) relationships and sex education (all secondary pupils) and health education (all pupils in state-funded schools) became compulsory.

The Department spent £1.2 million in 2019-20 and plans to spend £6 million in 2020-21 providing a central programme of support to improve teachers' confidence to teach the subjects.

The Department hopes that teaching these subjects will equip pupils for adult life and enable them to make a positive contribution to society.

14 https://www.gov.uk/government/publications/school-sport-and-activity-action-plan

Making RSHE compulsory received cross-party support for the teaching of these subjects from September 2020. Despite significant support by schools, teachers, parents and key stakeholders (including the teaching unions) there have been two protests from activists and a minority of parents at two primary schools in Birmingham, in response to teaching of LGBT content, which has received wide press coverage.

During the protests the Department was in regular contact with the relevant stakeholders, to provide support and properly understand the issues on the ground. This included Parkfield Academy, parents of pupils at the school and Birmingham City Council (BCC) (who were working directly with Anderton Park School – a local authority maintained primary school).

Departmental officials spoke directly to staff at Parkfield Academy and to parents who had concerns about teaching, supporting them to engage with each other to reach a resolution.

In May 2019 the Department held roundtables with relevant stakeholders across the country in conjunction with the National Association of Head Teachers (NAHT), to gauge the extent of parental concerns, what activity was in place to manage this and what sensible steps could be taken to support schools.

In June 2019, the Department published RSHE guides[15] for parents (in a range of languages) to explain what the new curriculum would cover at both primary and secondary level, helping to counter misinformation prevalent around the protests.

In October 2019, guidance on primary school disruption over LGBT teaching and relationship education[16] was published. This provided advice on steps to take to manage concerns and support schools in productive discussion with parents, based on lessons learned from Birmingham.

In November 2019, the Department published a Parental Engagement on Relationships Education[17] guide to help primary schools understand how to consult on their relationships education policy and avoid incidents such as the protests. This was produced in conjunction with NAHT, National Governance Association and The Association of School and College Leaders.

The Department also supported BCC in their application for an injunction against protesters at Anderton Park School.
The High Court upheld this injunction in November 2019.

The Department has continued to work with BCC and other local authorities to ensure lessons learned are shared. This included helping to convene a workshop with different local authorities, academics and officials to discuss how and why the protests arose in Birmingham.

To support schools implementing the new RSHE curriculum, the Department is investing in a central support package for schools, to increase the confidence and quality of their teaching practice. We are currently developing a new online service featuring innovative training materials, case studies and support to access resources. This will be available from April 2020 with additional content added through the summer term.

15 https://www.gov.uk/government/publications/relationships-education-relationships-and-sex-education-rse-and-health-education

16 https://www.gov.uk/government/publications/managing-issues-with-lgbt-teaching-advice-for-local-authorities/primary-school-disruption-over-lgbt-teachingrelationships-education

17 https://www.gov.uk/government/publications/engaging-parents-with-relationships-education-policy

Free schools

Free schools are state-funded schools created to meet the need for:

- pupil places
- an alternative to low-quality local provision (including through providing innovative and distinctive offers)

They deliver high-quality places where they are needed.

The total number of open free schools now stands at 507, which will provide over 320,000 places when at capacity.

65 free schools opened in 2019-20 (2018-19: 56)

School infrastructure and access to places

We are working on changes to the School Admissions Code to improve the clarity, timeliness and transparency of in-year admissions to ensure all children, especially the most vulnerable, can access a school place as quickly as possible.

We paid nearly £950 million of basic need funding to local authorities to provide the school places needed, continuing to ensure funding is targeted effectively so that all children have access to a school place.

We also gave £23.5 million to local authorities to support them in providing free home-to-school transport to disadvantaged pupils, helping to drive social mobility.

£1.3 billion of capital funding was allocated to schools and eligible bodies (such as multi-academy trusts, local authorities and voluntary aided school bodies as well as smaller single academy trusts and sixth form colleges), for the purpose of maintaining school buildings.

Delivery area 3: Post-16 and skills

Area primarily delivered by: HEFE and ESFA

Deliver T Levels

This was an important year in preparing for the first T Levels to start in September 2020. Our approach included increased engagement with employers in developing T Levels, particularly forming industry placements as a fundamental element of a successful T Level.

Considering the impact of COVID-19, providers remained committed and started to deliver T Levels in September 2020, building on all the preparation throughout the year. We continue to work with providers to meet this milestone and the first three qualifications were approved on 1 April 2020. Of the first 50 T Level providers, 48 have been delivering qualifications from September 2020, with two deferring to a later date.

During the year we:

- worked closely with the first 50 T Level providers and those delivering the next 7 T Levels in 2021, making sure we provided the right level of support and sharing best practice
- completed our consultation of Higher Technical Education (at levels 4 and 5)
- launched the review of qualifications at levels 3 and below with extensive public consultation, and started preparing for the implementation of the transition offer from September 2020

Apprenticeships

We focused on quality apprenticeships that will change the lives of apprentices and the prospects of businesses, aiming to reach three million high-quality apprenticeship starts.

During the year we:

- made significant progress moving the apprenticeship programme entirely to apprentice standards to ensure apprenticeships are occupation-focused, a commitment we first set out in 2017[18] (moving away from the old frameworks approach consolidates the routes for learners and apprenticeship standards meet the needs of employers through a blend of skills, knowledge and behaviours an apprentice needs in that occupation)
- moved non-levy paying employers into the apprenticeships system, ensuring everyone can now get an apprentice through this service

Provide real choice, quality and value for money in Post-18 education

The Office for Students (OfS) is the independent regulator of higher education (HE) in England. It aims to promote quality, choice, competition, value for money and equality of opportunity across the sector.

The OfS has applied its full regulatory regime since August 2019. As of January 2020, it had registered 391 providers but as this is the regulator's first year of operation, there are no accurate comparisons to draw against previous years.

The establishment of the OfS and its regulation of HE in England is a crucial part of the government's commitment to long-term HE reforms.

> The Office for Students has registered
>
> **391** providers since August 2019

18 https://apprenticeships.blog.gov.uk/2017/08/01/apprenticeship-frameworks-and-standards-the-main-differences/

In January 2020, the OfS published new guidance[19] to the sector aimed at driving progress in ensuring students from disadvantaged backgrounds and under-represented groups can access and succeed in HE.

In light of the COVID-19 pandemic, which has had a significant impact on the HE sector, the OfS has written to providers clarifying their regulatory requirements and minimising them where possible. OfS have adapted their approach to support providers as they seek to protect the interests of their students.

National retraining scheme

The national retraining scheme is the government's programme to help adults retrain into better jobs, and be ready for future changes to the economy, including those brought about by automation.

We have started testing the first part of the scheme, Get Help to Retrain, in six areas across England.

Alongside developing Get Help to Retrain, we have undertaken extensive user research on other aspects of the scheme whilst testing and developing the National Retraining Scheme. This research will provide valuable evidence about how we can support adults and employers.

National skills fund

Over the course of this Parliament, the government is providing £2.5 billion for a new National Skills Fund to help people learn new skills and prepare for the economy of the future.

The National Skills Fund will help ensure that businesses can find and hire the workers they need and help people fulfil their potential.

We will consult widely on the National Skills Fund, at a time when all those who have an interest in the fund are able to fully engage.

We will use these insights to build an understanding of how best to target the fund, which groups will benefit and what types of training it should cover, to ensure we can provide the best return on investment.

Institutes of Technology

Institutes of Technology (IoTs) are unique collaborations between further education colleges, universities and businesses – including Microsoft, Siemens and Nissan – set up to offer higher technical education and training (mainly at levels 4 and 5) in key sectors such as digital, construction, advanced manufacturing and engineering.

They will be backed by £290 million of government investment to fund industry-standard facilities and equipment.

The first 12 IoTs were selected through a government-led competition and 7 are now operational. A further 8 IoTs have been announced[20] and will be selected through another competition.

20 Institutes of Technology (IoTs) are being established across the country

This will enable every region of England to have a high-quality IoT to provide businesses with the skilled workforce they need to drive growth and productivity and get more people into rewarding jobs.

19 https://www.officeforstudents.org.uk/publications/transforming-opportunity-in-higher-education

20 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/866894/DfE_IoT_W2_prospectus_web.pdf

Further Education (FE)

The Further Education Commissioner and his team work with FE colleges to improve their teaching quality and financial resilience.

The team carry out assessments on FE colleges following a visit to a college whereby a report is produced which highlights where improvements are required.

The team conducted 33 diagnostic assessments on FE colleges in the 2018/19 academic year, four more than the previous year. Such assessments can support colleges in acting early and avoid the need for formal intervention.

Action has been taken or recommendations made in over 80% of the colleges visited. This has resulted in 27 colleges being supported earlier than would have been the case previously, helping to save money and protect learners.

23 colleges subject to formal intervention in 2018/19 (2017/18: 27)

The Strategic College Improvement Fund awarded 80 grants during 2018/19, helping colleges to undertake a focused quality improvement programme with a higher performing partner.

The further education insolvency regime was utilised for the first time as two colleges entered education administration.

The insolvency regime aims to protect learners and provide a structural solution to support high-quality sustainable educational provision.

Further education teaching profession

The Group has made significant progress developing and implementing the FE workforce strategy. In 2019-20, 115 industry professionals were recruited and retrained as FE teachers through Taking Teaching Further and over 3,000 individuals were supported to prepare for T Level delivery through the T Level Professional Development offer.

£39 million additional funding has been secured for 2020-21 to expand Taking Teachers Further. This will support up to 550 places, a new package of financial support for those training to teach priority subjects, and a new mentor programme that will improve the quality of support available to FE teachers.

Careers advice and guidance

Careers provision for young people is now improving as we continue to embed the 2017 careers strategy.

Through funding The Careers & Enterprise Company, who help to deliver the strategy, the number of Career Hubs has doubled from 20 to 40. Around a quarter of schools and colleges in England now benefit from being part of a Hub.

We have also provided £5.5 million to fund 1,300 training bursaries for Careers Leaders in schools and colleges across 2018-19 and 2019-20.

International reputation

With a link to delivery area 5, in March 2019, the Department published the International Education Strategy jointly with the Department of International Trade. The strategy focused on supporting sectors, from early years through to higher education, to engage internationally and increase international student numbers and the value of education exports.

In May 2019, we announced guarantees on student finance for EU nationals. EU nationals (and their family members) who start a course in England in the 2020/21 academic year or before continue to be eligible for ‘home fee’ status and student finance support from Student Finance England for the duration of their course, provided they meet the residency requirement.

We worked closely with the Home Office to introduce a new graduate visa route from mid-2021, which will support the sector to attract international students from both existing and new markets.

Higher education

The government has met its goal to increase BAME participation in higher education by 25% between 2014 and 2020. This has been measured using full-time undergraduate enrolments at UK HE providers.[21]

In 2018/19 there were 335,980 full-time undergraduate BAME enrolments at UK HEIs. This has increased by 25% from 268,250 in 2014/15.

335,980 full-time undergraduate BAME enrolments in HE 2018/19, an increase of 25% since 2014/15

21 https://www.hesa.ac.uk/news/16-01-2020/sb255-higher-education-student-statistics/numbers

Delivery area 4: Corporate transforamtion

Area primarily delivered by: HEFE and Operations Group

The Department is continuing with its culture change and leadership programme to improve the way we work so that we better achieve our priorities, meet the expectations of our users and ministers, and adapt to an increasingly complex external landscape.

This includes four transformation aims:

- being user-centred
- empowering yourself and others
- make evidence-based decisions
- delivering end-to-end

During 2019, we had a conversation with all of our people about how we 'empower ourselves and others'.

Empowerment in the Department means: treating everyone fairly with kindness and respect; understanding our role and taking responsibility for our work; supporting each other to do a great job; and being open about ourselves, our mistakes and inviting different points of view.

During the first few months of 2020 we started 'Future DfE', a Departmental-wide activity which is about asking ourselves what have we learnt about ourselves during COVID-19 and what this means for the type of organisation we wish to be, and need to be, in the future.

Staff engagement

increased to 69%

in the 2019 People Survey (2018: 65%)

The Smarter Working team have continued their work in making better and wider use of technology as well as smarter working practices.

Learning and development

increased to 65%

in the 2019 People Survey (2018: 60%)

Over 7,000 staff attended virtual training sessions with a satisfaction rate of 4.6 out of 5.

We undertook the first ever internal user research to feed into a workspace redesign at our office in Coventry and used user research and quick feedback cycles to improve each version of training offered at that location.

We have continued to take a user-centred approach to designing smarter working tools, support and training to help staff to work better across sites and virtually, by using their technology and a culture that supports trust.

91% of staff say they are trusted to carry out their job effectively in the 2019 People Survey (2018: 90%)

Delivery area 5: EU Exit

Area primarily delivered by: HEFE

The Group began its preparations for the UK's withdrawal from the EU after the 2016 referendum. During 2019 we continued to drive forward the delivery of our EU Exit programme, ensuring readiness across the Department and our stakeholders.

EU-funded education schemes such as the Erasmus+ programme and the European Social Fund have been priorities.

Preparations covered a range of policy areas, including guaranteeing and communicating the rights of EU nationals, including access to benefits and services and providing relevant information for UK nationals in the EU.

We also prepared for a range of contingency scenarios, including those relating to supplies of food and medicines as well as travel to schools.

Following the UK's withdrawal from the EU on 31 January 2020, we have established our Transition and Trade programme to prepare for the end of the transition period on 31 December 2020.

We have maximised opportunities such as the Education World Forum, the world's largest gathering of education ministers, to strengthen bilateral relationships, support trade opportunities for the UK and share ministers' priorities for education policy and reform with delegations from 100+ countries.

We have contributed actively to the education strands of the work programmes of the multilateral organisations, such as the G7 in Paris in 2019, ensuring the Department's and wider government objectives such as girls' education were progressed in these forums.

We led the education contribution to the cross-government Voluntary National Review of the Sustainable Development Goals and have delivered and extended a programme to provide funding for international school trips, focused on disadvantaged pupils.

Led the UK's participation in education work strand in the G7 ensuring the government's objectives such as girls' education were progressed

Non-financial matters

Social matters

The Department launched a five-year Diversity and Inclusion Strategy in 2018, which has the ambition of making the Department the most inclusive department and focuses on creating an environment where everyone is able to bring their whole self to work and where honesty, challenge and innovation are encouraged and valued. The strategy builds on the Civil Service Diversity and Inclusion Strategy launched in 2017.

The Department has featured 22nd in the Social Mobility Employer Index. We are still a Stonewall champion and we will be submitting an application for the Employer Index in 2020. The Best Employers for Race have named the Department as an exemplar. The Department has 12 active diversity and inclusion employee networks involved in the delivery of the strategy.

The Department actively promotes volunteering and has agreed to introduce 12 days of special leave for people who volunteer to be special constables. We have a good employment offer of up to eight days paid special leave for volunteering. Employees are encouraged to volunteer to support a range of social causes at local and national level.

Respect for human rights

The Department values human rights and equality and diversity are central components of its activities and societal objectives.

This includes compliance with obligations established by the *Equality Act 2006* in the context of employment, in which:

- people's ability to achieve their potential is not limited by prejudice or discrimination
- there is respect for and protection of each individual's human rights
- there is respect for the dignity and worth of each individual
- each individual has an equal opportunity to participate in society
- there is mutual respect between groups based on understanding and valuing diversity, and on shared respect for equality and human rights

Modern slavery

On 26 March 2020 the government published a Modern Slavery Statement[22] which set goals for ministerial departments to achieve over 2020-21. We are committed to implementing these goals and are already taking measures to identify, mitigate and manage modern slavery risks in our supply chains. An anti-slavery advocate will be appointed by October 2020 within the Commercial Directorate to provide senior level oversight on progress and collaborate across government to share best practice.

We have utilised Cabinet Office advice to develop tools and guidance to support commercial delivery staff to take a proportionate, risk-based approach throughout the end-to-end procurement process. Commercial staff have undergone training to identify, mitigate and manage modern slavery risks and will participate in on-going training developed by Crown Commercial Service, Cabinet Office and Home Office.

Key performance indicators will be developed and applied across high-risk categories to measure success and areas for improvement. By 30 September 2021 we will publish a modern slavery statement for 2020-21 which will describe the Department's implementation of the goals set by government.

22 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/875800/UK_Government_Modern_Slavery_Statement.pdf

Anti-corruption and anti-bribery matters

The Group is committed to upholding high standards of honesty and integrity in all its activities. We operate a zero-tolerance approach to bribery and corrupt activities and mandate employee training to highlight personal responsibilities to tackle bribery and corruption in accordance with the *Bribery Act 2010*. The Department has a Standards of Behaviour Policy, which establishes clear expectations for employee conduct and behaviour. This covers bribery, fraud and theft.

We have adopted a Raising a Concern approach to dispute resolution which makes it clearer to employees what processes they need to follow if they have an issue they want to be heard. This encourages any suspicions of wrongdoings in cases of bribery, fraud and theft are reported and fully investigated using this more robust, transparent approach.

Support for whistleblowing has remained a high priority in the Department. In the last 12 months, of the 14 whistleblowing cases, one involved fraud which is currently being investigated and four mentioned being influenced by improper pressure/personal gain. Of these four cases, all were resolved, and it was found that there was no case to answer. Annex B has more information on whistleblowing.

Devolution

We fully support the government's strategy to maintain and strengthen the Union and to work effectively with the Devolved Administrations (DAs) in ways that deliver clear benefits to all four nations. We firmly believe that there is much to be gained from working with the DAs and much that we can learn from one another. We have a Devolution Engagement and Capability Plan which builds on this belief and sets out how we support our ministers' objectives for maintaining effective collaboration and engagement with the DAs.

Although education, children's services and skills are mainly devolved, the Department works with the DAs in a number of important ways, including liaising on domestic policies which require cross-border co-operation, consultation and co-ordination, exchanging policy ideas and sharing best practice.

This year, there were a number of benefits through co-operation with the DAs, which included:

- 'Four Nations' meetings which provide a forum for policy dialogue and exchange of ideas and where challenges are shared across the UK, for instance, addressing teacher workload
- successful collaboration has enabled schools in Northern Ireland, Scotland and Wales being able to access our recommended national deals, such as for energy efficiency and office supplies
- participation in the One Civil Service Interchange schemes, which enables our staff the opportunity to work-shadow colleagues in the other nations

Key risks

Our key risks are those that, if materialised, would have significant impact on our Departmental objectives. Each individual key risk is owned at Director General level, managed on a day-to-day basis in the relevant director's area, and regularly reported (top tier report) through our corporate level committee structure. Further information on our risk management framework can be found in the Accountability Report on page 96.

The key risks summarised below do not include COVID-19 because of the timing of its emergence in March 2020. The Department's initial response at the end of the 2019-20 financial year was not managed alongside the existing risks described below. The scale and potential impact of COVID-19, and the co-ordinated government response, meant that risks arising from COVID-19 were managed separately. This approach changed in 2020-21, when the Department fully incorporated its management of COVID-19 risks into its existing risk management framework. In addition, a new COVID-19 board was constituted as a sub-committee to the Leadership Team.

Over the year, before the arrival of COVID-19 in March 2020, we have seen a gradual reduction in the total number of non-COVID-19 risks included in the Department's top tier report from 23 to 19. As described above in the COVID-19 section our 2019-20 COVID-19 response was managed away from the formal risk management process. This changed in 2020-21 and will be described in our 2020-21 ARA.

Of those risks highlighted in last year's ARA, the financial resilience of further education colleges, not having sufficient levels of high-quality teachers and high needs costs remain significant risks.

The risk relating to apprenticeship delivery and budget challenges reported last year has reduced in severity through the year as a result of financial pressure predictions for these areas now judged less likely to be realised in the short term. However, we expect COVID-19's emergence immediately in the months before the year end may reverse the improvement in 2020-21. Over the 2019-20 year, the risk of cyber security threat has remained stable in terms of severity. Progress has been made through the year with an ongoing co-ordinated programme of works to strengthen controls.

Regarding the risk of widespread children's service failure, the intervention programme has been effective and remains ahead of trajectory to meet targets set. Positive progress has been made on school resource management through the year, and this in conjunction with the Spending Review funding increase has led to an improving position at year end.

It should also be noted that during the year a number of EU-related risks were held within the top tier risk report. Focus was mainly on the potential impact of a no deal exit and included Erasmus+. While not closed, these risks have seen a reduction in severity as at the year end.

Significant risks that have been managed during 2019-20 include the following:

Risk	Mitigation	Direction	Relative severity
A significant number of further education colleges are not financially resilient enough to make the long-term investments required. **Risk owned by HEFE**	This relates to further education colleges and their ability to support the local economy and offer a comprehensive range of government priority programmes. The reduction of the overall risk reflects improved 16-19 funding and stronger preventative tools. An enhanced system of college support and monitoring has been introduced, with increased emphasis on preventative action. Government intervention has been further strengthened, with insolvency now integrated into a single framework of college oversight. Improvements have been made to financial information provided by colleges through financial plans and forecasting. Securing capital investment in the college estate and the overall outcome of the Spending Review for FE will drive the overall level of risk beyond 2020-21. This remains one of our significant risks, however the severity does fluctuate.	Downward trend	High H
Schools have an insufficient number of high-quality teachers resulting in poor educational outcomes for pupils. **Risk owned by EYSG**	This remains a risk to the government's objective that all children and young people have access to a high-quality education. Following the Teacher Recruitment and Retention Strategy published in January 2019 we have made progress in a number of areas. We are recruiting increasing numbers of trainees each year and are working to improve the attractiveness of the profession. We believe that the projects and programmes we are delivering as part of the strategy are the appropriate course of action to take to mitigate the risk, and allow us to be in an improved position in relation to the teaching workforce. Key actions we have taken include taking forward the 2020 teacher pay award (the proposal to allow salaries for new teachers to rise to £30,000 by 2022-23). Access to the Teacher Vacancies service has improved, with new functionality to improve user journey. Our schedule of programmes continues, with the roll-out of the Early Career Framework on-track, and our national marketing and communication campaign continues to offer practical assistance to both new recruits and those returning to the profession. On workload, the 2019 Teacher Workload Survey reported that teachers, middle and senior leaders' working hours had fallen by five hours per week since 2016. This suggests that the Department's work with the profession to tackle workload is starting to make a real difference in schools. Further steps on tackling workload include enhancements to the online toolkit which provides tools and practical advice for managing workload challenges.	Stable	High H

Risk	Mitigation	Direction	Relative severity
We fail to have in place enough critical resource to deliver Corporate Services Reform Programme (CSRP) activities. Risk owned by Operations Group	CSRP is a key transformation programme delivering change across the Department's corporate services including HR, financial, and commercial systems. This risk was escalated during Q3 2019-20 and relates to specialist resource to support delivery go-live during Q1 2020-21. Key roles have now been identified and recruitment is in progress including knowledge retention plans. This risk is expected to be relatively short term and reduce in severity over the next period. Risk will be closed when the programme is completed.	Stable	High H
We are unable to deliver timely and accurate 2020/21 allocations to the education and skills sectors. Risk owned by ESFA	This risk was escalated during the latter half of 2019-20 to reflect the impact of Spending Review timing, General Election and associated policy decisions and changes. We established a communication plan to enable close co-ordinated working with the sector, collaborated with policy colleagues and ensured sufficient information was made available at the right time to inform decisions and planning. This included publishing key policy information and securing timely ministerial decisions. The timely announcement of the 2020/21 Dedicated Schools Grant allocations in December and securing key decisions had a positive effect and the risk has been de-escalated. ESFA are still managing a low risk to a subset of the sector, as by end February 2020 a small number of local authorities are yet to finalise budgets.	Downward trend	Medium M
High needs costs increase significantly more than available funding. Risk owned by SCMD/EYSG	Building on work in the previous year the Department secured a three-year schools settlement in the 2019 Spending Round, including an additional £780 million for high needs in 2020-21. For 2021-22 we have increased high needs by £730 million (compared to 2020-21), which represents a 10% increase. This comes on top of the additional £780 million in 2020-21, which means high needs budgets will have grown by over £1.5 billion, or 24% in just two years since 2019-20. High needs funding for 2020-21 and 2021-22 has yet to be decided. Officials have continued work with local authorities, both to understand how funding is best deployed and costs managed, and to advise on remedial action that might be taken. Despite these measures, the future sustainability of the system remains fragile, and a review of the SEND system has been launched to consider more fundamental changes.	Stable	High H

COVID-19 impact

In early 2020 we began to consider in greater depth the potential impact of COVID-19 on our existing risk profile along with its creation of new and emerging risks. The total number of top tier risks initially increased from 19 to 21, with 10 of the existing risks increasing in severity as a result of COVID-19 impact assessment. This included risks in relation to higher education financial stability and the ability of the SLC to deliver its core operational service.

Of the specific risks reported in the above table, increases in risk severity in early 2020-21 were seen for both the financial stability of further education colleges and high needs cost.

In addition to existing risks, in early 2020-21 we started to see the emergence of new risks specifically related to the impact of COVID-19 which continue to be monitored as part of the top tier reporting. These include risks related to our capital delivery programme, key commercial supplier failure, vulnerable children and young people, and children's mental health and wellbeing.

Charities Act reporting

The Department has a requirement under the section 70 of the *Charities Act 2006* to disclose instances where the Group has provided financial assistance to charitable, benevolent or philanthropic institutions. The spending disclosed below does not represent the total amount of grant funding to these sectors, as many grants have been paid out under alternative legislation.

The following grants were made:

Advance HE – £27,000

During 2019-20 the Department awarded £27,000 to Advance HE who have been managing the safe campus communities website. This strand of work links to two of the Department's strategic priorities: to build resilience in further and higher education, and to support and protect staff and students.

US-UK Fulbright Commission – £1,000,000

Grants totalling £1 million were made to support the work of the commission in awarding Fulbright Scholarships.

The Universities and Colleges Admissions Service – £67,000

During 2019-20 the Department awarded £67,000 to The Universities and Colleges Admissions Service. This grant was to maintain and improve counter-fraud activity and capability of UCAS's Verification Service, and to support co-ordination activity between UCAS and public bodies with a role in higher education counter-fraud.

The Group's status as a going concern

The Group is expected to continue as a going concern for the foreseeable future and is not aware of any information or events, either during 2019-20 or following the year end including COVID-19, that may affect this status.

Budgets for central government departments are collectively agreed in Spending Review exercises overseen by HMT. The Chancellor has confirmed that a Spending Review will take place in 2020 to agree funding for future years. The Spending Review settlement will be confirmed by a vote in Parliament for Supply and Appropriation Acts. There is no reason to believe this process will not continue even in light of the ongoing COVID-19 response. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Susan Acland-Hood
Acting Accounting Officer

22 October 2020

Accountability report

Accountability report

The accountability report sets out how we meet the key accountability requirements to Parliament. It is broken down into three areas:

- the corporate governance report which provides an overview of the Group's leadership and our risk management approach
- remuneration and staff report which details remuneration and staff expenses and policies
- parliamentary accountability which contains the Statement of Parliamentary Supply, associated notes, and audit certificate

Corporate governance report

The purpose of the corporate governance report is to explain the composition and organisation of the Department's governance structures and show they support the achievement of the Department's objectives.

Directors' report

Ministers and the board

Ministers at 31 March 2020

The Rt Hon Gavin Williamson CBE MP
Secretary of State for Education

(from 24 July 2019)

Overall responsibility for the Department for Education.

The Rt Hon Nick Gibb MP
Minister of State for School Standards

Responsible for the recruitment and retention of teachers, supporting a high-quality teaching profession, admissions, national funding formula for schools, curriculum, assessment, school accountability, personal, social health and economic education, preventing bullying in schools, behaviour and attendance, exclusions and alternative provision policy.

Lead minister for the Departmental board.

NDPB responsibility: STRB

Michelle Donelan MP
Minister of State for Universities

(from 13 February 2020)

Responsible for universities and higher education reform, higher education student finance, widening participation in higher education, Teaching Excellence Framework, higher education quality, education exports (including international students), Opportunity Areas, and tackling extremism in higher education.

Minister Donelan shares the strategy for post-16 education with Minister Keegan.

NDPB responsibility: SLC, OfS

Baroness Berridge
Parliamentary Under Secretary of State for the School System

(from 14 February 2020)

Responsible for free schools, university technical colleges and studio schools, academies including governance, faith schools, independent schools, home education and supplementary schools, interventions, school capital investment, school efficiency, and counter extremism and integration in schools.

Baroness Berridge was also appointed Parliamentary Under Secretary of State (Minister for Women) at the Department for International Trade on 13 February 2020.

NDPB responsibility: Aggregator Vehicle PLC, LocatED

Gillian Keegan MP
Parliamentary Under Secretary of State for Apprenticeships and Skills

(from 14 February 2020)

Responsible for apprenticeships, technical education and skills, T Levels and qualifications review, further education workforce, careers education, further education provider market (including quality and improvement), Institutes of Technology and National Colleges, and reducing the number of young people who are not in education, employment or training.

Minister Keegan shares the strategy for post-16 education with Minister Donelan.

NDPB responsibility: IFATE, CITB, ECITB, FITB

Vicky Ford MP
Parliamentary Under Secretary of State for Children and Families

(from 14 February 2020)

Responsible for children's social care and its workforce, children in care, families, SEND and high needs, disadvantage and social mobility, school food (including free school meals), alternative provision, early years policy, childcare policy, mental health, online safety and preventing bullying in schools, and serious violence.

NDPB responsibility: OCC, SMC, SWE

Our management

We are committed to ensuring our board has the right skills and experience to enable challenge and breadth in our strategic thinking. The Department's closing board membership, as at 31 March 2020, is shown in the photomontage below.

Key

- D Departmental Board
- I Implementation Committee
- L Leadership Team
- A Audit and Risk Committee
- N Nominations Committee
- I Implementation Committee Chair
- L Leadership Team Chair
- A Audit and Risk Committee Chair
- N Nominations Committee Chair

Jonathan Slater
Permanent Secretary
Accounting Officer

D I L N

Skills and experience
Jonathan's previous roles in government include being Director General at Cabinet Office, Ministry of Defence and Ministry of Justice.

Appointment
May 2016

Departure
1 September 2020

Indra Morris CB
Director General, Social Care, Mobility and Disadvantage Group

D I L

Skills and experience
Indra was previously Director General at both HM Treasury and Ministry of Justice.

Appointment
January 2017

Mike Green CB
Chief Operating Officer and Director General, Operations Group

D I L

Skills and experience
Mike was formerly the Director of Capital for ESFA and Director of Commercial in the Department. Before joining the Civil Service, Mike was a civil engineer and spent his career in the private sector in construction and retail.

Appointment
October 2017

Paul Kett
Director General, Higher Education and Further Education Group

I L

Skills and experience
Paul has experience in strategy, policy and project delivery. Previous roles include Director of Army Reform for the British Army.

Appointment
February 2017

Andrew McCully CB OBE
Director General, Early Years and Schools Group

I L

Skills and experience
Andrew has had a 32-year career in the Civil Service and has held a wide range of senior posts.

Appointment
September 2010

Eileen Milner
Chief Executive, Education and Skills Funding Agency

I L

Skills and experience
Eileen has held a number of senior roles in the technology and public services advisory space. She began her career in local government, specialising in education services, later moving into higher education.

Appointment
November 2017

Jonathan Clear
Chief Financial Officer (joint role with Iain King) and Director of Strategic Finance, Operations Group

D I L

Skills and experience
Jonathan is a qualified accountant with previous senior finance roles at Department for Work and Pensions and Ministry of Justice.

Appointment
October 2017

Iain King
Chief Financial Officer (joint role with Jonathan Clear) and Director of Operational Finance, Operations Group

Skills and experience
Iain is a qualified accountant with previous senior finance roles at Department for Business, Energy and Industrial Strategy and Department for Business, Innovation and Skills.

Appointment
October 2017

Richard Pennycook
Lead non-executive board member

D I N A

Skills and experience
Richard is chair of Howdens Joinery and the British Retail Consortium

Appointment
October 2017

Baroness Ruby McGregor-Smith CBE
Non-executive board member

D I N

Skills and experience
Ruby was formerly the Chief Executive of the Mitie Group, a strategic outsourcing company, and was the first Asian woman to be appointed to such a role in the FTSE 250 or FTSE 100. Ruby received a CBE in 2012.

Appointment
December 2015

Ian Ferguson CBE
Non-executive board member

D I N A

Skills and experience
In 1981, Ian founded Metaswitch Networks, a company that develops telecommunications software. Ian received a CBE for services to education and training in 2005.

Appointment
January 2016

Toby Peyton-Jones
Non-executive board member

D I N

Skills and experience
Toby has held a wide variety of leadership roles within Siemens, working in China, USA and Europe. He has been an industry champion for education and skills, a role he continues to perform on behalf of Siemens today. He was a commissioner in the UK Commission for Employment and Skills and is currently a board member at the IFATE.

Appointment
November 2018

Irene Lucas CBE

Non-executive board member

D I N

Skills and experience

Irene is the chair of the Hays Travel group, a board member of Sport England and the Academy for Sustainable Communities. She was previously a Director General at the Department of Communities and Local Government. Irene received a CBE for services to local government in 2008.

Appointment

November 2018

Nick Timothy CBE

Non-executive board member

D I N

Skills and experience

Nick is a visiting Professor at the University of Sheffield, and formerly a Director of the New Schools Network, a charity that helps people to set up free schools. He is an author and a member of the Birmingham 2022 Commonwealth Games Organising Committee. He has extensive experience across Whitehall and Westminster.

Appointment

March 2020

Indra Morris assumed the temporary role of Deputy Permanent Secretary from January 2019 – September 2019. Indra also had delegation from HMT to assume Accounting Officer duties when needed.

Ministers and officials appointed in 2019-20

Rt Hon Gavin Williamson CBE MP was appointed Secretary of State for Education.

In July 2019, Kemi Badenoch MP was appointed as Parliamentary Under Secretary of State for Children and Families. From September 2019 to February 2020, Michelle Donelan MP provided maternity cover for this role. In February 2020 Vicky Ford MP was appointed as Parliamentary Under Secretary of State for Children and Families.

In February 2020, Michelle Donelan MP took on a new portfolio and was appointed as Minister of State for Universities.

Gillian Keegan MP has been appointed as the Parliamentary Under Secretary of State for Apprenticeships and Skills.

Baroness Berridge has been appointed as Parliamentary Under Secretary of State for the School System.

During the year, Chris Skidmore MP and Rt Hon Jo Johnson MP were both separately appointed as the Joint Minister of State for Universities, Science, Research and Innovation with BEIS.

The Department appointed one new non-executive board member, Nick Timothy, giving the Department a full team of six non-executives. Nick will serve on the Implementation Committee and Nominations Committee along with the rest of the non-executive team.

Departing ministers and officials in 2019-20

Ministers and officials who left in the year are given below:

Ministers	Date to or from	Position
Rt Hon Damian Hinds MP	to 23 July 2019	Secretary of State
Rt Hon Anne Milton MP	to 23 July 2019	Minister of State for Apprenticeships and Skills
Nadhim Zahawi MP	to 26 July 2019	Parliamentary Under Secretary of State for Children and Families
Rt Hon Jo Johnson MP	from 25 July 2019 to 5 September 2019	Joint Minister of State for Universities, Science, Research and Innovation with BEIS
Chris Skidmore MP	to 24 July 2019 and from 10 September 2019 to 13 February 2020	Joint Minister of State for Universities, Science, Research and Innovation with BEIS
Lord Theodore Agnew	to 13 February 2020	Parliamentary Under Secretary of State for the School System
Kemi Badenoch MP	from 27 July 2019 to 13 February 2020	Parliamentary Under Secretary of State for Children and Families
Executive board member	**Date to**	**Position**
Emran Mian	30 September 2019	Interim Director General of Strategy and International Group

Movement in officials in 2020-21

On 21 August 2020, to ensure that the government was able to respond fully to exam results, whilst also ensuring the return of schools in September, Susan Acland-Hood was appointed as Second Permanent Secretary at the Department on a temporary basis for six weeks to lead the government's response on exams.

On 1 September 2020 Jonathan Slater stepped down from his role as Permanent Secretary. Susan Acland-Hood took over as Acting Permanent Secretary and Acting Accounting Officer for the duration of the recruitment period to replace Jonathan. As Accounting Officer when this ARA was published, Susan has signed the ARA in place of Jonathan.

On 1 September 2020 Lucy Smith was appointed as Director General, COVID Response and Schools Recovery Group for a period of three months.

Register of interests

The Department maintains a register of interests to ensure that potential conflicts of interest can be identified. Executive and non-executive board members are required to declare details of company directorships and other significant interests, on appointment to the board and on an annual basis. The Department publishes the register[23] annually alongside its ARA.

Details of directorships and other significant interests held by ministers are set out in the Register of Members' Interests for MPs, and the Register of Lords' Interests. Both registers can be found on the UK Parliament website.[24]

Data management

	2019-20	2018-19	2017-18
Number of incidents	3	2	2

There were three protected personal data related incidents in 2019-20 which were reported to the Information Commissioner's Office.

Further detail on data security and compliance is in annex A.

Department spending

Remuneration paid to auditors for non-audit work

The audit of the Group and its component entities, except for Aggregator Vehicle PLC, was undertaken by the Comptroller and Auditor General (C&AG). Aggregator Vehicle PLC is audited by KPMG LLP.

	2019-20	2018-19	2017-18
	£000	£000	£000
Non-audit fees	-	-	47

Note: All costs are at Group level

23 https://www.gov.uk/government/collections/dfe-annual-reports

24 http://www.parliament.uk/mps-lords-and-offices/standards-and-interests

Political donations and expenditure

The Department has not made any political donations during the year (2018-19: £nil).

Research spending

	2019-20	2018-19	2017-18
	£m	£m	£m
Department	27.0	29.0	19.6
Agencies	-	0.3	1.0
NDPBs	0.1	0.6	2.0
	27.1	**29.9**	**22.6**
Of which:			
central research	4.0	6.2	5.1
policy units/policy evaluation research	23.1	23.7	17.5

Total research expenditure for the Department during 2019-20 is £27.1 million (2018-19: £29.9 million); this comprises £4 million (2018-19: £6.2 million) from the central research budget and other operational areas (original research), and £23.1 million (2018-19: £23.7 million) from policy units (policy evaluation research).

The above figures show that the Group has spent broadly the same on research during 2019-20 compared with 2018-19. The Group completed a ministerial review of how the Department prioritised filling evidence gaps between November 2019 and February 2020. This meant there was a pause in commissioning new research projects which reduced new spend during this time.

The central research budget funds research and evaluation studies that shape and influence policy delivery around education, further and higher education and social care. Key research strands during the year were: International Evidence, including International Early Learning and Child Well-being Study; Teaching and Learning International Survey (TALIS); Trends in International Mathematics and Science Study; Programme for International Student Assessment (PISA); Study of Early Education and Development; the Longitudinal Study of Young People in England: Cohort 2; and numerous smaller-scale research projects.

In the future, the Department is looking to consolidate spend on research and development into one budget which will improve monitoring of spend, reporting, ensuring spend being appropriate and to make savings if and where appropriate to do so. Further details of the Department's research strands are available online.[25]

Financial instruments and exposure to risk

As the cash requirements of the Group are met from the Consolidated Fund, through the Parliamentary Supply 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. However, the Group is exposed to some level of risk generated by the Department's student loan portfolio, which is classified as a financial instrument.

Further information on the risks associated with financial instruments are set out at note 10.

25 https://www.gov.uk/government/organisations/department-for-education/about/research

Board's declaration

So far as I am aware, there is no relevant information of which the external auditors are unaware. The board members and I have taken all appropriate steps to become aware of any relevant audit information, and to establish that the external auditors are suitably informed.

Statement of Accounting Officer's responsibilities

Under the *Government Resources and Accounts Act 2000* (GRAA), HMT has directed the Department for Education to prepare, for each financial year, consolidated resource accounts detailing the resources acquired, held or disposed of, and the use of resources during the year by the Department (inclusive of its Agencies) and its sponsored non-departmental public bodies (NDPBs) designated by order made under the GRAA by *Statutory Instrument 2018/313* (together known as the Group, consisting of the Department and sponsored bodies listed at note 23). The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department and the Group and of the net resource outturn, application of resources, changes in taxpayers' equity and cash flows of the Group for the financial year.

In preparing the accounts, the Accounting Officer of the Department is required to comply with the requirements of the government's *Financial Reporting Manual* (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
- ensure the Department has in place appropriate and reliable systems and procedures to carry out the consolidation process
- make judgements and estimates on a reasonable basis, including those judgements involved in consolidating the accounting information provided by non-departmental and other arm's length public bodies
- state whether applicable accounting standards as set out in the FReM have been followed, and disclose and explain any material departures in the accounts
- prepare the accounts on a going concern basis
- confirm that the ARA as a whole is fair, balanced and understandable and take personal responsibility for the ARA and the judgements required for determining that it is fair, balanced and understandable

HMT has appointed the Permanent Secretary as Accounting Officer for the Department for Education.

The Accounting Officer of the Department has also appointed the Chief Executives (or equivalents) of its sponsored NDPBs as Accounting Officers of those bodies. The Accounting Officer of the Department is responsible for ensuring that appropriate systems and controls are in place to ensure that any grants that the Department makes to its sponsored bodies are applied for the purposes intended and that such expenditure and the other income and expenditure of the sponsored bodies are properly accounted for, for the purposes of consolidation within the resource accounts.

Under their terms of appointment, the Accounting Officers of the sponsored bodies are accountable for the use, including the regularity and propriety, of the grants received and the other income and expenditure of the sponsored bodies.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the Department and its NDPBs are set out in *Managing Public Money* published by HMT.

The combined Accounting Officer System Statement[26] for the Department and the Teachers' Pension Scheme (England and Wales) was published in July 2019. As the Accounting Officer for both bodies, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that Department's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

26 https://www.gov.uk/government/publications/department-for-education-accounting-officer-system-statement

Governance statement

Overview

Our governance statement sets out our governance, risk management, the assurances I have received, as Principal Accounting Officer, and our compliance with HMT's *Corporate governance in central government departments: code of good practice*.

Prior to my appointment, on 1 September 2020, this responsibility was held by my predecessor, Jonathan Slater, and I have taken assurance from him that there was a sound system of internal controls during the period covered by this ARA.

How we are structured

The Department for Education is a ministerial department that is supported by and works with 16 agencies and public bodies, as listed in note 23, who assist the Department in implementing its policies and achieving its aims and objectives. The agencies and public bodies consist of executive agencies, executive NDPBs, advisory NDPBs and other organisations.

The Agencies are part of the Department and are well-defined business units which carry out executive functions within government. They have a clear focus on delivering specific outputs within a framework of accountability to ministers.

The executive or advisory NDPBs have a role in the processes of national government, but are not a government department or part of one, and which accordingly operate to a greater or lesser extent at arm's length from ministers. NDPBs have different roles, including those that advise ministers and others, which carry out executive or regulatory functions, and they work within a strategic framework set by ministers.

As the Permanent Secretary and Accounting Officer for the whole group, I have responsibility for reviewing the effectiveness of the Group's systems of internal control. The 2019-20 review was informed by the senior management team (including Accounting Officers for Agencies and NDPBs, who have responsibility for the development and maintenance of their internal control frameworks), Government Internal Audit Agency (GIAA), and comments made by the NAO in its management letter and other reports. The serving Permanent Secretary required each Director General, and the heads of certain other units who report directly to him, to complete an annual assurance return covering risk management, the operation of related controls in their areas of responsibility, and their use of resources allocated to them.

This supplemented the regular reporting to the Leadership Team on the stewardship of risks and budget managers' assurances that the budgets under their control were spent for the purposes voted by Parliament, within the rules of financial propriety and regularity, and with due regard for value for money. The main findings are summarised within this statement below.

During 2019-20, the ARC regularly reviewed management of issues and near misses, and provided guidance on matters of risk and assurance. It scrutinised the Group's internal audit plan, findings from reports and progress with follow-up actions. ARC also regularly reviewed recommendations from Public Accounts Committee and value for money reports and arrangements for managing incidents of fraud, error and debt.

Other sources of assurance were local authority Chief Finance Officers (through the submission of a return under section 151 of the *Local Government Finance Act 1972*), individual academy trust Accounting Officers, Ofsted, and the Accounting Officers of our NDPBs and Agencies. These Accounting Officers reported either directly to me or to me via the ESFA on the probity and appropriateness of the use of Group funding allocated to them.

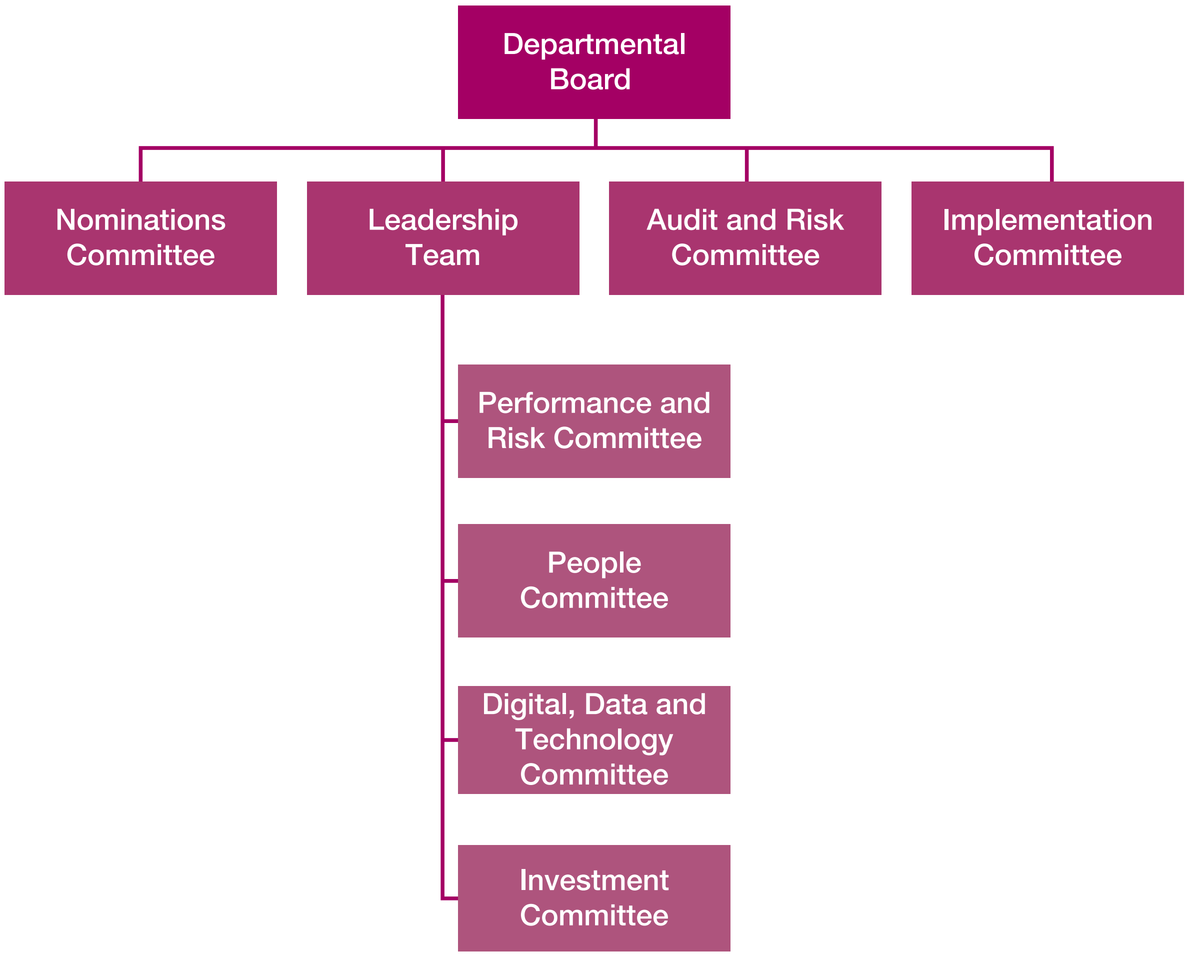
The Department's Accounting Officer System Statement, describing the main systems of accountability for education and children's services, was first published in September 2012 and has been periodically reviewed to maintain its currency. The latest edition was published in July 2019.

The board and its committees receive management information covering a variety of disciplines to enable them to monitor the performance of the Department.

This includes: financial and workforce data, indicators of progress against the Department's priorities and information on risk. The senior executive team, with challenge from other board members, continually monitor the quality of the information supplied to ensure that it is of the right quality to enable decisions to be based on evidence.

The Department's governance structures

In the reporting year 2019-20 a review of Departmental governance was completed. The findings were largely positive and, as a result, the Department's governance structures remained broadly unchanged.



Departmental Board

Overview

The board had planned to meet four times during this financial year. Two of these meetings were cancelled, the first due to the 2019 General Election and the second due to the unprecedented circumstances of the COVID-19 pandemic.

During this time sub-committees provided effective operational leadership, scrutiny and challenge. The board will re-convene early next financial year to provide strategic leadership and provide advice, as the Department supports the education sector as it rebuilds and develops a renewal agenda post-pandemic.

The board is chaired by the Secretary of State and membership comprises of the Minister of the Board, the Permanent Secretary, two Directors General, the Strategic Finance Director and the non-executive board members. All junior ministers have a standing invitation to attend the board meetings.

Key duties

The Departmental Board provides the collective strategic and operational leadership of the Department. It is supported by the Implementation Committee, Audit and Risk Committee, Leadership Team and the Nominations Committee.

This year

Significant items the board considered were:

- commercial approach to the school's resource management
- Departmental strategy
- Departmental performance
- the Department's approach to business planning, budget setting and the Star Chamber review
- the Department's risk appetite statement
- the purpose of the board

Outcomes

- The board agreed that addressing disadvantage should be a focus for the Department's long-term strategy and that brokering effective relationships with regional employers would be critical.
- The board supported the Schools Resource Management work to maximise purchasing power across the sector.
- The Department's non-executive board members would take an increasingly active role, to provide early advice on policy implementation, delivery challenges and to support the Department's transformation.
- The Department's risk appetite statement was approved.
- The board considered and approved the Department's approach to business planning and the Star Chamber process. Both were scrutinised to ensure that resources would continue to be aligned to the Department's strategic objectives.

Attendance at meetings

Attendance records for members, but not attendees, are given below:

Member	Meetings attended (out of possible)
Ministers	
Rt Hon Gavin Williamson MP	1/1
Rt Hon Damian Hinds MP	1/1
Rt Hon Nick Gibb MP	2/2
Rt Hon Anne Milton MP	1/1
Non-executive board members	
Richard Pennycook	1/2
Ian Ferguson	2/2
Baroness Ruby McGregor-Smith	1/2
Irene Lucas	2/2
Toby Peyton-Jones	2/2
Nick Timothy	-/-
Senior officials	
Jonathan Slater	2/2
Indra Morris	2/2
Mike Green	2/2
Jonathan Clear	2/2

Nick Timothy was appointed in March 2020, after the final meeting of 2019-20 was held.

Implementation Committee

Overview

Meeting at least five times a year, the Implementation Committee supports the board by scrutinising the Department's performance and delivery, both in the wider sense and in the context of particular projects and issues. It is chaired by the lead non-executive board member and consists of the Permanent Secretary, Directors General, the non-executive board members, Director of Strategic Finance, Director of Strategy, Social Mobility and Disadvantage, the Chief Analyst and the Head of Delivery Unit.

Key duties

The Implementation Committee has an overview of the Department's overall performance, taking into account the wider agenda and the Secretary of State's priorities. The committee advises the board on the delivery of the Department's strategy, providing independent assurance that the Department has in place the necessary conditions for success, and the capability and capacity to deliver.

This year

Significant items discussed by the committee were:

- Opportunity Areas
- children's social care
- apprenticeship levy
- commercial transformation

Outcomes

- The committee noted progress on reducing the number of local authorities and reviewed the timetable for work to prepare for the 2020 Spending Review.
- The committee received an update on the Spending Round and the August 2019 Settlement in addition to an update on capital budgets in early 2020.
- The committee offered expertise to the commercial transformation project, ensuring they had the support and contacts they need to make it a success.
- The committee has also participated in a series of Futures Thinking sessions and contributed its views on the strategic drivers for change to inform the future readiness of the education system.

Attendance at meetings

Attendance records for members, but not attendees, are given below:

Member	Meetings attended (out of possible)
Non-executive board members	
Richard Pennycook	6/6
Ian Ferguson	6/6
Baroness Ruby McGregor-Smith	5/6
Toby Peyton-Jones	4/6
Irene Lucas	3/6
Nick Timothy	-/-
Senior officials	
Jonathan Slater	4/6
Indra Morris	3/6
Paul Kett	4/6
Andrew McCully	5/6
Eileen Milner	5/6
Mike Green	4/6
Emran Mian	2/3
Jonathan Clear	3/6
Osama Rahman	3/6
Emily Curtis	4/6
Robert Arnott	1/3

Nick Timothy was appointed in March 2020, after the final meeting of 2019-20 was held.

Audit and Risk Committee

Overview

The Department's ARC is a sub-committee of the board. It met six times during the year. Membership (see below) consists of two non-executive board members, one of whom is the chair, and four independent members.

Internal audit (GIAA), the NAO, the Permanent Secretary, the Chief Operating Officer, the Chief Executive of the ESFA and the Operational Finance Director and Director of Strategic Finance also regularly attend but are not members.

During the year Natalie Elphicke, one of the independent members, left and was replaced by Charlotte Moar. Christopher Baker was re-appointed.

Key duties

ARC supports the board and the Accounting Officer by providing independent scrutiny, support and challenge of the Department's arrangements for governance, risk management and internal controls.

ARC also provides support, guidance and advice to the executive and monitors progress on the delivery of key statutory and legislative requirements.

In particular it provides scrutiny to the Group ARA, the SARA and the ARAs of TRA, STA and TPS, and reviews the work of the Department's internal and external auditors.

This year

The ARC:

- reviewed, scrutinised and, where appropriate, amended the Group ARA for 2018-19, the SARA for 2017/18 and 2018/19 and the other required ARAs (the STA, the TRA and TPS in particular) as well as the Accounting Officer Systems Statement before recommending sign-off
- reviewed the overall risk management framework, the status of systems and processes for managing issues and near misses, fraud, cyber and physical security
- supported the development of a Departmental risk appetite statement
- provided guidance to improving the Department's grant assurance structure and processes and monitored progress
- reviewed, and commented on, the plans to increase the commercial capability, and to oversee business appointments
- scrutinised the Department's internal audit plan and the reports providing limited assurance

Outcomes

- For the fourth year running the 2018-19 Group ARA was laid before Parliament on time. In addition the 2018/19 SARA was laid on time in July 2020 unqualified. This is a considerable achievement requiring significant effort and expertise from both Departmental and NAO officials.
- Workshops have been held prior to ARC meetings to allow for in-depth analysis, including a review of the key risks, accounting treatments, changes in accounting standards, school land and buildings valuations, TPS and Local Government Pension Scheme pensions, student loan valuations and issues connected with the consolidation of the Group's results into the Whole of Government Accounts. These workshops are an established part of the assurance fabric for the Department.
- The network meetings of arms' length bodies ARC Chairs continue and are creating cohesion, as are the ALB CEO network meetings and the ALB Chair meetings.
- The GIAA reports continue to provide good additional assurance although

the committee would like to see more focus on timely implementation of follow-up actions.

- The Risk Management Framework, both its presentation and operational execution continues its steady progress towards maturity at level 3. The committee has endorsed a new Departmental risk appetite statement.
- The committee has endorsed a revised Assurance Framework Record and maintains its focus on increment improvements to grant management process.

Attendance at meetings

Attendance records for members, but not attendees, are given below:

Member	Meetings attended (out of possible)
Non-executive board members	
Ian Ferguson	6/6
Richard Pennycook	5/6
Independent members	
Christopher Baker	5/6
Natalie Elphicke	2/3
Nigel Johnson	6/6
Hunada Nouss	6/6
Charlotte Moar	2/2

Leadership Team

Overview

Meeting at least 10 times a year, the Leadership Team provides day-to-day executive leadership and management on behalf of the board. It is chaired by the Permanent Secretary and it consists of the Directors General (including the Chief Executive of the ESFA) and the Director of Strategic Finance. The Director of Transformation routinely attends but is not a member.

The Leadership Team is supported by four sub-committees:

- the Performance and Risk Committee which provides oversight of the breadth of the Department's performance and risks
- the Investment Committee which approves financially significant or contentious business cases
- the People Committee which provides oversight of the Department's people and workforce strategy
- the Digital, Data and Technology Committee which provides oversight of the Department's digital capacity, capability and prioritisation

Key duties

The Leadership Team is responsible for oversight of the Department's operations, including the Department's financial position, HR and workforce issues, performance and risk, and communications and staff engagement.

This year

Significant items discussed by the Leadership Team were:

- Departmental security
- budget planning for 2019-20
- strategic workforce plan
- EU Exit resourcing

The bullets above do not include COVID-19 which emerged too late in 2019-20 for inclusion at formal meetings. Instead, for the remainder of 2019-20 the Leadership Team managed the Group's response through other channels. COVID-19 formed a central plank of the Leadership Team's role in 2020-21 and triggered the creation of a new sub-committee, the COVID-19 Board in May 2020.

Outcomes

The committee:

- reviewed the Department's security, including preparedness for a cyber attack
- approved administration and programme budgets for 2019-20
- agreed to plans to embed shared values across the Department and its NDPBs

Attendance at meetings

Attendance records for members, but not attendees, are given below:

Member	Meetings attended (out of possible)
Senior officials	
Jonathan Slater	11/11
Indra Morris	10/11
Paul Kett	10/11
Andrew McCully	11/11
Eileen Milner	8/11
Mike Green	9/11
Emran Mian	5/6
Jonathan Clear	9/11

Nominations Committee

Meeting at least twice a year, the Nominations Committee has oversight of the senior talent management and pay in the Department. It is chaired by the lead non-executive board member and consists of the non-executive board members, the Permanent Secretary and the HR Director.

Key duties

The Nominations Committee supports the board by providing independent scrutiny, assurance and advice of the Department's plans, strategies and systems for senior talent management, senior performance management, pay and reward, succession planning, board appointments and public appointments processes.

This year

The Nominations Committee discussed:

- Director General pay and talent
- non-executive board recruitment
- public appointments

Outcomes

The committee:

- reviewed senior talent assessment and supported the overall distribution of performance management markings and in-year awards of the Senior Civil Service staff
- agreed that work will be undertaken to develop a diverse pipeline of talent for future public appointments
- provided scrutiny of the non-executive recruitment process

Attendance at meetings

Attendance records for members, but not attendees, are given below:

Member	Meetings attended (out of possible)
Non-executive board members	
Richard Pennycook	2/2
Ian Ferguson	2/2
Baroness Ruby McGregor-Smith	2/2
Toby Peyton-Jones	1/2
Irene Lucas	1/2
Nick Timothy	-/-
Senior officials	
Jonathan Slater	2/2
Simon Fryer	2/2

Nick Timothy was appointed in March 2020, after the final meeting of 2019-20 was held.

Managing our risks

To help ensure we achieve our priorities, we need to manage risks at all levels in the Group. Risk management is integrated into the way we work, from operational decision making through to the management of strategic risks reflected in our Top Tier Risk Report. This section explains how we identify and then address those risks.

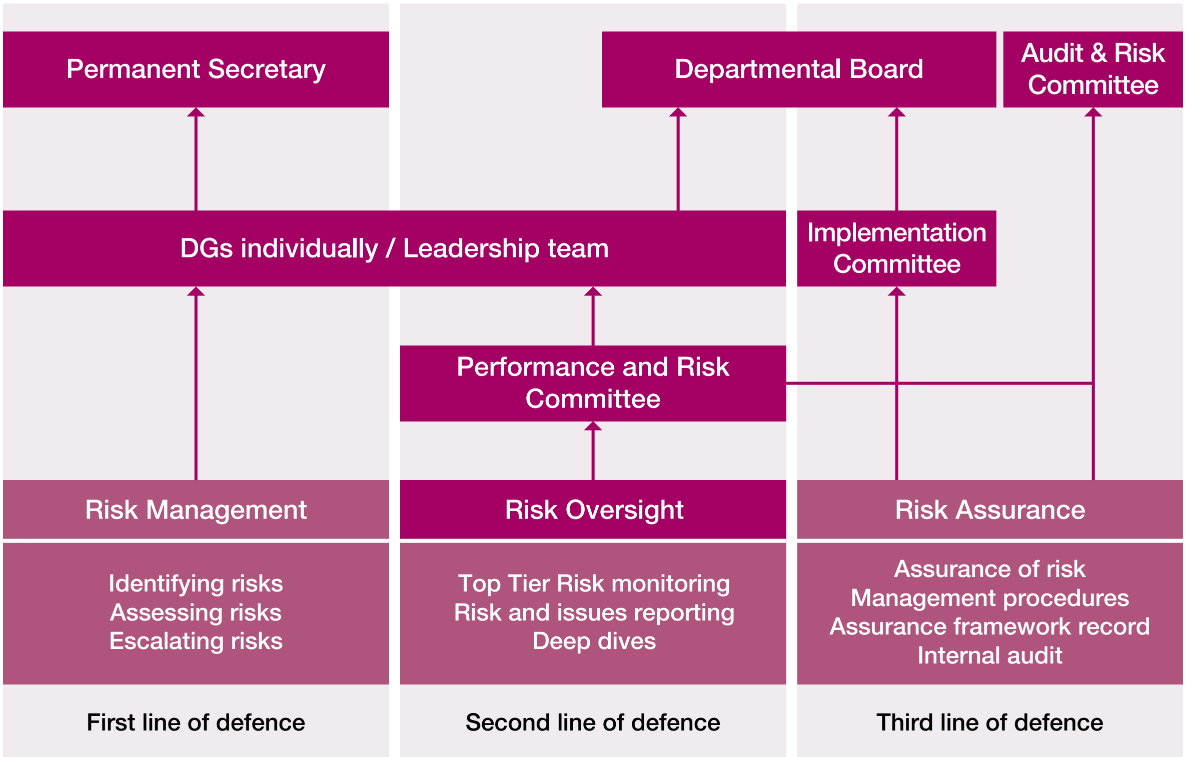
The risk management framework

Our risk management approach seeks to devolve accountability to those best placed to effectively manage risks at the right level.

A corporate risk team acts as the central point for advice and guidance on risk management. The team is responsible for the effective implementation of the Department's risk management framework and co-ordinates the Department's Top Tier Risk Report, which is the route by which the most significant risks are escalated to the Department's board and committees.

The central team is also responsible for monitoring and reporting near misses and unexpected issues, ensuring measures are introduced to reduce the likelihood of issues reoccurring.

The below framework describes the three line of defence model to which the Department operates:



Risk assurance

ARC

To ensure that the risk management processes and policies are fit for purpose, and that the risks captured are appropriate, ARC continually reviews risk management processes and practices across the Department.

Assurance Framework Record

Our SCS are accountable for implementing effective systems and controls within their areas of responsibility to identify and manage risks and are therefore required to complete an Assurance Framework Record on an annual basis. This acts as confirmation of acceptance of responsibilities and should include agreed arrangements related to appropriate governance arrangements, processes for the escalation of risks and issues, and reporting arrangements, ensuring that progress, risks and the use of resources are monitored, proactively managed and reported, and that ministers and stakeholders are appropriately involved and informed. The Central Assurance team validated responses. Out of 210 individual assessments of control areas, there were 10 assessments with weaknesses identified. Agreed plans are in place to address these in a timely manner.

Risk capability improvements this year

The Department is focused on the continuous improvement of our risk management capability. During the last year we have:

- introduced our first departmental-level risk appetite statement to help drive decision making and consistent management of risk throughout the Department
- further embedded our deep dive approach for key risks across the Performance and Risk Committee, Leadership Team and ARC, with all our existing red rated risks being reviewed within the year
- developed our approach to joint review of related risks across our committee structure (for example financial risks), to better understand relationship, dependencies and share approaches to address risks
- developed our understanding and approach to system risk and identification of cross-cutting risks within the educational sector
- strengthened our top tier risk reporting structure and procedures to include assessment of risk levels at different points to enable improved discussion of progress and action effect
- implemented an engagement assessment model across the Department to help understand arrangements and level of control effectiveness across different parts of the Department and drive improvement activity
- strengthened the arrangements in place with our Agencies and NDPBs to improve visibility of risks, joint working and risk information flow

Other sources of assurance

Counter fraud, error and debt

The Department works with Cabinet Office and across government to leverage and share experience and expertise to drive down fraud within the public sector.

A dedicated central fraud team provides strategic guidance and co-ordination of activity, overseen by a nominated board member. The Department and all NDPBs adhere to cross-government, Cabinet Office led functional standards for counter-fraud activity.

Where an allegation of fraud is made, our documented response plan is activated and a written report is provided detailing both the case and any recommendations for improvement.

Instances of fraud and error are reported to both the Cabinet Office and to ARC, through regular updates.

Each of the Department's bodies has its own counter-fraud team that share best practice via quarterly network events organised and chaired by the Central Fraud team. The Department and its bodies work on a risk-based approach to ensure that available resources and time are focused on the highest-risk areas. Fraud risk assessments are in place across each business area and the Department undertakes fraud measurement exercises each year. This year, resource was targeted on raising awareness as the key enabler to preventing and reporting instances of potential fraud. Face-to-face presentations were attended by over 600 people (approximately 10% of staff) and were followed up by a campaign of awareness raising events and intranet articles carrying targeted material, which received over 3,000 views.

A central resource to manage debt has been established, following a successful pilot. The launch of a refreshed debt policy positioned us strongly for the move away from our service provider in the year ahead. Preparation and oversight here has been resource intensive but has provided the opportunity to operate efficient and flexible debt management driven by accessible management information.

A decision was taken at the start of 2019-20 to reposition the Fraud, Error and Debt team into the Finance Operations Division. This has placed the team at the heart of our operational control environment and helped the department to focus on a programme of continual assessment and improvement in this space.

Knowledge, information and asset management

The Knowledge and Information Management (KIM) team have taken significant steps towards improving our digital compliance against the *Public Records Act*. Automatic retention is now in place for millions of documents, ensuring that information is only kept for as long as required. Having developed digital indexing tool capability, work is underway to review legacy digital records for transfer to The National Archives for permanent preservation in accordance with the 20 Year Rule Programme.

We continue to appraise, select and securely transfer paper records to The National Archives in line with the timescales of the 20 Year Rule Programme and remains on target to achieve the ambition to eradicate paper records by 2025.

The Department is positively influencing the wider government KIM profession. Examples of this include working with Cabinet Office to pilot the use of artificial intelligence in managing email, reviewing the use of offsite storage, and improving how departments identify and address their information management risks.

The KIM team have also enhanced the Department's Information Asset Register by improving compliance, education and awareness. The register has become a valuable tool in identifying information assets, and ensuring these are managed appropriately. Stronger links with data governance have led to opportunities emerging on understanding how data is also processed on Departmental systems.

On data protection, there has been a number of significant breaches in the last 12 months which have resulted in adverse press. The Data Protection Officer's team have been addressing issues raised and established new ways of working in light of the Information Commissioner's Office (ICO) audit in February 2020. The audit found that the office had previously been under-resourced and the Permanent Secretary took immediate steps to increase the size and scope of the team. All teams with a responsibility for data protection are being brought together under the Data Protection Officer with new policy, ways of working, training development and tools which are tailored to the business.

There is currently a full audit being developed which will be conducted across the Department to identify what personal data we use and that we are using it legally. New privacy notices have been developed to improve transparency in how we use personal data and a formal agreement with educational establishments to allow us to use data they control is being developed.

Data Protection Business Partners will work with teams within the Department to build relationships, understand the teams and tailor the tools and processes to meet these needs. The Data Protection Office are increasing the risk analysis tools to a service tailored to the requirements of those teams.

The Department continues to work with the ICO after their audit of our processes in February 2020 to further improve our processes in every area of data protection. More details are provided in Annex B.

NDPB risk management

Each of the Department's NDPBs have their own governance structure where risk management is embedded, and so they identify and manage their own risks.

The NDPBs work in partnership with the Department which supports the work of the NDPBs and helps to manage risk jointly.

Each NDPB maintains its own risk register, the content of which is visible to the Department. Visibility of risk across the Group is essential in:

- identification of system risk
- enabling joint working across NDPBs and the Department to minimise shared risk by apportioning proportionate mitigating factors
- identification of new areas of risk
- helping spot new ways of mitigating similar risks

NDPB risks are escalated into the Department via the Performance and Risk Committee (PRC), alerting PRC as to when assistance is required, and provides assurance that risks are being managed effectively and the Group is protected.

Analytical quality assurance

The Department's quality assurance framework, which complies with the *AQuA book*,[27] was introduced in April 2019. From liaising with all senior responsible officers of business critical models it can be confirmed that all such models, including those within NDPBs, have had appropriate quality assurance arrangements implemented and that all such models and outputs used in 2019-20 were fit for purpose.

The launch of the quality assurance framework was accompanied by a large training programme to support and embed its use. The central assurance team has developed departmental systems to ensure assurance is taking place, including the recently established Quality Assurance Officers' Network and Quality Assurance Steering Group, a decision-making board comprising senior leaders across the department as well as external quality assurance (QA) experts.

27 https://www.gov.uk/government/publications/the-aqua-book-guidance-on-producing-quality-analysis-for-government

The central assurance team have a programme of work to maintain and improve QA practices within the Department. By April 2020 it will be using a newly developed risk ranking tool which will allow them to identify which BCMs should be prioritised for review and quality assurance assessment in 2020-21. Conducting these reviews and assessments for the riskiest models is one of the team's top priorities for 2020-21 and progress will be reported in next year's ARA.

Grant regularity

Grant regularity, including evidencing supporting assurance, was a significant area of concern for the Department during the preparation of this ARA due to staffing constraints in grant recipient bodies as a result of COVID-19. In response, a detailed exercise was conducted to capture grant details and validate their assurance arrangements.

We identified that approximately 1.6% of the core Department's £5.4 billion resource and capital grant expenditure for which regularity assurance support for 2019-20 expenditure was absent. The regularity assurance gap was due to a number of factors including delays in assurance as a result of COVID-19.

A grant assurance framework covering the Group's grant expenditure has been developed, to be launched in the autumn of 2020; setting out the minimum grant management and assurance requirements to ensure that grant expenditure is in accordance with government grant standards, *Managing Public Money* and underlying legislation.

Government's Internal Audit Agency (GIAA)

The internal audit plan is set at the beginning of the financial year, informed by a number of considerations including the Department's Single Departmental Plan, organisational changes and key identified areas of risk. It is reviewed by ARC, and revisited as appropriate during the year to reflect changing circumstances.

At each meeting, ARC reviews all Limited and Unsatisfactory rated internal audit reports for that period. It also receives quarterly progress reports, including updates on completed and outstanding actions arising from recommendations (refer below for more detail on the outcome of the internal audit review).

Finally, ARC and the Permanent Secretary review the internal audit annual report each year and the Department also takes assurance from the internal audit functions of those NDPBs not covered by GIAA.

The Department benefits from other independent assurance processes such as major project reviews and NAO studies targeting areas of high risk or interest.

GIAA annual report

The Department sought assurance from internal audit provided by the GIAA.

Internal audit and assurance services are provided by GIAA, based on a memorandum of understanding. The GIAA's Departmental Group Chief Internal Auditor has provided me with her annual report, which incorporates her opinion on the Group's system of governance, risk management and internal control. Her opinion has been informed by the internal audit work completed during the year, in line with the internal audit plan agreed by management and ARC.

Of the four possible opinion ratings, the rating given by GIAA for 2019-20 was Moderate. A Moderate rating states that some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control. The opinion direction is made on the basis of the work and assurance provided during 2019-20 to date, meetings with senior management, and the provision of our advisory work.

I have accepted this assessment; officials have either implemented or are working to implement the suggested improvements from GIAA's work.

In 2019-20, GIAA issued 11 reports with assurance rated as Limited, and one report with an assurance rated as Unsatisfactory, out of a total of 51 reports. This compares with 11 Limited reports and one Unsatisfactory report out of a total of 52 in 2018-19. A Limited rating states that there are significant weaknesses in the framework of governance, risk management and control such that it could be or become inadequate and ineffective. An Unsatisfactory rating states that there are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

The reports which received a Limited or Unsatisfactory rating are:

Limited assurance
Investment Management and Approval of Business Cases
Contract Management
Financial Management Processes (Capital)
IT Service Management
IT Disaster Recovery Phase 2
Information Security Management System
Identity and Access Management
Corporate Service Reform Portfolio (System Changes)
ESFA Provider Market Oversight – Managing Investigations
Contingent Labour/IR35
Standards and Testing Agency – Test Maladministration
Unsatisfactory assurance
DfE Estates Programme

Management have broadly accepted the conclusions and the recommendations of the Limited assurance and Unsatisfactory reports, actions arising are all either in progress or completed.

Departmental response to the Unsatisfactory report

The report produced by GIAA was helpful and confirmed that, due to significant delays and issues in the initiation of the estates programme, there are areas of governance that need to be reviewed and reset. The programme has now been fully initiated and the action plan has been implemented, which addresses the concerns raised through the audit. The governance model has been updated and is being used across the programme.

NAO reports

Value for money studies

The NAO undertakes around 60 value for money studies each year, which Parliament use to hold the government to account for how it spends public money. Each study examines an area of government expenditure, and their objective is to form a judgement on whether value for money has been achieved.

The NAO defines good value for money as the optimal use of resources to achieve the intended outcomes. Their role is not to question government policy objectives, but to provide independent and rigorous analysis to Parliament on the way in which public money has been spent to achieve those policy objectives. As well as reaching an overall conclusion on value for money, the NAO makes recommendations on how to achieve better value for money and to improve the services under examination. More information regarding the value for money studies can be found online.

Investigations

The NAO conducts investigations to establish the underlying facts in circumstances where concerns have been raised with them, or in response to intelligence that NAO gathered through its wider work across government.

The NAO published the following reports relating to the Group in 2019-20:

Report title	NAO summary
Value for money studies	
Support for pupils with special educational needs and disabilities in England[28] (September 2019)	Assesses how well pupils with special educational needs and disabilities are being supported.
Supporting disadvantaged families through free early education and childcare entitlements in England[29] (March 2020)	Builds on previous work and focuses on whether the Department is supporting disadvantaged families effectively through the provision of entitlements to free early education and childcare. Children from disadvantaged backgrounds potentially have most to gain from the entitlements.
Investigations	
Investigation into university technical colleges[30] (October 2019)	Builds on previous work and sets out the facts about the University Technical Colleges programme.

The value for money reports above led to the Public Accounts Committee evidence sessions detailed below.

Public Accounts Committee

During the year, my predecessor Jonathan Slater attended the following Public Accounts Committee (PAC) meetings, on behalf of the Department:

PAC	Hearing and publication dates
Support for children with special educational needs and disabilities[31]	9 March 2020 6 May 2020
University Technology Colleges[32]	16 March 2020 10 June 2020

28 https://www.nao.org.uk/report/support-for-pupils-with-special-educational-needs-and-disabilities/

29 https://www.nao.org.uk/report/supporting-disadvantaged-families-through-free-early-education-and-childcare-entitlements-in-england/

30 https://www.nao.org.uk/report/investigation-into-university-technical-colleges/

31 https://committees.parliament.uk/work/35/support-for-children-with-special-educational-needs-and-disabilities/

32 https://publications.parliament.uk/pa/cm5801/cmselect/cmpubacc/87/8702.htm

More details on the above meetings can be found on the PAC website.[33]

Corporate governance code

With the exception of the departure explained below, the Department has complied with the HMT's *Corporate governance in central government departments: code of good practice*.

The code of practice states that departmental boards should meet a minimum of four times a year. We have been unable to comply with this guidance as the board meeting planned for November 2019 was cancelled due to purdah restrictions prior to the 2019 General Election and the meeting planned in March 2020 was cancelled due to the unprecedented circumstances of the COVID-19 pandemic.

Emran Mian the Interim Director General, Strategy and International left the Department in October 2019.

To manage any conflicts of interest, the Department maintains a register of the interests of board members that is updated regularly. Board members are required to declare any potential conflicts of interest that arise. Where a potential conflict of interest is identified, board members are not involved in discussions or decisions on the matter in question.

An assessment of the board's effectiveness is set out in the report from the lead non-executive on page 20.

The Leadership Team have monitored the Department's alignment with the principles set out in *Partnerships with arm's length bodies: code of good practice*. Additionally, Performance and Risk Committee reviewed ALB risks bi-annually.

The board and its committees receive management information covering a variety of disciplines to enable them to monitor the performance of the department. This includes financial and workforce data, indicators of progress against the Department's priorities and information on risk. The non-executive team, along with other board members, continually monitor the quality of the information supplied to ensure that it is of the right quality to enable decisions based on evidence.

Mike Green continues in post as Chief Operating Officer and Director General of Operations. Iain King and Jonathan Clear have continued their roles of joint Chief Finance Officer as required by *Managing Public Money*.

Jonathan Clear, Director of Strategic Finance, is a member of the board and the Leadership Team, and also attends Implementation Committee, ARC, Investment Committee and PRC meetings.

Iain King, Operational Finance Director, represents the Department's finance function at ARC meetings, and attends People Committee, Investment Committee and Digital, Data and Technology Committee meetings.

Shared service provision

The Department and its Agencies have an outsourced shared service arrangement for provision of certain areas of its internal finance, HR and procurement transactional processes. This arrangement has been in place since 2013.

In March 2020, in response to COVID-19 the shared service provider completed a prioritisation exercise to maintain critical service standards in response to business

33 https://www.parliament.uk/business/committees/Committees-A-Z/commons-select/public-accounts-committee/

disruption. The provider was able to maintain all critical business activities during the period.

The service provider's internal audit plan for 2019-20 was fully completed but there was a minor limitation in the external assessment of the design and operation of controls (undertaken in accordance with *International Standard on Assurance Engagements* (ISAE 3402)). The ISAE 3402 auditor was unable to complete the March 2020 testing, which restricted the ISAE 3402 report to the period April 2019 to February 2020. The government team that manages the shared service provision is satisfied that sufficient assurance can still be taken from the ISAE 3402 work.

The service provider received a generally satisfactory with some improvements required opinion from its ISAE 3402 auditors. No impact on the accounts was identified by the auditors.

The Department brought the services in-house during the early part of 2020-21 and will ensure that appropriate assurance arrangements over its controls are introduced.

Conclusion

I have considered the evidence provided regarding the production of the governance statement, and the independent advice and assurance provided by the ARC. I conclude that the Department has satisfactory governance and risk management systems in place with effective plans to ensure continuous improvement.

Susan Acland-Hood
Acting Accounting Officer

22 October 2020

Remuneration and staff report

Overview

The remuneration and staff report sets out the Department's remuneration policy for board members, reports on how that policy has been implemented and sets out the amounts awarded to directors and, where relevant, the link between performance and pension.

In addition, the report provides details on remuneration and staff that Parliament and other users see as key to accountability.

There is a presumption that information about named individuals will be given in all circumstances and all disclosures in the remuneration report will be consistent with identifiable information of those individuals in the financial statements. Non-disclosure is acceptable only where publication would:

- be in breach of any confidentiality agreement
- prejudice the rights, freedom or legitimate interest of the individual
- cause or be likely to cause substantial damage or substantial distress to the individual or another, and that damage or distress would be unwarranted
- affect national security or where an individual may be at risk if his or her name is disclosed

In other cases, it would be for the staff member to make a case for non-disclosure, which should be considered by the employer on a case-by-case basis. Where non-disclosure is agreed, the fact that certain disclosure has been omitted should be disclosed.

Westminster departments are also required to follow guidance contained in the annual Employer Pension Notice issued by the Cabinet Office.

Remuneration part A: unaudited

Ministers' and other board members' remuneration policy

Ministers' remuneration is set by the *Ministerial and Other Salaries Act 1975* (as amended by the *Ministerial and Other Salaries Order 1996*) and the *Ministerial and Other Pensions and Salaries Act 1991*.

Performance management and reward policy for members of the SCS is managed within a 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 the Senior Salaries Review Body (SSRB) recommendations.

SCS pay is decided by the SCS Remuneration Committee, chaired by the Permanent Secretary, and comprising members of the Leadership Team. The SCS Remuneration Committee makes decisions within the limits and delegated authorities set by the government in response to the annual report of the SSRB, who publish additional information.[34]

Summary and explanation of policy on duration of contracts, notice periods and termination payments

The Permanent Secretary is appointed by the Prime Minister on the recommendation of the Head of the Home Civil Service

34 https://www.gov.uk/government/organisations/review-body-on-senior-salaries

and with the agreement of the ministerial head of the Department. The Permanent Secretary's pay is set by the Prime Minister on the recommendation of the Permanent Secretaries Remuneration Committee, a sub-committee of the SSRB.

Members of the Leadership Team are appointed by the Permanent Secretary with the agreement of the Prime Minister and the Senior Leadership Committee where appropriate.

All board members' contractual terms comply with the requirements set centrally for the SCS by Cabinet Office, and the exact terms offered reflect the requirement 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.[35]

Service contracts

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.

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 their website.[36]

35 https://www.gov.uk/government/publications/civil-servants-terms-and-conditions

36 https://civilservicecommission.independent.gov.uk/

Remuneration part B: audited

Remuneration (including salary) and pension entitlements

The following sections provide details of the remuneration and pension interests of the ministers and most senior management (i.e. board members) of the Department.

Ministers

	Salary		Pension benefits (to nearest £000)		Total (to nearest £000)	
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
	£	£	£	£	£	£
Secretary of State						
Rt Hon Gavin Williamson CBE MP (from 24 July 2019)	46,274 *(67,505)*	-	9,000	-	55,000	-
Rt Hon Damian Hinds MP (to 23 July 2019)	21,231 *(67,505)*	67,505	6,000	17,000	27,000	85,000
Ministers of State						
Rt Hon Nick Gibb MP	31,680	31,680	8,000	7,000	40,000	39,000
Michelle Donelan MP (from 13 February 2020)	3,273 *(31,680)*	-	1,000	-	4,000	-
Rt Hon Anne Milton MP (to 23 July 2019)	9,879 *(31,680)*	31,680	3,000	7,000	13,000	39,000
Chris Skidmore MP (to 24 July 2019, and from 10 September 2019 to 13 February 2020)	-	-	-	-	-	-
Rt Hon Jo Johnson MP (from 25 July 2019 to 5 September 2019)	-	-	-	-	-	-
Parliamentary Under Secretaries of State						
Gillian Keegan MP (from 14 February 2020)	2,893 *(22,380)*	-	-	-	3,000	-
Vicky Ford MP (from 14 February 2020)	2,893 *(22,380)*	-	-	-	3,000	-
Baroness Berridge (from 14 February 2020)	5,914 *(70,969)*	-	1,000	-	7,000	-
Michelle Donelan MP (from 24 September 2019 to 12 February 2020)	-	-	-	-	-	-
Lord Agnew (to 13 February 2020)	-	-	-	-	-	-
Kemi Badenoch MP (from 27 July 2019 to 13 February 2020)	13,353 *(22,380)*	-	3,000	-	16,000	-
Nadhim Zahawi MP (to 26 July 2019)	-	-	-	-	-	-

Salary costs reported for ministers above reflect the pay received for their period of appointment as a Department minister. Where ministers move departments in month, the originating department will pay the full month's salary. Where members joined or left the board during the year, annualised remuneration is presented in italics.

No benefits-in-kind or severance payments were paid to minsters during 2019-20 (2018-19: £nil).

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

Chris Skidmore MP (and previously Jo Johnson MP) served in a joint post as Minister of State for Universities, Science, Research and Innovation with BEIS. Their ministerial salaries and pensions are paid by BEIS and disclosed in its ARA.

During the period Michelle Donelan MP provided maternity cover as Parliamentary Under Secretary of State for Children and Families, her ministerial salary and pension were paid by the Whips Office and are disclosed in the Cabinet Office's ARA. Michelle Donelan MP has now been appointed Minister of State for Universities and is now paid by the Department from 13 February 2020.

No remuneration was taken by Lord Agnew or Nadhim Zahawi in either year presented in this report.

Officials

	Salary		Bonus payment		Pension benefit (to nearest £000)		Total (to nearest £000)	
	2019-20	2018-19	2019-20	2018-19 (restated)	2019-20	2018-19	2019-20	2018-19 (restated)
	£000	£000	£000	£000	£000	£000	£000	£000
Permanent Secretary								
Jonathan Slater	165-170	160-165	-	-	59	58	225-230	220-225
Directors General								
Indra Morris	135-140	135-140	0-5	5-10	-	-	140-145	140-145
Mike Green	155-160	155-160	0-5	10-15	60	60	220-225	230-235
Director								
Jonathan Clear	110-115	100-105	0-5	0-5	70	59	185-190	165-170

No severance payments were paid to officials during 2019-20 (2018-19: £nil).

Indra Morris chose not to be covered by the Civil Service pension arrangements during the reporting year.

Jonathan Clear's 2018-19 bonus was paid in April 2019 and was missed from the original 2018-19 ARA disclosures. The 2018-19 balances above have been restated to include the bonus. No other disclosures have been restated due to the immaterial size of the adjustment.

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 increase excludes increases due to inflation or any increase or decreases due to a transfer of pension rights.

Pension benefits movements are affected by duration of membership and earnings during this time and contain an actuarial calculation.

Salary

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 Department and thus recorded in this ARA. In respect of ministers in the House of Commons, departments bear only the cost of the additional ministerial remuneration.

The salary for their services as an MP (£79,468 from 1 April 2019) and various allowances to which they are entitled are borne centrally. However, the arrangement for ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the Department and is therefore shown in full in the figures above.

Five of the non-executive board members received remuneration from the Department. Ian Ferguson does not receive remuneration for his position. Nick Timothy was appointed in March 2020 so received a reduced fee for March.

	2019-20	2018-19
	£	£
Richard Pennycook	20,000	28,817
Baroness Ruby McGregor-Smith	15,000	15,000
Toby Peyton-Jones	15,000	6,250
Irene Lucas	18,750	2,500
Ian Ferguson	-	-
Nick Timothy	115	-

Benefits-in-kind

The monetary value of benefits-in-kind covers any benefits provided by the Department and treated by HMRC as a taxable emolument.

No board members received benefits-in-kind (2018-19: nil).

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2019-20 relate to performance in 2019-20 and the comparative bonuses reported for 2018-19 relate to the performance in 2018-19.

The Department awards bonuses as part of the performance management process. The Department sees effective performance management as key to driving up individual and organisational performance and providing greater value for money to deliver high-quality public services. The Department follows the performance management arrangements for the SCS, and the Department's performance management framework for managing and rewarding performance throughout the year.

Pay multiples

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

The banded remuneration of the highest-paid director in the Department in 2019-20 was £165,000-170,000 (2018-19 was £160,000-165,000). This was 4.2 times (2018-19: 4.1) the median remuneration of the workforce, which was £40,290 (2018-19: £40,073).

In 2019-20, nil employees (2018-19: nil) received remuneration in excess of the highest-paid director. Remuneration ranged from £18,000 to £170,000 (2018-19: £19,000 to £165,000).

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

Ministerial pensions

	Accrued pension at age 65 as at 31/03/20	Real increase in pension at age 65	CETV at 31/03/20	CETV at 31/03/19	Real increase in CETV
	£000	£000	£000	£000	£000
Secretary of State					
Rt Hon Gavin Williamson CBE MP (from 24 July 2019)	0-5	0-2.5	38	30	3
Rt Hon Damian Hinds MP (to 23 July 2019)	0-5	0-2.5	48	43	3
Ministers of State					
Rt Hon Nick Gibb MP	5-10	0-2.5	109	96	6
Michelle Donelan MP (from 13 February 2020)	0-5	0-2.5	5	4	-
Rt Hon Anne Milton MP (to 23 July 2019)	5-10	0-2.5	112	108	2
Chris Skidmore MP (to 24 July 2019, and from 10 September 2019 to 13 February 2020)	-	-	-	-	-
Rt Hon Jo Johnson MP (from 25 July 2019 to 5 September 2019)	-	-	-	-	-
Parliamentary Under Secretaries of State					
Gillian Keegan MP (from 14 February 2020)	0-5	0-2.5	-	-	-
Vicky Ford MP (from 14 February 2020)	0-5	0-2.5	-	-	-
Baroness Berridge (from 14 February 2020)	0-5	0-2.5	10	8	-
Michelle Donelan MP (from 24 September 2019 to 12 February 2020)	-	-	-	-	-
Lord Agnew (to 13 February 2020)	-	-	-	-	-

	Accrued pension at age 65 as at 31/03/20	Real increase in pension at age 65	CETV at 31/03/20	CETV at 31/03/19	Real increase in CETV
	£000	£000	£000	£000	£000
Kemi Badenoch MP (from 27 July 2019 to 13 February 2020)	0-5	0-2.5	2	-	1
Nadhim Zahawi MP (to 26 July 2019)	-	-	-	-	-

The CETV values presented above are as at the date ministers either joined or left the Department.

Pension benefits for ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute and the rules are set out in the *Ministers' etc. Pension Scheme 2015*, available at Rules of the Parliamentary Contributory Pension Fund.[37]

Those ministers who are Members of Parliament may also accrue an MP's pension under the PCPF (details of which are not included in this annual report). A new MP's pension scheme was introduced from May 2015, although members who were MPs and aged 55 or older on 1 April 2013 have transitional protection to remain in the previous MP's final salary pension scheme.

Benefits for ministers are payable from State Pension age under the 2015 scheme. Pensions are re-valued annually in line with pensions increase legislation both before and after retirement. The contribution rate from May 2015 is 11.1% and the accrual rate is 1.775% of pensionable earnings.

The figure shown for pension value includes the total pension payable to the member under both the pre- and post-2015 ministerial pension schemes.

37 http://qna.files.parliament.uk/ws-attachments/170890/original/PCPF%20MINISTERIAL%20SCHEME%20FINAL%20RULES.doc

Officials

	Accrued pension at pension age as at 31/3/20 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/20	CETV at 31/03/19	Real increase in CETV
	£000	£000	£000	£000	£000
Permanent Secretary					
Jonathan Slater	65-70 plus a lump sum of 200-205	2.5-5 plus a lump sum of 7.5-10	1,566	1,433	60
Directors General					
Indra Morris	-	-	-	-	-
Mike Green	25-30	2.5-5	382	317	36
Director					
Jonathan Clear	30-35	2.5-5	358	306	31

Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme, or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension age (or 65 if higher). From that date, all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

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, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) 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).

Employee contributions are salary-related and range between 4.6% and 8.05% of pensionable earnings for members of classic, premium, classic plus, nuvos and alpha. 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. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the *Finance Act 2004*.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of 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 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha, the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements[38] can be found online.

Cash equivalent transfer values

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.

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 calculated in accordance with *The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations*

38 www.civilservicepensionscheme.org.uk

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.

Real increase in CETV

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.

The real increase in the value of the CETV

This is the element of the increase in accrued pension funded by the Exchequer. It excludes increases due to inflation and contributions paid by the minister. It is worked out using common market valuation factors for the start and end of the period.

Compensation for loss of office and payments to past directors

No payments have been made to former directors of the Department in 2019-20 (2018-19: £nil).

McCloud judgement

In 2015 the government introduced reforms to public sector pensions, meaning most public sector workers were moved into new pension schemes in 2015.

In December 2018, the Court of Appeal ruled that the 'transitional protection' offered to some members of the judicial and fire fighters' schemes as part of the reforms amounted to unlawful discrimination.

The government has failed in its bid to seek permission to appeal this decision. Consequently, the government expects the court will require steps to be taken to compensate employees who were transferred to the new schemes.

Impact of the Court of Appeal Ruling

At this point in time the legal process is ongoing and it is therefore not possible to say whether there will be an impact on employer contribution rates to Civil Service pension schemes, such as alpha.

Staff report part A: audited

Staff costs

					2019-20 Group	2018-19 Group
	Permanently employed staff	Ministers	Special advisors	Other	Total	Total
	£000	£000	£000	£000	£000	£000
Wages and salaries	431,969	131	75	30,550	462,725	433,598
Social security costs	49,504	14	10	-	49,528	44,459
Pension costs	97,005	-	17	-	97,022	72,800
	578,478	**145**	**102**	**30,550**	**609,275**	**550,857**
Less recoveries in respect of outward secondments	(2,066)	-	-	-	(2,066)	(471)
	576,412	**145**	**102**	**30,550**	**607,209**	**550,386**
Of which:						
Department & Agencies	374,965	145	102	20,373	395,585	353,433
NDPBs	201,447	-	-	10,177	211,624	196,953
	576,412	**145**	**102**	**30,550**	**607,209**	**550,386**

The increase in staff costs during the year is attributable to both an increase in staff numbers and an increase in staff employed at higher grade structures (as denoted in the tables below).

Staff secondments into other departments to support EU Exit work were not charged by the Group.

Average number of persons employed

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

					2019-20 Group	2018-19 Group
	Permanently employed staff	Ministers	Special advisors	Other	Total	Total
	Number	Number	Number	Number	Number	Number
Department	4,798	6	2	231	5,037	4,481
Agencies	1,854	-	-	350	2,204	2,068
NDPBs	5,023	-	-	84	5,107	5,055
	11,675	**6**	**2**	**665**	**12,348**	**11,604**

The Group has included European school teachers in the Department staff numbers above. Although the Group undertakes the recruitment and payroll of the teachers, their management is handled directly by the schools they work in. Many of the Civil Service terms and conditions are not applicable to teachers because they are bound by separate terms laid down by the European Schools Convention (EU treaty/law).

Pension schemes

The Group operates a range of pension schemes for its employees depending upon their role. Details of the Group's pension schemes are described further below.

Civil Service pensions

The PCSPS and the Civil Servant and Other Pension Scheme (CSOPS), known as alpha, are unfunded multi-employer defined benefit schemes, but the Department is unable to identify its share of the underlying assets and liabilities.

The scheme actuary valued the scheme as at 31 March 2016. You can find details in the resource accounts of the Cabinet Office.

For 2019-20, employers' contributions of £56.2 million (2018-19: £39.2 million) were payable to the PCSPS and CSOPS at one of four rates in the range 26.6% to 30.3% of pensionable earnings, based on salary bands. It is estimated that employer contributions for 2020-21 will be £86.1 million (2019-20: £53.7 million).

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 2019-20 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Partnership pension accounts

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. In 2019-20 employers' contributions of £333,000 (2018-19: £328,000) were paid to the appointed stakeholder pension provider. Employer contributions are age-related and range from 3% to 12.5% of pensionable earnings up to 30 September 2015, and from 8% to 14.75% of pensionable earning from 1 October 2015. Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £13,000 (2018-19: £14,000), 0.8% of pensionable pay up to 30 September 2015 and 0.5% of pensionable pay from 1 October 2015, were payable to the PCSPS and CSOPS 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 year end were £33,000 (2018-19: £30,000). Contributions prepaid at that date were £nil (2018-19: £nil).

Reporting of Civil Service and other compensation schemes

The disclosure of agreed departures during the year comprises two categories:

- employees who agreed to leave during the year and left by 31 March 2020
- employees who have committed to leave by 31 March 2020, for whom the exit packages have been accrued

Numbers and costs are based on estimated value of exit packages, and expected number of agreed departures are based on the best information available to management at the time of preparing the accounts.

Department and Agencies

	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
Exit package cost band	**2019-20**	**2018-19**	**2019-20**	**2018-19**	**2019-20**	**2018-19**
£25,001 - £50,000	-	-	1	-	1	-
£50,001 - £100,000	-	-	1	3	1	3
£100,001 - £150,000	-	-	-	1	-	1
Total number of exit packages	**-**	**-**	**2**	**4**	**2**	**4**
Total costs (£000)	**-**	**-**	**131**	**400**	**131**	**400**

Group

	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
Exit package cost band	**2019-20**	**2018-19**	**2019-20**	**2018-19**	**2019-20**	**2018-19**
<£10,000	-	-	-	2	-	2
£10,001 - £25,000	-	2	6	7	6	9
£25,001 - £50,000	-	1	5	2	5	3
£50,001 - £100,000	-	1	8	11	8	12
£100,001 - £150,000	-	-	-	1	-	1
Total number of exit packages	**-**	**4**	**19**	**23**	**19**	**27**
Total costs (£000)	**-**	**136**	**867**	**1,246**	**867**	**1,382**

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 of departure. Where the Group has agreed early retirements, with agreed employer-funded top-up for early access to pensions, the employer top-up costs are met by the Group alongside compensation for loss of office. Payments comprise either a lump sum payment for loss of office and, in cases where early retirement with agreed employer funded top-up for early access to pensions, the employer top-up costs are met by the Group alongside compensation for loss of office. The total cost to the Group will therefore be higher than the amounts received by individuals. The exit costs of staff in the Agencies are borne and managed centrally by the Department. Information on departure costs and numbers for each agency are also reported in the individual agency's ARA to aid transparency.

Ill-health retirement costs are met by the pension scheme and are not included in the table. Five persons (2018-19: seven persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £31,000 (2018-19: £57,000).

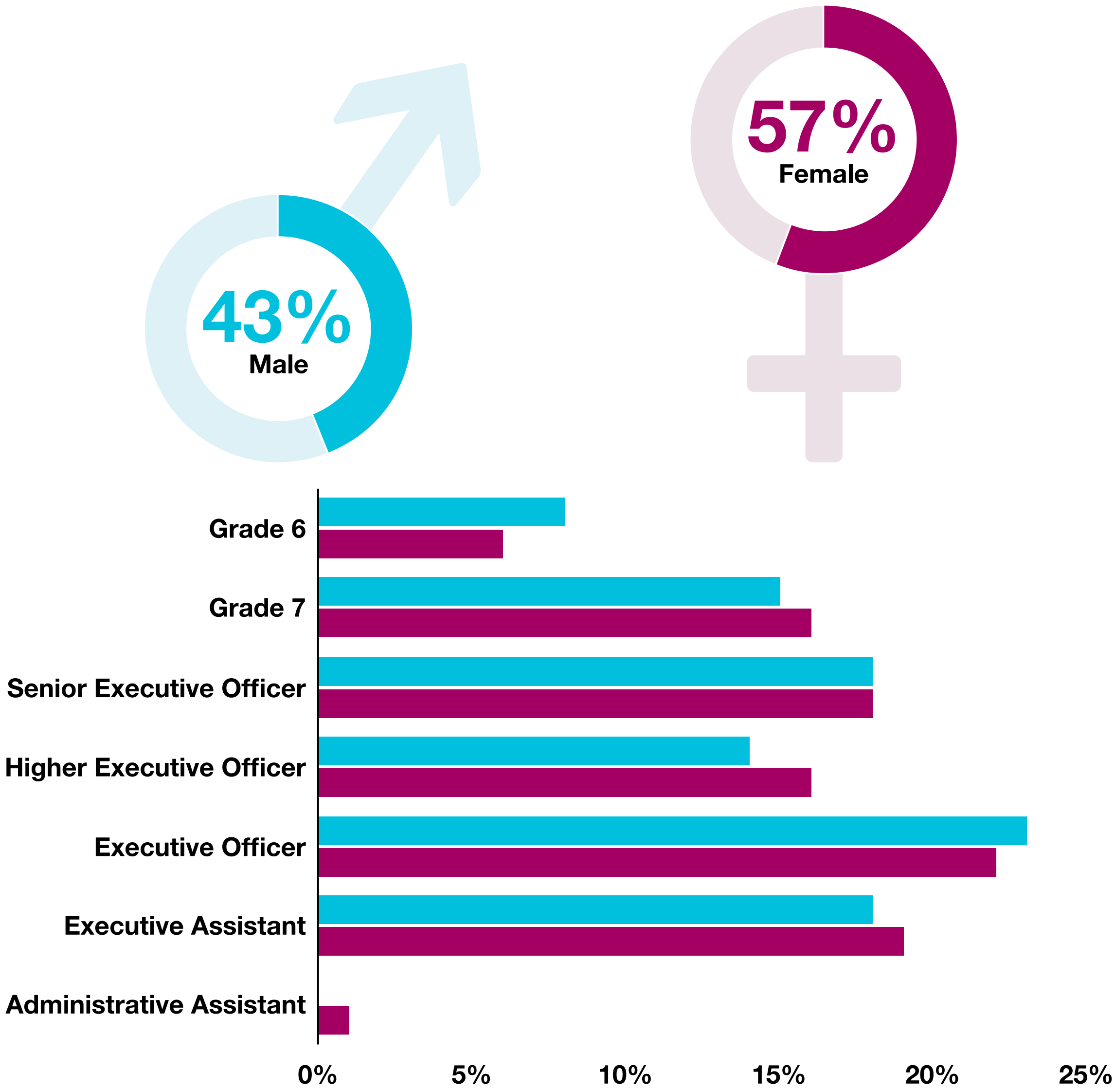
Staff report part B: unaudited

Staff by grade and gender

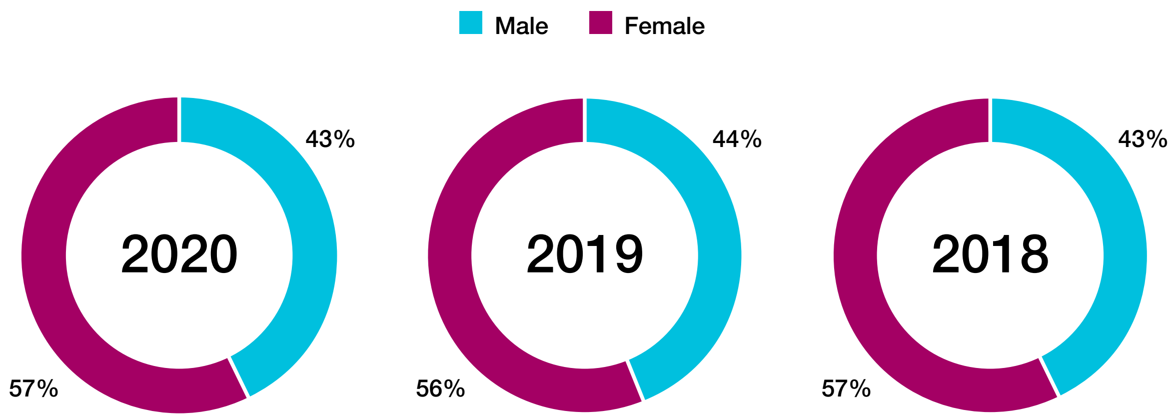
The charts below cover permanent staff as at 31 March 2020, based on headcount. The disclosures have been calculated using data received from the Department (including European school teachers), Agencies and NDPBs.

	Male	Female
	Number	**Number**
Permanent Secretary	1	-
Director General	3	4
Director	29	31
Deputy Director	121	140
Non-SCS	5,197	6,871
	5,351	**7,046**

2019-20 staff grades by gender



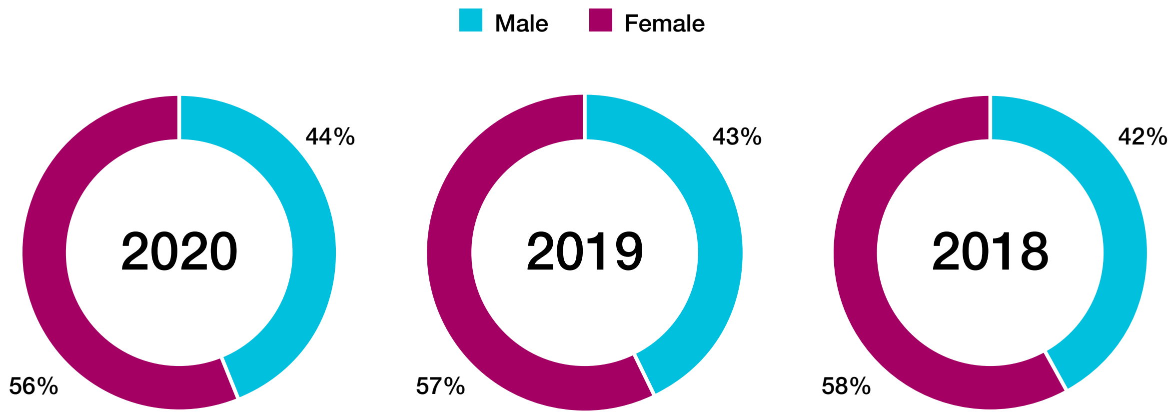
Gender across the Group for the last three years



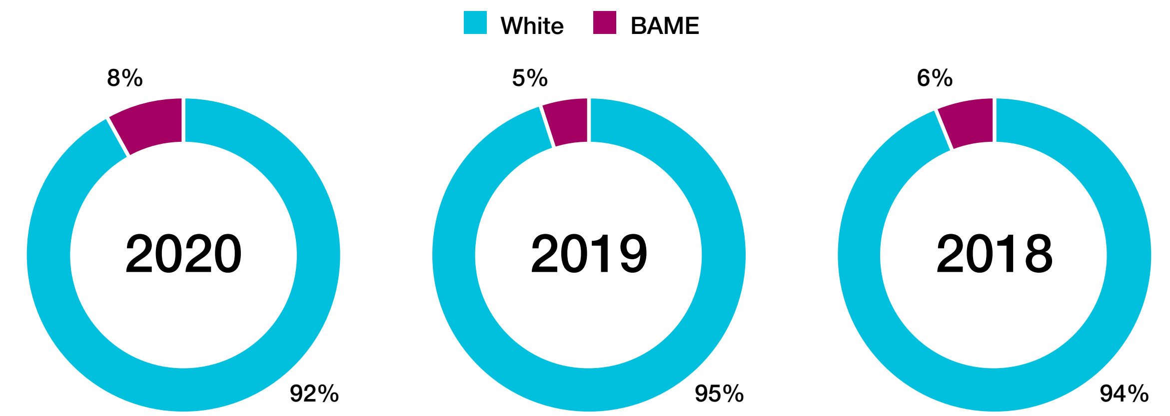
Addressing under-representation

The diversity and inclusion strategy introduced specific targets for the representation of BAME and disabled staff in the SCS for the first time. The targets, which have been agreed with Cabinet Office, are 8.3% and 9% for disabled and BAME staff respectively by 2020, and 12% and 13% by 2023.

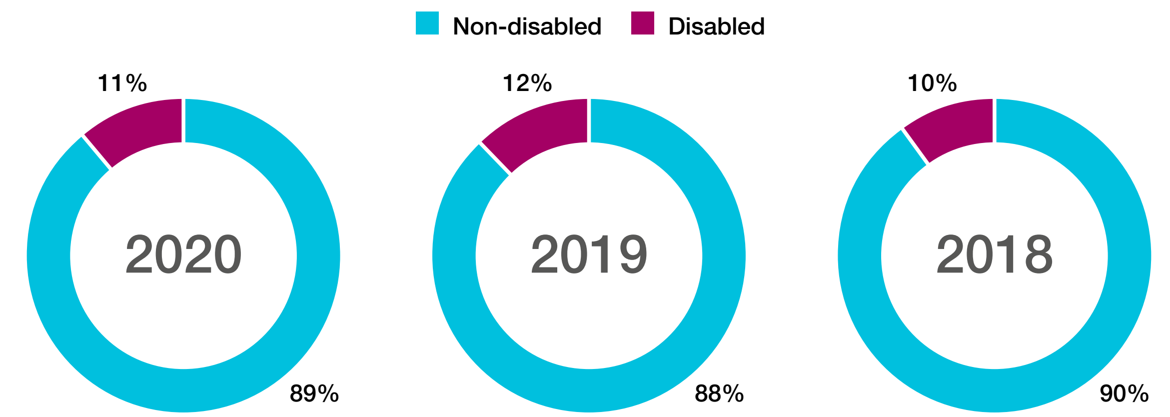
SCS gender across the last three years



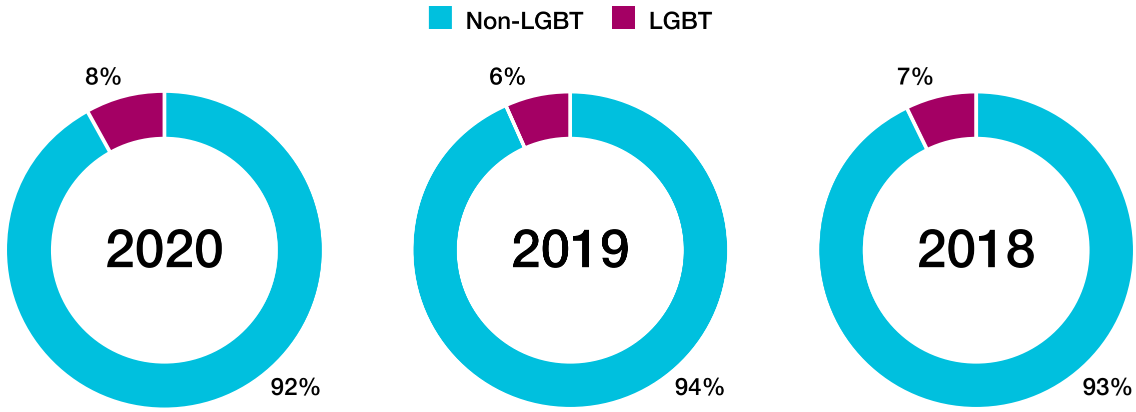
SCS ethnicity across the last three years



SCS disability across the last three years



SCS sexual orientation across the last three years



Analysis of staff policies and statistics

Our people

Recruitment practice

The Department has a duty to ensure it is fully compliant with the Civil Service Commissioner's recruitment principles. The Department's approach to recruitment reflects its commitment to become a more inclusive employer. To build core recruitment capability and ensure consistent application of the new Civil Service-wide Success Profiles framework, the Department invested in providing bespoke recruitment training and made this mandatory for anyone running a new campaign. The Department has improved its internal recruitment services offer and invested in additional tools and insights.

Sickness absence

Figures below show the average number of working days lost through sickness absence across the Department and Agencies.

	2019-20	2018-19	2017-18
Days per FTE	3.9	4.0	3.9

The figure above compares well with figures across the Civil Service, which were 6.9 average working days lost per full time equivalents (FTE) in the year ending 31 March 2018.[39]

Commitment to improving diversity

In January 2018, the Department launched our diversity and inclusion strategy – '5 years to create lasting change'. We said that over the next five years we would work with staff and networks to develop and evolve our diversity and inclusion plan to ensure that we achieved our ambitious target of being the most inclusive Civil Service department.

Our assessment at the beginning of 2018 was that we had made steady progress, with some incremental improvements, but that we now wanted to see truly transformative change.

Now, two years in, we need to take stock, benchmark our progress and agree on our priorities and focus for the next year.

39 https://www.gov.uk/government/publications/civil-service-sickness-absence

The following success measures show how we are looking to improve our diversity scores.

Success measures			
1. Leaders who reflect our society and who role model inclusive behaviour	Meet flow targets and increase BAME and disabled staff in SCS. A representative workforce at higher grades.	Increased People Survey scores on leadership	
2. Everyone able to achieve their full potential	Talent data reflects diversity of workforce	Success of talent scheme participants for progression	Improved performance on gender pay gap
3. Inclusive Culture and Behaviours	Increased People Survey scores on diversity and inclusion	Improved People Survey scores on My Manager	Decrease in bullying, harassment and discrimination scores
4. Attracting and recruiting a workforce that reflects the society we serve	Increased diversity of applicants and successful appointments to reflect the public we serve	Increased diversity of workforce by socio-economic background	
5. Transparency at our core	Increased declaration rates across all diversity groups	Improved progress against external benchmarks	Improved diversity outcomes for recruitment and management

The 2019 People Survey saw the Department's positive score for inclusion and fair treatment rise to 85% from 83%. People Survey scores on 'My Manager' have increased to 77% from 75%.The overall engagement score was also up at 69%.

The representation of BAME and disabled employees in our SCS ranks has continued to be a priority. In January 2018, when we launched our diversity and inclusion strategy, disabled SCS representation was 6.8% and BAME SCS representation was 5.5%. At 31 March 2020, the percentage of SCS who reported that they had a disability was 11% and the percentage of SCS who are BAME was 7.6%. We have agreed targets for BAME and disabled representation in our SCS for 2020 and 2023, and we are working towards achieving them.

There was a large increase in the percentage of our employees recording their diversity information. As at December 2019, 91% had provided information about their ethnicity, 92% about their sexual orientation, and 75% about their disability status.

In 2019, the Department placed 22nd of top 75 employers in the Social Mobility Employer Index, and the DfE Social Mobility network were the winners at the Civil Service Diversity and Inclusion awards. Around 40% of staff have completed socio-economic background information.

We are seeing more diverse fields of candidates, with evidence that using skills and experience in success profiles results in better diversity outcomes than using behaviours.

The Department now has a way of measuring socio-economic background which will allow us to monitor progress on social mobility. The care leaver internships programme and developing schools outreach work in opportunity areas and socio-economic cold spots in each of our locations is supporting us to increase the socio-economic diversity of the workforce.

Our overall assessment of diversity and inclusion is that:

- we have made really good progress against many of the success measures in the strategy
- we are leading across many diversity statistics across the Civil Service (highest SCS female representation, third lowest gender pay gap)
- we are having more open discussions around diversity and inclusion and we have seen an increase in network membership and the emergence of new networks such as the social mobility network and inter-faith network
- we are focused on improving the wellbeing of colleagues across the Group and are currently developing a wellbeing strategy
- we are transparent with diversity data and use it to inform evidence-based decision making and to help with accountability
- we have yet to see real traction in some areas, and we are some way from seeing the transformative change that was our aim
- we need to focus on BAME SCS representation to be on track to achieve our 2020 and 2023 targets
- we need to focus on the disparity in performance outturns which sees colleagues in protected characteristic groups more likely to be categorised as under achieved and less likely to receive an in-year reward
- reported instances of bullying, harassment and discrimination have shown little change over the last two to three years. Some targeted surveys such as one conducted recently by Project Race have suggested that levels are higher than the People Survey results and number of formal complaints made would suggest

Staff policies for disabled persons

The Department gained Disability Confident Leader Level 3 status in 2017. This means it is seen as a champion for disability confidence, with a role in supporting other employers to become disability confident, particularly its NDPBs.

The Department offers disability leave which is to enable employees with a disability to be able take reasonable time off from work to go for occupational rehabilitation, assessment or treatment to help them to return to work, or while they are waiting for a reasonable adjustment to be put in place.

Its recruitment policies also guarantee an interview to any disabled candidate who demonstrates that they meet the minimum standard required for the role.

Gender pay gap reporting

The Department's median gender pay gap as at March 2019 was 5.3%. The previous figure as at March 2018 was 5.6%. The figure for 2020 is not available at the time of publication. The figure will be published by the Government Equalities Office[40] late in 2020 and will be included in the Group's 2020-21 ARA.

40 https://www.gov.uk/government/organisations/government-equalities-office

Engagement with employees

The Department and Agencies work with our trade unions, both formally and informally, engaging with them to promote an open and constructive relationship. We aim to promote a positive employee relations environment where staff and the trade unions can contribute constructively to our objectives.

The Department has developed a Strategic Workforce Plan 2017-20 which aims to improve the experience and outcomes for all our staff, ensuring our talented workforce is diverse and inclusive and that we create an attractive place to work. To meet these aims, the Strategic Workforce Plan focuses on five 'workforce priorities'.

We will use these priorities to monitor our performance, using the following measures:

Workforce priority	Measure 1	Measure 2	Measure 3
Create an inclusive workforce that supports social mobility	Increased representation and declaration rates across all diversity groups.	Number of level 2 and 3 apprenticeship starts increased across the Department to 150/year.	Top 40 employer – Social Mobility Employer Index Ranking.
Develop effective leaders	My Manager results in the People Survey increase from 74% (2017).	Number of direct reports per manager increased to 1:4 by the end of 2019-20 and fewer 1:1 reporting relationships.	SCS Performance Management Framework more aligned with EA-G6 framework.
Establish a coherent locations footprint	Maintain the London workforce at no more than 2,300 FTE during 2019-20.	Number of functions/ work areas based in one or two main sites increased by 2020.	Number of SCS based in regional locations aligns with the proportion of our workforce based in regional locations.
Attract highly skilled talent	Proportion of vacancies filled through recruitment exercises increased from 60% to 75%.	Average time to hire reduced to 50 working days.	Increased diversity of applicants and appointments to reflect the public we serve.
Build internal skills and capability	'L&D has helped to improve my performance' results in the People Survey (currently 54% in 2017).	Fewer capability gaps reported by groups as part of future workforce planning activity.	More people participating in L&D opportunities, including leadership and talent development programmes.

The Department conducts a full People Survey annually, with the results published each December.

	2019-20	2018-19	2017-18
Response rate	91%	91%	88%
Engagement index	69%	65%	63%

The information from the survey is being used to support development of the Department's strategies and continually improve our levels of employee engagement.

Consultancy and temporary staff

Consultants are hired to work on projects in a number of specific situations:

- where the Group does not have the required skill sets
- where the requirement falls outside the core business of civil servants
- where an external, independent perspective is required

When used appropriately, consultancy can be a cost effective and efficient way of getting the temporary and skilled external input that the Group needs.

We are committed to the consistent application of the Cabinet Office's 2010 controls on consultancy and other spending.[41] The Cabinet Office's definition of consultancy is 'the provision to management of objective advice relating to strategy, structure, management or operations of an organisation'. Such advice will be provided outside the 'business-as-usual' environment when in-house skills are not available and will be time-limited. Consultancy often includes the identification of options with recommendations, or assistance with the implementation of solutions but typically not the delivery of business as usual activity.

For the Department and its Agencies, spend on consultancy requires completion of a business case which is signed off by a SCS. Consultancy engagements below £10,000 are functionally and directorate cleared by the Deputy Director with budget/delivery responsibility. Engagements between £10,000 and £20,000 are scrutinised and reviewed functionally by Finance, Commercial, cleared by the Deputy Director with budget/delivery responsibility and reviewed by the efficiency controls within the Departments Commercial Governance process. For engagements over £20,000, requests are reviewed functionally by Finance, Commercial, cleared by the Deputy Director with budget/delivery responsibility and following the Departments' efficiency control process and ministerial clearance is applied from a minister with policy responsibility. Consultancy engagements over £10 million are reviewed functionally by Finance, Commercial and directorate cleared by Deputy Directorate. With efficiency control clearance being applied by a member of the Commercial Senior Leadership team and ministerial clearance is applied from a minister with policy responsibility. Cabinet Office approval is also sought for expenditure proposals of £10 million or over. If these cases are also expected to last more than nine months, or are for procurement related consultancy, they are subject to Cabinet Office controls.

The Group's consultancy expenditure was as follows:

	2019-20	2018-19	2017-18
	£m	**£m**	**£m**
Department	12.7	12.0	9.0
Agencies	-	1.1	0.4
NDPBs	-	-	5.2
	12.7	**13.1**	**14.6**

41 https://www.gov.uk/government/publications/cabinet-office-controls

This expertise was mainly used to support change programmes across the Group and specialist research contracted out to third parties.

The Group has contracts for the engagement of staff and specialist contractors to cover short-term requirements such as covering unexpected absences, short-term peaks in workload, short-term projects or a permanent vacancy until the vacancy can be filled. Use of contingent labour is also subject to the efficiency controls process and requires ministerial approval for recruitment to SCS equivalent grades, and Director General approval for grades below this.

Contingent labour expenditure was as follows:

	2019-20	2018-19	2017-18
	£m	£m	£m
Department	8.1	43.0	27.2
Agencies	0.6	0.8	9.1
NDPBs	22.1	13.1	14.0
	30.8	**56.9**	**50.3**

Review of tax arrangements of public sector appointees

As part of the *Review of the Tax Arrangements of Public Sector Appointees* published by the Chief Secretary to the Treasury on 23 May 2012, departments were directed to publish: information pertaining to the number of off-payroll engagements at a cost of over £58,200 that were in place on, or after, 31 January 2012; and any off-payroll engagements of board members, and/or senior officials with significant financial responsibility, during 2019-20.

The tables on the following pages set out this information. Where Agencies and NDPBs are not named in the tables below, that body does not have any disclosable engagements.

For all off-payroll engagements as of 31 March 2020, for more than £245 per day and that last for longer than six months

	Department	ESFA	SLC	Group
Number of existing engagements as at 31 March 2020	47	2	27	76
Of which:				
less than one year at time of reporting	44	1	23	68
between one and two years at time of reporting	3	1	1	5
between two and three years at time of reporting	-	-	3	3
between three and four years at time of reporting	-	-	-	-
four or more years at time of reporting	-	-	-	-

All new off-payroll engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020, for more than £245 per day and that last for longer than six months

	Department	ESFA	STA	OCC	SLC	Group
Number of new engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020	23	3	3	1	23	53
Of which:						
Number assessed as caught by IR35	9	1	1	-	12	23
Number assessed as not caught by IR35	14	2	2	1	11	30
Number engaged directly (via PSC contracted to Department) and are on the Departmental payroll	-	-	-	-	-	-
Number of engagements reassessed for consistency/assurance purposes during the year	16	-	1	-	-	17
Number of engagements that saw a change to IR35 status following the consistency review	-	-	-	-	-	-

Off-payroll engagements of board members and/or senior officials with significant financial responsibility, between 1 April 2019 and 31 March 2020

	SLC	Group
Number of off-payroll engagements of board members and/or senior officials with significant financial responsibility, during the financial year	1	1
Total number of individuals on- and off-payroll that have been deemed board members and/or senior officials with significant financial responsibility, during the financial year. This figure should include both on- and off-payroll engagements	19	167

Trade union facility time

The *Trade Union (Facility Time Publication Requirements) Regulations 2017* requires relevant public sector organisations to report on trade union facility time in their organisations.

Relevant union officials - Department & Agencies

	2019-20	2018-19
Number of employees	23	23
Full-time equivalent employee numbers	6,924	5,597

The full-time equivalent employee numbers are those as at March 2020 for the Department and Agencies. These numbers are different to those disclosed for the Department and agencies within the average number of persons employed table on page 115, which reports the monthly average number of staff over the full year, as opposed to the number of staff in employment at the end of the year.

Percentage of time spent on facility time - Department & Agencies

	2019-20	2018-19
% of time	**Number of employees**	**Number of employees**
0%	3	-
1-50%	20	23
51-99%	-	-
100%	-	-

Percentage of pay bill spent on facility time - Department & Agencies

	2019-20	2018-19
Item		
Total cost of facility time	£37,746	£13,437
Total pay bill (£m)	£406	£250
% of the total pay bill against facility time	0.001%	0.005%

Paid trade union activities

The percentage of hours spent by employees who were relevant union officials during the relevant period on paid trade union activities was 3.69% (2018-19: 1.54%).

Staff redeployments

Grade	Defra	OGDs	2020 total
	Number	Number	Number
Director	-	2	2
Grade 6	3	4	7
Grade 7	18	9	27
Senior Executive Officer	14	5	19
Higher Executive Officer	10	5	15
Executive Officer	6	2	8
Executive Assistant	1	-	1
	52	**27**	**79**

The average duration of staff redeployments as at 31 March 2020 was 280 days (2019: 29 days).

The estimated annual cost, based on average staff salaries, to admin and programme budgets.

	Defra	OGDs	Total
	£m	£m	£m
Admin	2.7	1.8	4.5
Programme	0.3	0.1	0.4
	3.0	**1.9**	**4.9**

Parliamentary accountability and audit report

Overview

In addition to the primary statements prepared under IFRSs, the FReM requires the Department to prepare a Statement of Parliamentary Supply (SoPS) and supporting notes.

The SoPS and related notes are subject to audit, as detailed in the Certificate and Report of the Comptroller and Auditor General to the House of Commons.

The SoPS is a key accountability statement that shows, in detail, how an entity has spent against their Supply Estimate. Supply is the monetary provision (for resource and capital purposes) and cash (drawn primarily from the Consolidated Fund), that Parliament gives statutory authority for entities to utilise. The Estimate details supply and is voted on by Parliament at the start of the financial year.

Should an entity exceed the limits set by their Supply Estimate, called control limits, their accounts will receive a qualified opinion.

The format of the SoPS mirrors the Supply Estimates, published on GOV.UK, to enable comparability between what Parliament approves and the final outturn.

The SoPS contains a summary table, detailing performance against the control limits that Parliament have voted on, cash spent (budgets are compiled on an accruals basis and so outturn will not exactly tie to cash spent), and administration.

The supporting notes detail the following: outturn by Estimate line, providing a more detailed breakdown (note S1); a reconciliation of outturn to net operating expenditure in the SoCNE, to tie the SoPS to the financial statements (note S2); a reconciliation of outturn to net cash requirement (note S3); and, an analysis of income payable to the Consolidated Fund (note S4).

Statement of Parliamentary Supply: audited

For the year ended 31 March 2020

Summary table, 2019-20

		Outturn			Estimate			Outturn vs Estimate, savings/(excess)		2018-19 Outturn
Type of spend	**Note**	**Voted**	**Non-voted**	**Total**	**Voted**	**Non-voted**	**Total**	**Voted**	**Total**	**Total**
		£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Departmental Expenditure Limit										
Resource	S1.1	79,409,784	-	79,409,784	80,941,052	-	80,941,052	1,531,268	1,531,268	67,900,431
Capital	S1.2	4,864,441	-	4,864,441	4,912,324	-	4,912,324	47,883	47,883	5,401,824
Total		**84,274,225**	**-**	**84,274,225**	**85,853,376**	**-**	**85,853,376**	**1,579,151**	**1,579,151**	**73,302,255**
Annually Managed Expenditure										
Resource	S1.1	(1,739,287)	-	(1,739,287)	(889,040)	-	(889,040)	850,247	850,247	(1,029,469)
Capital	S1.2	20,982,146	-	20,982,146	22,538,530	-	22,538,530	1,556,384	1,556,384	15,630,828
Total		**19,242,859**	**-**	**19,242,859**	**21,649,490**	**-**	**21,649,490**	**2,406,631**	**2,406,631**	**14,601,359**
Total Budget										
Resource	S1.1	77,670,497	-	77,670,497	80,052,012	-	80,052,012	2,381,515	2,381,515	66,870,962
Capital	S1.2	25,846,587	-	25,846,587	27,450,854	-	27,450,854	1,604,267	1,604,267	21,032,652
Total Budget Expenditure		**103,517,084**	**-**	**103,517,084**	**107,502,866**	**-**	**107,502,866**	**3,985,782**	**3,985,782**	**87,903,614**
Non-budget expenditure		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Budget and Non-budget		**103,517,084**	**-**	**103,517,084**	**107,502,866**	**-**	**107,502,866**	**3,985,782**	**3,985,782**	**87,903,614**

Net cash requirement 2019-20

Item	Note	Outturn	Estimate	Outturn vs Estimate, saving/(excess)	Prior Year Outturn Total 2018-19
		£000	£000	£000	£000
Net cash requirement	S3	83,575,583	88,430,753	4,855,170	80,686,981

Administration costs 2019-20

Type of spend	Note	Outturn	Estimate	Outturn vs Estimate, saving/(excess)	Prior Year Outturn Total 2018-19
		£000	£000	£000	£000
Administrative costs	S1.1	489,600	509,198	19,598	490,999

Figures in the areas outlined in thick line cover the voted control limits voted by Parliament. Refer to the Supply Estimate guidance manual, available on GOV.UK, for detail on the control limits voted by Parliament.

Although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

Explanation of variances between Estimate and outturn are given in the commentary on significant variances between Estimate and outturn in the financial review of the year on page 36.

The notes on pages 133 to 140 form part of this Statement of Parliamentary supply.

Notes to the Statement of Parliamentary Supply: audited

S1. Outturn detail, by Estimate line

S1.1 Analysis of resource outturn by Estimate line

	Resource Outturn							Estimate				
	Administration			Programme								
	Gross	Income	Net	Gross	Income	Net	Total	Total	Virements	Total inc. virements	Outturn vs Estimate, savings/ (excess)	Prior Year Outturn Total, 2018-19
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Spending in Departmental Expenditure Limit												
Voted expenditure												
Activities to Support all Functions	379,880	(43,896)	335,984	71,760	(43,741)	28,019	364,003	377,759	(5)	377,754	13,751	347,575
Early Years and Schools (Department)	-	-	-	1,465,976	(102,269)	1,363,707	1,363,707	1,422,162	(16,298)	1,405,864	42,157	-
School Infrastructure and Funding of Education (Department)	-	-	-	-	-	-	-	-	-	-	-	213,676
Education Standards, Curriculum and Qualifications (Department)	-	-	-	-	-	-	-	-	-	-	-	4,437,801
Early Years and Schools (ALB) (net)	1,697	-	1,697	(861)	-	(861)	836	2,583	-	2,583	1,747	-
School Infrastructure and Funding of Education (ALB) (net)	-	-	-	-	-	-	-	-	-	-	-	(16,665)
Social Care, Mobility and Disadvantage (Department)	-	-	-	353,348	(6,096)	347,252	347,252	361,098	-	361,098	13,846	321,434
Social Care, Mobility and Disadvantage (ALB) (net)	2,002	-	2,002	6,814	-	6,814	8,816	14,544	-	14,544	5,728	4,461
Standards and Testing Agency	3,250	-	3,250	53,695	(44)	53,651	56,901	51,502	5.508	57.010	109	61,521
Teaching Regulation Agency	232	-	232	6,076	(98)	5,978	6,210	6,297	5	6,302	92	6,361
Education and Skills Funding Agency (ESFA)	80,859	(151)	80,708	2,124,080	(136,434)	1,987,646	2,068,354	2,314,946	-	2,314,946	246,592	3,403,687
Grants to Local Authority Schools via ESFA	-	-	-	29,560,376	-	29,560,376	29,560,376	29,591,929	(31,553)	29,560,376	-	29,641,734
Grants to Academies via ESFA	-	-	-	22,903,820	(114)	22,903,706	22,903,706	22,845,405	58,301	22,903,706	-	20,705,172
Higher Education	-	-	-	16,367,278	(40,747)	16,326,531	16,326,531	17,509,885	(19,866)	17,490,019	1,163,488	7,131,976
Further Education	-	-	-	4,806,523	(4,034)	4,802,489	4,802,489	4,857,997	(15,958)	4,842,039	39,550	106,652
Higher Education (ALB) (net)	56,136	-	56,136	1,525,827	-	1,525,827	1,581,963	1,562,900	19,866	1,582,766	803	1,522,010
Further Education (ALB) (net)	9,591	-	9,591	9,049	-	9,049	18,640	22,045	-	22,045	3,405	13,036
Total spending in DEL	**533,647**	**(44,047)**	**489,600**	**79,253,761**	**(333,577)**	**78,920,184**	**79,409,784**	**80,941,052**	**-**	**80,941,052**	**1,531,268**	**67,900,431**

	Resource Outturn							Estimate				
	Administration			Programme								
	Gross	Income	Net	Gross	Income	Net	Total	Total	Virements	Total inc. virements	Outturn vs Estimate, savings/ (excess)	Prior Year Outturn Total, 2018-19
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Spending in Annually Managed Expenditure												
Voted expenditure												
Activities to Support all Functions (Department)	-	-	-	11,191	-	11,191	11,191	1,665	9,526	11,191	-	(7,690)
Activities to Support all Functions (ALB)	-	-	-	5,343	-	5,343	5,343	-	5,343	5,343	-	228
Executive Agencies	-	-	-	(12,934)	-	(12,934)	(12,934)	954	(5,343)	(4,389)	8,545	5,815
Higher Education	-	-	-	3,751,808	(5,477,126)	(1,725,318)	(1,725,318)	(924,541)	-	(924,541)	800,777	(1,031,306)
Further Education	-	-	-	30,928	(37,469)	(6,541)	(6,541)	1,000	-	1,000	7,541	(12,107)
Higher Education (ALB) (net)	-	-	-	(53,937)	-	(53,937)	(53,937)	2,100	(22,653)	(20,553)	33,384	1,732
Further Education (ALB) (net)	-	-	-	42,909	-	42,909	42,909	29,782	13,127	42,909	-	13,859
Total spending in AME	**-**	**-**	**-**	**3,775,308**	**(5,514,595)**	**(1,739,287)**	**(1,739,287)**	**(889,040)**	**-**	**(889,040)**	**850,247**	**(1,029,469)**
Total resource	**533,647**	**(44,047)**	**489,600**	**83,029,069**	**(5,848,172)**	**77,180,897**	**77,670,497**	**80,052,012**	**-**	**80,052,012**	**2,381,515**	**66,870,962**

Following a 2019-20 structural change within the Department, two Estimate lines (Schools Infrastructure and Funding, and Education Standards, Qualifications and Curriculum) have been replaced by a new Estimate line, Early Years and Schools. As a result, prior year outturn has been presented against the original Estimate lines with current outturn balances presented under the revised name.

S1.2 Analysis of capital outturn by Estimate line

	Outturn			Estimate				
	Gross	Income	Net Total	Total	Virements	Total inc. virements	Outturn vs Estimate, savings/ (excess)	Prior Year Outturn Total, 2018-19
	£000	£000	£000	£000	£000	£000	£000	£000
Spending in Departmental Expenditure Limit								
Voted expenditure								
Activities to Support all Functions	87,213	(14,998)	72,215	72,544	-	72,544	329	85,503
Early Years and Schools (Department)	1,906,887	(72,275)	1,834,612	1,768,762	65,850	1,834,612	-	-
School Infrastructure and Funding of Education (Department)	-	-	-	-	-	-	-	1,494,467
Education Standards, Curriculum and Qualifications (Department)	-	-	-	-	-	-	-	6,077
Early Years and Schools (ALB) (net)	(31,522)	-	(31,522)	8,605	(28,659)	(20,054)	11,468	-
School Infrastructure and Funding of Education (ALB) (net)	-	-	-	-	-	-	-	(4,185)
Social Care, Mobility and Disadvantage (Department)	16,674	-	16,674	16,685	(11)	16,674	-	6,512
Social Care, Mobility and Disadvantage (ALB) (net)	2,588	-	2,588	3,275	(687)	2,588	-	2,304
Standards and Testing Agency	2,773	-	2,773	1,900	873	2,773	-	1,981
Education and Skills Funding Agency (ESFA)	43,383	(6,512)	36,871	22,669	14,202	36,871	-	189,641
Grants to Local Authority Schools via ESFA	1,848,567	(2,302)	1,846,265	1,857,406	(8,839)	1,848,567	2,302	2,301,456
Grants to Academies via ESFA	844,674	(25,538)	819,136	870,869	(26,195)	844,674	25,538	1,023,051
Higher Education	30,580	(14,839)	15,741	13,768	1,973	15,741	-	119,521
Further Education	109,372	(8,246)	101,126	133,588	(24,216)	109,372	8,246	8,484
Higher Education (ALB) (net)	147,247	-	147,247	141,446	5,801	147,247	-	166,859
Further Education (ALB) (net)	715	-	715	807	(92)	715	-	153
Total spending in DEL	**5,009,151**	**(144,710)**	**4,864,441**	**4,912,324**	**-**	**4,912,324**	**47,883**	**5,401,824**

	Outturn			Estimate				
	Gross	Income	Net Total	Total	Virements	Total inc. virements	Outturn vs Estimate, savings/ (excess)	Prior Year Outturn Total, 2018-19
	£000	£000	£000	£000	£000	£000	£000	£000
Spending in Annually Managed Expenditure								
Voted expenditure								
Activities to Support all Functions (Department)	-	-	-	(470)	470	-	-	-
Higher Education	22,849,897	(2,097,889)	20,752,008	22,286,652	-	22,286,652	1,534,644	15,417,340
Further Education	231,586	(19,164)	212,422	251,587	(17,425)	234,162	21,740	211,633
Further Education (ALB) (net)	17,716	-	17,716	761	16,955	17,716	-	1,855
Total spending in AME	**23,099,199**	**(2,117,053)**	**20,982,146**	**22,538,530**	**-**	**22,538,530**	**1,556,384**	**15,630,828**
Total capital	**28,108,350**	**(2,261,763)**	**25,846,587**	**27,450,854**	**-**	**27,450,854**	**1,604,267**	**21,032,652**

The total Estimate columns include virements. Virements are the reallocation of provision in the Estimates that do not require parliamentary authority (because Parliament does not vote to that level of detail and delegates to HMT). Further information on virements are provided in the *Supply Estimates Manual*, available on GOV.UK.

The outturn vs Estimate column is based on the total including virements. The Estimate total before virements have been made is included so that users can tie the Estimate back to the Estimates laid before Parliament.

S1.3 Explanation of variances

Resource DEL

Education and Skills Funding Agency (ESFA)

A significant proportion of the underspend relates to apprenticeships. The budget is demand-led which was lower at the end of the financial year than estimated at the Supplementary Estimates process.

Higher education

The movement in impairment is dependent on the year end student loan carrying value, which is itself dependent upon the OBR macroeconomic forecasts, including earnings, RPI and the Bank of England base rate. All of these year end valuation inputs are published after Supplementary Estimates are finalised.

Resource AME

Higher education AME

The budget for higher education requested at Supplementary Estimates included an element of contingency because of the volatility in effective interest relating to student loans figures.

Capital DEL

Early Years and Schools (ALB) (Net)

The underspend on this Estimate line is largely related to the income from Aggregator Vehicle PLC, an ALB.

Education and Skills Funding Agency (ESFA)

The variance on this line relates to an impairment.

Further education

The underspend on this Estimate line is largely related to the slippage in IoT expenditure.

Capital AME

Higher education AME

The variance to the Estimate is as a result of unused budget cover set aside at Supplementary Estimates to cover the volatility in student loan outlay, capitalised interest, and repayments. These balances are dependent on macroeconomic forecasts, published by the OBR after Supplementary Estimates are finalised.

Further commentary of the variances of outturn to Estimate are provided in the financial review of the year starting on page 36.

S2. Reconciliation of outturn to net operating expenditure

Item	Reference	Outturn Total £000	Prior Year Outturn Total, 2018-19 £000
Total Resource outturn	**S1.1**	**77,670,497**	**66,870,962**
Add: Capital grant	5	4,919,762	5,065,439
Other capital expenditure		42,586	15,939
Total		**4,962,348**	**5,081,378**
Less: Income payable to the Consolidated Fund	S4	(102)	(6,629)
Capital grant income		(48,204)	(24,436)
Other adjustments		(418)	(36,386)
Total		**(48,724)**	**(67,451)**
Net operating cost in SoCNE	**SoCNE**	**82,584,121**	**71,884,889**

As noted in the introduction to the SoPS above, outturn and the Estimates are compiled against the budgeting framework, which is similar to, but different from, IFRS.

For example, capital grants (income or expenditure) are budgeted for as CDEL so are not included within resource outturn but are accounted for as spend in SoCNE. Therefore, capital expenditure functions as a reconciling item between resource and SoCNE's net operating expenditure.

S3. Reconciliation of net resource outturn to net cash requirement

	Reference	Outturn Total	Estimate	Outturn vs Estimate, saving/ (excess)
		£000	£000	£000
Total Resource outturn	**S1.1**	**77,670,497**	**80,052,012**	**2,381,515**
Total Capital outturn	**S1.2**	**25,846,587**	**27,450,854**	**1,604,267**
Adjustment for NDPBs:				
Remove voted resource and capital		(1,741,314)	(1,816,642)	(75,328)
Add cash grant in aid		1,735,089	1,811,609	76,520
Adjustments to remove non-cash items:				
Depreciation, amortisation and impairment	6.2	(81,386)	(16,951,434)	(16,870,048)
New provision and adjustment to previous provision	16	(80,681)	(68,697)	11,984
Student loan book fair value movement		(19,585,677)	-	19,585,677
Other non-cash adjustments		55,639	(2,637,867)	(2,693,506)
Adjustments to reflect movements in working balances:				
Movement in receivables	SoCF	(70,126)	-	70,126
Movement in payables	SoCF	(295,976)	497,701	793,677
Use of provision	16	95,058	93,217	(1,841)
Use of financial guarantees	17	27,873	-	(27,873)
Total		**(19,941,501)**	**(19,072,113)**	**869,388**
Net cash requirement		**83,575,583**	**88,430,753**	**4,855,170**

As noted in the introduction to the SoPS above, outturn and the Estimates are compiled against the budgeting framework, not on a cash basis. Therefore, this reconciliation bridges the resource and capital outturn to the net cash requirement.

S4. Amounts of income to the Consolidated Fund

S4.1 Analysis of income payable to the Consolidated Fund

In addition to income retained by the Group, the following income is payable to the Consolidated Fund (cash receipts being shown in italics).

	Outturn Total		Prior Year, 2018-19	
Item	**Accruals**	**Cash basis**	**Accruals**	**Cash basis**
	£000	**£000**	**£000**	**£000**
Income outside the Ambit of the Estimate	102	*102*	6,629	*6,629*
Excess cash surrenderable to the Consolidated Fund	-	-	1,934,265	*1,934,265*
Total amount payable to the Consolidated Fund	**102**	***102***	**1,940,894**	***1,940,894***

Parliamentary accountability disclosures: audited

Public sector losses and special payments

A1. Losses statement

The total of all losses that have been recognised this year is as follows:

		2019-20		2018-19
	Department & Agencies	Group	Department & Agencies	Group
Total number of cases	**30,457**	**30,639**	**37,457**	**37,528**
	£000	**£000**	**£000**	**£000**
Cash losses	99	114	604	613
Fruitless payments and constructive losses	4,418	5,762	1,842	1,845
Claims waived or abandoned	29,848	29,848	79,557	79,557
Store losses	10	10	61	72
	34,375	**35,734**	**82,064**	**82,087**

A1.1 Fruitless payments and constructive losses over £300,000

	£000
Sunk cost written-off	
2020 test cycle - STA	2,716
Loan sale - Department	1,266
Loan sale - SLC	968

Sunk cost written-off

In response to the COVID-19 pandemic, the Group cancelled national tests and assessments. The Group had already incurred costs for the printing and collating of the tests which were lost when the tests were cancelled.

In March 2020, the Chancellor announced that the government would not pursue future student loan sales following a review which determined that sales no longer aligned with fiscal policy. Following the decision the Group wrote-off pre-sale costs for loan sale 3.

A1.2 Claims waived or abandoned over £300,000

	£000
FE sector loans	
Trafford College - ESFA	1,750
National College for Creative Industries - Department	1,250
Overpaid grant recoveries - all ESFA	
South Thames College	15,160
Manchester Creative Studio	823
Wigan UTC	609
Baverstock Academy	539
Woodlands Academy	508
Nottingham County Council	368
Re-brokerage debt forgiveness - all ESFA	
Royston School Academy Trust	1,253
Avonbourne International Business and Enterprise Trust	816
Avanti School Trust	686
Bradfield School	568
Derby UTC	417
Eaton Bank Academy	360
LIFE Multi-academy Trust	300
Student loans - both Department	
Write-off of employer deductions	2,660
Grant overpayment write-offs	613

FE sector loans

The Group provides exceptional financial support and restructuring facility support to colleges when funding is urgently required to meet college liabilities to protect education and training provision for learners. The policy intent was to provide funding as a loan wherever possible. Where a loan repayment schedule cannot be agreed immediately, funding is provided as conditional grant with one of the conditions being that it will be converted to a loan subject to the Group's determination. In very exceptional circumstances a non-repayable grant may have been provided. The affordability of repaying exceptional financial support loans or conditional grants has been considered alongside the requirement for restructuring funding. In some cases ministers in the Department and HMT have agreed to waive the repayment of the exceptional financial support in cases where it is necessary to implement a long-term solution which puts the college on a sound financial footing. The list above is of colleges where a repayment over £300,000 has been waived.

Unrecoverable grant overpayments

In certain circumstances, overpayments of grants can occur when grant payment profiles for educational bodies are based on expected learner numbers which are not supported by actual numbers or unused capital grants. One example relates to academies which are funded based on expected pupil numbers that are not matched by actual numbers sourced from the October pupil census. The Group seeks to recover the over-funding across the rest of the funding year.

However, in a limited number of occasions the Group may decide to waive its claim to recover the overpayment to support its wider policy aim to supporting education. One example is to facilitate the re-brokerage of an academy to a better performing multi-academy trust to strengthen the educational outcomes of the pupils.

Re-brokerage debt forgiveness

Balances owed by academies may in some circumstances be waived to facilitate the re-brokerage of the academy to a more sustainable academy trust.

Student loans

The following student loan losses are disclosed here because the Department receives HMT approval for the losses at an aggregate level. Each specific loss is below the £300,000 disclosure threshold.

HMRC collects on behalf of the Department student loan repayments collected from borrowers by employers through the tax system. During 2019-20, £2.7 million (2018-19: £2.7 million) was written-off in respect of student loan repayments which have been collected by the employer from the borrower but were uncollectable by HMRC, normally because of employer insolvency. The number of cases relating to these losses is 29,443 (2018-19: 36,602).

Maintenance grant overpayment balances are written-off in the case of death and disability. During 2019-20, overpayments amounting to £613,000 (2018-19: £215,000) were written-off in respect of persons who had died or who had become permanently unfit for work as a result of disability since the grant overpayment was made, leaving no realistic way to recover the debt. The increase is due to an internal review that flagged 427 accounts whereby the customer had been confirmed as deceased, but their grant overpayment was never processed for write-off.

A2. Special payments

	2019-20		2018-19	
	Department & Agencies	Group	Department & Agencies	Group
Total number of cases	27	1,796	25	1,542
	£000	£000	£000	£000
Total value	4,290	5,486	4,825	4,998

A2.1 Special payments over £300,000

	£000
Rotherham Council - Department	1,303
Pinner Wood School - ESFA	1,172
Legal settlement - SLC	1,000
National College for Advanced Transport & Infrastructure - Department	725

Rotherham Council

A payment was needed to meet the total additional unfunded social work costs associated with the Stovewood operation which Rotherham have incurred in the financial year 2019-20. Operation Stovewood is the most substantial non-familial child sexual exploitation investigation ever undertaken by law enforcement in the UK. There is significant demand on the services provided by the council as a result of Operation Stovewood. While the authority's performance is generally good at present, without additional funding to meet the costs incurred as a result of the investigation they would not have been able to sustain their level of performance, leading to unmanageable pressures on staff and impacting on the quality of their services going forward.

Pinner Wood School

The special payment was made to support London Borough of Harrow and contributed towards the temporary relocation costs for the period where the school was displaced as these were urgent and exceptional circumstances which the council could not reasonably fully anticipate. The costs covered temporary transport and staffing, refurbishment works to temporary sites and coach parking facilities. The temporary school relocation was caused by a large hole opening up on the school's site.

Legal settlement

During the year the Group settled a dispute, out of court, with a third party. The value of the settlement was £1 million.

National College for Advanced Transport & Infrastructure (NCATI)

The Department provided exceptional financial support to NCATI to protect learner provision during the college's set-up phase. A conditional grant was provided to NCATI on the basis of affordability and ensuring the college has stability while long-term sustainable options are assessed.

Group volumes

The high volume of Group disclosures includes 1,768 cases (2018-19: 1,515 cases) from SLC, but with a total value of just £196,000 (2018-19: £118,000).

A3. Student loans written-off in year

	2019-20		2018-19	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Due to:				
Death	20.9	20.9	21.1	21.1
Age	5.3	5.3	10.0	10.0
Disability	1.3	1.3	1.2	1.2
Because of bankruptcy, on completion of individual voluntary arrangement, and other	-	-	0.3	0.3
Access to Higher Education	19.8	19.8	25.0	25.0
	47.3	**47.3**	**57.6**	**57.6**

A4. Gifts

The total of all gifts and hospitality that have been paid out this year are as follows:

	2019-20		2018-19	
	Department & Agencies	Group	Department & Agencies	Group
Total number of cases	3	77	3	120
	£000	£000	£000	£000
Total value	37,610	37,614	1,574	1,574

A4.1 Gifts payments over £300,000

	£000
St Paul's Place - Department	18,844
Kensington and Chelsea College - Department	18,764

St Paul's Place

In August 2019 the Department transferred the St Paul's Place property to the Government Property Agency (GPA). The transfer was part of a wider government property strategy of transferring departmental freehold and long leasehold properties to the GPA in order to drive estate management efficiencies. The Department expects to continue to occupy the property and pay rent to GPA as landlord. The gift has been valued at £18.8 million.

Kensington and Chelsea College

To support the education provision, the site was purchased by the Department and then leased to the college for 125 years at a peppercorn. The gift has been valued at the discounted value of the lease's market value (£1.1 million per annum) to the lease's first break clause at 25 years.

A5. Remote contingent liabilities

In addition to contingent liabilities reported within the meaning of *IAS 37 Provisions, Contingent Liabilities and Contingent Assets* (IAS 37) (see note 21), the Group also reports liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the accounting standard's definition of contingent liability.

A5.1 Quantifiable

The Group has entered into the following quantifiable contingent liabilities by offering guarantees, indemnities, or by giving letters of comfort. In accordance with Parliamentary reporting requirements, we are obliged to disclose these although none of these are contingent liabilities under the meaning of IAS 37 since the likelihood of a transfer of economic benefit in settlement is judged to be too remote.

	1 April 2019	Increase in year	Crystallised in year	Expired in year	31 March 2020	Amount reported[1]
	£m	£m	£m	£m	£m	£m
Property-based						
Academy trust rental support	16.0	-	-	-	16.0	-
Planning risk	1.1	-	-	-	1.1	-
Asset management costs	0.3	-	-	-	0.3	-
Other						
PFI contracts in the academy sector	9,250.0	-	-	-	9,250.0	9,250.0
USS guarantor	5.0	-	-	-	5.0	-
Academy closure costs	2.0	-	-	-	2.0	-
Free school Principal designates	0.9	-	-	(0.1)	0.8	-
Junior ISAs	-	1.4	-	-	1.4	-
	9,275.3	**1.4**	**-**	**(0.1)**	**9,276.6**	**9,250.0**

Note: [1] Amount reported to Parliament by departmental minute

Property-based

Academy trust rental support

The Group has entered into agreements with some landlords of academy trusts to support landlords in the event of under-performance of their academy trust tenants. The agreements create obligations on the Group to identified landlords to pay monies over if the academy trust operating from the site fails to perform under its lease. The agreements were entered into to support the smooth opening of various academies and free schools.

Planning risk

The Group has provided an indemnity to the REAch2 Colchester project for costs dependent on the planning permission decision by the local authority. If satisfactory planning permission for the school is not granted and the £1.1 million 'top up' is therefore not paid, then an overage clause will take effect. This provides that on the grant of planning permission for an alternative higher value use, 50% of the net increase in value (if any) from the purchase price will be due on either a sale of the property or commencement of development. The purchase price is to be index-linked using RPI from completion of purchase to the date of the overage payment to establish the overage due.

Asset management costs

To progress the Central Ipswich Free School's property transaction, it was necessary to agree a cap in respect of an asset management indemnity. Group property experts' advice is that £250,000 is an acceptable figure for managing a town centre site in this part of the country and has been agreed. It is anticipated that the school will be built and this contingent figure will not need further consideration but it is a commercial risk for the Group, hence the cap.

Other

Academy-sector PFI contracts

The contingent liability arises from support the Department may provide local authorities for their Private Finance Initiative (PFI) arrangements. These contingent liabilities are the result of the Group, acting as an agent to the Secretary of State, agreeing to provide an indemnity to local authorities for potential costs on buildings they own but manage through existing PFI arrangements. The properties are used by academies.

This type of indemnity is considered low risk and is only a feature of the academy programme in very specific circumstances.

Universities Superannuation Scheme guarantor

The Department acts as guarantor for OfS' obligations to the Universities Superannuation Scheme (USS), which was a condition of OfS' admission to the USS as a scheme employer.

In the event of a future transfer or winding up of OfS, the Department will guarantee that employer pension liabilities will continue to be met either by a successor body, or by the Department, in the event that no other body assumes the OfS' functions.

Academy closure costs

To provide an indemnity of up to £2 million to protect Inspiration Trust (regarding Great Yarmouth High School) against potential closure costs of the academy in the event that the separate charitable foundation which owns the site withdraws consent for the academy to operate from the current site.

Free schools for principal designates

The Group underwrites the salaries of principal designates, or other key essential teaching staff, of new free schools, UTCs or studio schools before they open and receive operational grant funding.

Junior ISA account

During the year the Department has been able to quantify the Junior ISA (JISA) liability based on information supplied by local authorities. The Department has contracted a charity to manage the JISA scheme on its behalf. Using an initial £200 payment from the Department, the contractor opens and manages JISAs on behalf of looked-after children while they remain in care. The government made a commitment in 2011 to provide £200 to set up a JISA for each child in care across the UK. Local authorities have identified around 14,000 young people who left care before a JISA could be opened for them, of which around 8,000 have already claimed and received their £200 payments in lieu, leaving around 6,847 potential retrospective claims which equates on paper to a potential liability of up to £1.4 million.

A5.2 Unquantifiable

Student loan sales

Each sale of student loans necessitated separate but similar warranties and indemnities to secure interest and obtain value for money from investors into the securitisation transactions. Each suite of obligations is separate from other sales, and there is no risk of cross-over, a failure for one sale does not automatically trigger failures for other sales.

These contingent liabilities are in respect of:

- A warranty to provide investors compensation for policy changes which reduce cash flows to investors. This is because the terms of the loans remain within government control, and there is nothing investors can do to influence this. The liability will exist for the life of the securitisation transaction, and it will expect to expire by 2056 for the December 2017 loan sale, and 2058 for the December 2018 loan sale. The likelihood of crystallisation is low.
- The need to repurchase all of the student loans as a remedy for investors if:
  - collection of repayments for the sold loans through the UK tax system by HMRC ceased
  - RPI used to calculate the interest rate of the loans was abolished without a substitute being put in place
  - there was a problem with the collection of loan repayments that could not be remedied for three consecutive annual payment dates
  - there is government policy that is implemented relating to forgiveness of student loan repayments for borrowers who are, or become, teachers pursuant to which any securitised student loan is (in whole or in part) cancelled, reduced in balance or written-off

The likelihood of any of these scenarios materialising is very low.

- An indemnity given to investors to cover potential losses if a 'servicing event' is triggered and is incurable, or cannot be cured within a reasonable time. Investors are not able to change the servicer (unlike for a typical commercial transaction) and therefore an indemnity is their only recourse in the event that the servicing is not in line with the contractually agreed standard. The liability is expected to be live for the life of each securitisation transaction, i.e. up to around 30 years, and will reduce over time.
- Indemnities given to the joint lead managers if they (or their employees, directors or affiliates) suffer any loss as a result of misrepresentation, misleading statement or omissions or breach of duty by government. All of the liabilities are expected to be live for the life of each securitisation transaction, i.e. up to around 30 years.
- Indemnities have also been provided to certain other parties connected to each securitisation transaction to cover any loss from the Department (acting as Master Servicer) failing in its performance of certain duties. These include acting with negligence, fraud, wilful default, infringement of intellectual property rights, failing to provide a remedial plan or a cure within a certain timeframe.

Coal Authority

To carry out ground investigation for a permanent site for Coseley Tech Primary.

SLC pension transfer

As described in note 19, during 2019-20 SLC closed their pension scheme and transferred their staff into the main Civil Service scheme. The Department has a contingent liability for the incremental accrued benefit cost between CPI and non-CPI if the Civil Service scheme is uprated by less than CPI.

Cost allocation and charges

As a public sector information holder, the Group was compliant with HMT's issued guidance on cost allocation and charging for information services in 2019-20.

Susan Acland-Hood
Acting Accounting Officer

22 October 2020

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

Opinion on financial statements

I certify that I have audited the financial statements of the Department for Education and of its Departmental Group for the year ended 31 March 2020 under the *Government Resources and Accounts Act 2000*. The Department comprises the core Department and its agencies. The Departmental Group consists of the Department and the bodies designated for inclusion under the *Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2019*. The financial statements comprise: the Department's and Departmental Group's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them.

I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Department's and the Departmental Group's affairs as at 31 March 2020 and of the Department's expenditure and Departmental Group's net expenditure 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.

Emphasis of matter – uncertainties inherent in the valuation of student loans

I draw attention to the disclosures made in notes 1.3.5, 1.3.6, 1.3.7 and note 11.3 concerning critical accounting judgements and key sources of estimation uncertainty relating to the valuation of student loans. As set out in these disclosures there is a high degree of inherent estimation uncertainty in the loan valuation, as repayments are highly dependent on macroeconomic circumstances over the long-term. The level of uncertainty has been exacerbated by the potential impacts of COVID-19 on the economy. Significant changes to the valuation could occur as a result of subsequent information and events which are different from the current assumptions adopted by the Department. My opinion is not modified in respect of this matter.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2020 and shows that those totals have not been exceeded; and
- the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Department for Education in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the Department for Education's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Department for Education have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the *Government Resources and Accounts Act 2000*.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the Department for Education's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the group financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.
- conclude on the appropriateness of the Department for Education's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Department for Education's or the group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause Department for Education's or the group to cease to continue as a going concern.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also 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.

Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the *Government Resources and Accounts Act 2000*;
- in the light of the knowledge and understanding of the group and the parent and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in the Performance and Accountability Reports 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 parts of the Accountability 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.

Gareth Davies
Comptroller and Auditor General

29 October 2020

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

Financial statements

Financial statements

Consolidated Statement of Comprehensive Net Expenditure

for the year ended 31 March 2020

		2019-20		2018-19	
		Department & Agencies	Group	Department & Agencies	Group
	Note	£m	£m	£m	£m
Income	3	(434)	(724)	(449)	(739)
Total income		**(434)**	**(724)**	**(449)**	**(739)**
Staff costs	4	396	607	354	551
Grants and other funding:					
resource grants	5.1	62,934	62,665	61,000	60,633
capital grants	5.2	4,810	4,920	4,903	5,066
Operating expenditure	6.1	619	831	596	773
Depreciation, impairment and other non-cash charges	6.2	193	214	35	63
Total operating expenditure		**68,952**	**69,237**	**66,888**	**67,086**
Net operating expenditure		**68,518**	**68,513**	**66,439**	**66,347**
Finance income		(4)	(66)	(3)	(24)
Finance expense		49	69	51	73
Other (gains)/losses	7	14,068	14,068	5,492	5,493
Gain on transfer of function		-	-	(1)	(4)
Net expenditure for the year		**82,631**	**82,584**	**71,978**	**71,885**
Other comprehensive expenditure					
Items that will not be reclassified to net operating costs					
Actuarial (gain)/loss on defined benefit pension schemes		-	9	-	9
Total other comprehensive expenditure		**-**	**9**	**-**	**9**
Comprehensive net expenditure for the year		**82,631**	**82,593**	**71,978**	**71,894**

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

The notes on pages 163 to 227 form part of these accounts.

Consolidated Statement of Financial Position

as at 31 March 2020

		2020		2019	
		Department & Agencies	Group	Department & Agencies	Group
	Note	£m	£m	£m	£m
Non-current assets					
Property, plant and equipment	8	842	870	1,055	1,081
Intangible assets		105	211	62	153
Loans	11	67,025	67,561	65,544	66,102
Investments		95	103	102	113
Receivables	12	183	183	160	165
Retirement benefit asset	19	-	11	-	-
Total non-current assets		**68,250**	**68,939**	**66,923**	**67,614**
Current assets					
Assets held for sale		2	2	4	4
Inventories		-	1	-	1
Loans	11	2,458	2,483	2,476	2,511
Investments		-	32	-	32
Receivables	12	1,078	1,107	1,172	1,215
Cash and cash equivalents	13	1,015	1,123	1,185	1,291
Total current assets		**4,553**	**4,748**	**4,837**	**5,054**
Total assets		**72,803**	**73,687**	**71,760**	**72,668**
Current liabilities					
Payables	14	(3,006)	(3,163)	(3,092)	(3,269)
Provisions	16	(71)	(71)	(64)	(77)
Financial guarantees	17	(12)	(12)	(12)	(12)
Total current liabilities		**(3,089)**	**(3,246)**	**(3,168)**	**(3,358)**
Total assets less current liabilities		**69,714**	**70,441**	**68,592**	**69,310**
Non-current liabilities					
Payables	15	(1,377)	(1,820)	(1,168)	(1,711)
Provisions	16	(256)	(264)	(277)	(282)
Financial guarantees	17	(135)	(135)	(147)	(147)
Retirement benefit obligations	19	-	-	-	(31)
Total non-current liabilities		**(1,768)**	**(2,219)**	**(1,592)**	**(2,171)**
Assets less liabilities		**67,946**	**68,222**	**67,000**	**67,139**
Taxpayers' equity					
General Fund		67,940	68,145	66,995	67,052
Revaluation Reserve		6	11	5	7
Charitable Fund		-	66	-	80
Total taxpayers' equity		**67,946**	**68,222**	**67,000**	**67,139**

Susan Acland-Hood
Acting Accounting Officer

22 October 2020

The notes on pages 163 to 227 form part of these accounts.

Consolidated Statement of Cash Flows

for the year ended 31 March 2020

		2019-20		2018-19	
		Department & Agencies	Group	Department & Agencies	Group
	Note	£m	£m	£m	£m
Cash flows from operating activities					
Net operating cost	SoCNE	(82,631)	(82,584)	(71,978)	(71,885)
Adjustments for non-cash transactions		14,243	14,269	5,500	5,522
Transfers of AuC to ATs	8	362	362	251	251
Decrease in receivables	12	71	90	107	109
Increase in payables	14,15	123	3	1,332	1,258
less movements in payables relating to items not passing through net operating costs	14	182	194	(584)	(568)
Use of provisions	16	(96)	(103)	(90)	(90)
Utilisation of financial guarantees	17	(28)	(28)	(17)	(17)
Finance income		(4)	(66)	(3)	(24)
Finance expense		49	69	51	73
Net cash outflow from operating activities		**(67,729)**	**(67,794)**	**(65,431)**	**(65,371)**
Cash flows from investing activities					
Finance income		-	22	3	24
Purchase of:					
property, plant and equipment	8	(200)	(213)	(363)	(364)
intangible assets		(57)	(95)	(35)	(66)
investments		-	(21)	(102)	(109)
Proceeds on disposal of:					
property, plant and equipment		14	75	4	-
intangible assets		5	(8)	1	-
investments		(15)	(2)	-	5
assets held for sale		25	25	-	-
student loan book		-	-	2,036	2,036
Loan assets (drawn down)/ repaid:					
PF2 loan assets		-	39	-	14
student loans		(15,450)	(15,450)	(14,711)	(14,711)
academy trusts		(83)	(83)	(48)	(48)
FE sector		(24)	(24)	(47)	(47)
other loans		-	8	-	6
Net cash outflow from investing activities		**(15,785)**	**(15,727)**	**(13,262)**	**(13,260)**

	Note	2019-20 Department & Agencies £m	2019-20 Group £m	2018-19 Department & Agencies £m	2018-19 Group £m
Cash flows from financing activities					
Finance expense		(49)	(28)	(51)	(73)
Consolidated Fund supply	DA SoCTE	83,412	83,412	81,254	81,254
(Decrease)/increase in receipts due to the Consolidated Fund	15	-	-	7	7
Draw down from the Contingency Fund		10	10	-	-
Repaid to the Contingency Fund		(10)	(10)	-	-
PF2 loan liabilities (repaid)/ drawn down	15	-	(12)	-	(16)
Capital element of PFI finance lease		(12)	(12)	(10)	(10)
Net cash inflow from financing activities		**83,351**	**83,360**	**81,200**	**81,162**
Net (decrease)/increase in cash and cash equivalents before adjustment for receipts and payments to the Consolidated Fund		**(163)**	**(161)**	**2,507**	**2,531**
Payments of amounts due to the Consolidated Fund		(7)	(7)	(1,934)	(1,934)
Net (decrease)/increase in cash and cash equivalents after adjustment for receipts and payments to the Consolidated Fund		**(170)**	**(168)**	**573**	**597**
Cash and cash equivalents at the beginning of the year net of overdrafts	13	1,185	1,291	612	694
Cash and cash equivalents at the end of the year net of overdrafts	**13**	**1,015**	**1,123**	**1,185**	**1,291**

The notes on pages 163 to 227 form part of these accounts.

Consolidated Statement of Changes in Taxpayers' Equity

for year ended 31 March 2020

	Note	General Fund £m	Revaluation Reserve £m	Charitable Fund £m	Taxpayers' Equity £m
Balance as at 31 March 2018		**60,904**	**7**	**54**	**60,965**
Cumulative transition adjustments on adoption of:					
IFRS 9 & IFRS 15		(561)	-	-	(561)
Revised opening balance as at 1 April 2018		**60,343**	**7**	**54**	**60,404**
Net Parliamentary funding					
- drawn down		81,254	-	-	81,254
- deemed		591	-	-	591
Supply payable adjustment		(1,178)	-	-	(1,178)
CFERs payable to the Consolidated Fund	S4	(1,941)	-	-	(1,941)
Comprehensive expenditure for the year		(71,920)	-	26	(71,894)
Non-cash adjustments					
Auditor's remuneration	6.3	1	-	-	1
Movement in reserves					
Transfer between reserves		-	-	-	-
Other General Fund movement		(98)	-	-	(98)
Balance as at 31 March 2019		**67,052**	**7**	**80**	**67,139**
Net Parliamentary funding					
- drawn down		83,412	-	-	83,412
- deemed		1,178	-	-	1,178
Supply payable adjustment		(1,015)	-	-	(1,015)
CFERs payable to the Consolidated Fund	S4	-	-	-	-
Comprehensive expenditure for the year		(82,579)	-	(14)	(82,593)
Non-cash adjustments					
Auditor's remuneration	6.3	1	-	-	1
Movement in reserves					
Transfer between reserves		-	4	-	4
Other General Fund movement		45	-	-	45
Pension movement		51	-	-	51
Balance as at 31 March 2020		**68,145**	**11**	**66**	**68,222**

The General Fund represents total assets less liabilities, to the extent that the total is not represented by other reserves and financing items for the Department and its Agencies and NDPBs.

The Revaluation Reserve reflects the unrealised element of the cumulative balance of the revaluation adjustments to property, plant and equipment (see note 8) and intangible assets.

The Charitable Fund represents total assets less liabilities related to the Group's training boards less unrealised revaluation adjustments to property, plant and equipment (see note 8) and intangible assets.

The notes on pages 163 to 227 form part of these accounts.

Department and Agencies Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2020

	Note	General Fund £m	Revaluation Reserve £m	Taxpayers' Equity £m
Balance as at 31 March 2018		**61,050**	**5**	**61,055**
Cumulative transition adjustments on adoption of:				
IFRS 9 & IFRS 15		(561)	-	(561)
Revised opening balance as at 1 April 2018		**60,489**	**5**	**60,494**
Net Parliamentary funding				
- drawn down		81,254	-	81,254
- deemed		591	-	591
Supply payable adjustment		(1,178)	-	(1,178)
CFERs payable to the Consolidated Fund	S4	(1,941)	-	(1,941)
Comprehensive expenditure for the year		(71,978)	-	(71,978)
Non-cash adjustments				
Auditor's remuneration	6.3	1	-	1
Movement in reserves				
Transfer between reserves		-	-	-
Other General Fund movement		(243)	-	(243)
Balance as at 31 March 2019		**66,995**	**5**	**67,000**
Net Parliamentary funding				
- drawn down		83,412	-	83,412
- deemed		1,178	-	1,178
Supply payable adjustment		(1,015)	-	(1,015)
CFERs payable to the Consolidated Fund	S4	-	-	-
Comprehensive expenditure for the year		(82,631)	-	(82,631)
Non-cash adjustments				
Auditor's remuneration	6.3	1	-	1
Movement in reserves				
Transfer between reserves		(1)	1	-
Other General Fund movement		1	-	1
Balance as at 31 March 2020		**67,940**	**6**	**67,946**

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

The Revaluation Reserve reflects the unrealised element of the cumulative balance of the revaluation adjustments to property, plant and equipment (see note 8) and intangible assets.

The notes on pages 163 to 227 form part of these accounts.

Notes to the accounts

1. Accounting policies

These accounts have been prepared in accordance with the 2019-20 government *Financial Reporting Manual* (FReM) issued by 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 2019*. 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 Group for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Group for 2019-20 are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

In addition to the primary statements prepared under IFRS, FReM also requires the Department to prepare an additional primary statement. The SoPS, and supporting notes, show outturn against Supply Estimate in terms of the Group's net resource requirement and the net cash requirement.

1.1. Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets, student loans, investments and certain financial instruments.

1.2. Going concern

This ARA is produced on a going concern basis. The Department is Supply financed and thus draws the majority of its funding from the Consolidated Fund. Parliament has demonstrated its commitment to fund the Department for the foreseeable future.

1.3. Critical accounting judgements and key sources of estimation uncertainty

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 assessments 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 ongoing basis.

Management has specifically made such judgements on:

1.3.1. Valuation of land and buildings

The Group holds land and buildings at cost or valuation, which requires the application of estimates and judgements. See note 1.15 for more details about the property, plant and equipment accounting policy.

The Group re-values land and buildings at least every five years from the anniversary of their initial recognition in accordance with the Group's accounting policy and the requirements of the FReM. Between quinquennial revaluations, the Group updates asset values using indices. The selection of the indices used represents an accounting judgement. Buildings have been indexed using the Office for National Statistics (ONS) *Interim construction output prices: New work*. The Group has indexed land values, using the HPI residential land index issued by LSL Acadata. The Group considers that a residential price index is the most appropriate index to use across the small portfolio of school building assets held by the Group as a large majority of English schools, and of potential new sites for schools, are in residential areas. However, this represents a key judgement and uncertainty in valuation of assets.

1.3.2. Accounting for capital expenditure and assets under construction

The structure of the Group and the scale of its capital programme means that accounting for capital expenditure is inherently complex for the Group and involves judgement over the identification of costs to be capitalised as PPE and intangible assets.

Capitalisation of expenditure is reviewed as part of regular monthly controls and the year end process in determining the appropriate direct costs to capitalise for each project in accordance with the requirements of *IAS 16 Property, Plant and Equipment* (IAS 16) and *IAS 17 Leases* (IAS 17). Assets are initially recognised at cost.

1.3.3. Inherited staff liabilities

There is uncertainty surrounding the Group's inherited staff liabilities as the value of the provision is derived from an actuarial valuation of the underlying population, and is updated periodically to include movements in mortality and discount rates (see note 16 for further details).

1.3.4. Student loans measurement

Student loans are carried at fair value through profit or loss (FVTPL).

Student loans have characteristics of both financial instruments and insurance contracts. The Group has judged that the loans have and exhibit properties that give rise to them being financial instruments, and so the Group accounts for these as financial instruments in accordance with *IFRS 9 Financial Instruments* (IFRS 9). The key test in determining which classification the student loans falls into under IFRS 9 is the solely payments of principal and interest (SPPI) test.

With reference to IFRS 9, the Group has reviewed the repayment terms of student loans. It is evident that the cash flows are dependent on the income of the borrower and student loans are written-off when certain events occur, such as death or inability to work. Therefore, the Group has judged that the cash flows are not simply payments of principal and interest and thus student loans have been classified as FVTPL.

When student loans are issued they are initially recognised at fair value. There is a difference between the amount advanced to students (transaction value) and the initial fair value of the loans due to the implied sector subsidy within student loans and actual repayment performance. The Department has determined that its valuation technique uses data from unobservable markets (see note 11.3). Therefore, the financial instruments are considered to be a Level 3 classification as defined in *IFRS 13 Fair Value Measurement* (IFRS 13). In accordance with IFRS 9's treatment of Level 3 financial assets the difference between transaction value and initial fair value is deferred. The difference is deferred until it is considered that there has been a change in factor that market participants would consider in pricing the student loan asset; when the difference is expensed as part of the fair value movement.

Owing to current government policy in place for student loans, there is an inherent assumption over the level of repayments expected to be received when issuing new loans. The Group has assessed that market participants would recognise these inherent assumptions within the same year the loans have been issued. Therefore, the initial difference in fair value deferred is subsequently recognised as an in-year remeasurement to the fair value. Net fair value gains and losses are recognised within net operating expenditure.

The FReM requires that where future cash flows are discounted to measure fair value, the Group should use the higher of the rate intrinsic to the financial instrument or HMT's current discount rate. The discount rate used to discount expected cash flows to calculate the fair value of student loans is the intrinsic rate of the loan for Master's loans, and HMT's standard cross-government discount rate of RPI+0.7% for the remainder of the loan books, as required by the FReM's interpretation of IFRS 9.

The discount rate provided by HMT is based on an analysis of real yields on UK index linked Gilts and is specifically appropriate to central government. The fair value calculation also takes into account an estimate of the value of student loans issued which will not be repaid because of policy reasons, such as death, disability, age of the student or loan or other policies. A valuation technique is used to estimate the present value of future cash flows and an estimate of irrecoverable amounts because of policy decisions. More information about the measurement techniques used to determine the carrying value of student loans is provided in note 11.3.

1.3.5. Student loans modelling risk

The value of loans issued is calculated using forecasting models which use data on the demographics of higher education and further education students to predict their likely lifetime earnings, and from this their loan repayments. There are different models for borrowers taking different loan types, Pre-2012 and Post-2012 loans (Undergraduate Loans, Advanced Learner Loans and Master's Loans). The models depend on a complex set of assumptions, in particular about the trajectory of borrowers' earnings. The models are long term in nature, but use the latest OBR short and long term forecasts for RPI, base rates and earnings growth. The valuation of the student loan book is uncertain as it is highly dependent on macroeconomic circumstances and graduate earnings over the next 30-35 years, as well as a number of other complex assumptions, for around five million borrowers. There is little historic repayment data available for Post-2012 loans.

The assumptions used in the repayment models are formally reviewed each year and the amounts provided reflect the estimate as at 31 March 2020. Note 11.3 provides quantitative disclosures on the impact of assumption variations and more detailed narrative over the different assumptions used.

1.3.6. COVID-19 impact on student loan valuations

The emergence of COVID-19 has resulted in increased volatility in macroeconomic data due to the unpredictable and wide-ranging impact of the pandemic.

The OBR issued multiple economic scenarios (upside, central and downside) in April and July 2020 in response to COVID-19. The April 2020 scenarios detailed a significant worsening of the economy over the short term but were also highly volatile in their scenario predictions because of the inherit uncertainty at that time. By contrast the July 2020 scenarios were much less volatile as they were able to incorporate the impact of increased economic certainty resulting from stabilising measures adopted by government in direct response to COVID-19. For this reason the July 2020 forecasts were considered the most relevant and reliable input for the needs of the student loans model.

The Department judges that OBR's inclusion of possible effects of the government's response to COVID-19 strengthens the rationale for using the July scenarios compared to the April scenarios since the Department is not operating in isolation but after the effects of the government's COVID-19 response. Consequently, the Department considers the July scenarios, whilst not formal forecasts, to be the best available economic data to support the valuation of student loans as at 31 March 2020.

1.3.7. EU Exit impact on student loan valuations

Up to the expected exit of the Transition Period in December 2020, there are extreme levels of uncertainty as to the impact any exit scenario will have on macroeconomic data, and on the Group's student loan book. The Group has previously based assumptions over macroeconomic data on the published OBR forecasts. As the current forecasts have been prepared assuming an orderly exit from the EU, we have assessed it appropriate to continue to value the student loan book under the current basis of assumptions in place.

1.3.8. Revenue recognition through performance obligations

IFRS 15 Revenue from Contracts with Customers (IFRS 15) requires revenue to be recognised when the reporting entity has completed performance obligations stipulated in its contracts with customers. One area of potential judgement associated with IFRS 15 has been removed through FReM's adaptation to IFRS 15. The adaptation brings into scope for IFRS 15 all revenue received by departments other than tax surrenderable to the Consolidated Fund or covered by other standards. Consequently, revenue recognised by the Group, other than that recognised under other standards such as IAS 17, *IAS 20 Accounting for Government Grants and Disclosure of Government Assistance* (IAS 20) or *IFRS 4 Insurance Contracts* (IFRS 4) is within the scope of IFRS 15.

Management has applied judgement in two main areas:

- to identify performance obligations across IFRS 15 income streams
- to assess how the obligations have been satisfied; at a point in time or across a period of time

Management reviewed the income streams separately and in each case identified what the obligations were and how they were satisfied.

1.4. Basis of consolidation

These accounts present the consolidation of the Department, executive agencies and other bodies which fall within the departmental accounting boundary as defined by FReM and make up the Group. Transactions between entities included in the consolidation are eliminated, to present the financial performance and financial position of the Group as a single economic entity.

The Department receives the authority to consolidate its Agencies and NDPBs under the *Government Resources and Accounts Act 2000 (Estimates and Accounts) (Amendment) Order 2019*. A department's Designation Order sets out those bodies that are required to be included within a department's consolidated accounts, since all such bodies are judged to be public bodies.

As permitted by *IFRS 10 Consolidated Financial Statements*, the results and the financial position of the following NDPBs have been consolidated as at 31 December 2019, which is within three months of the Group's year end:

- Aggregator Vehicle PLC
- Engineering Construction Industry Training Board

Academies have been excluded from the consolidation since 2016-17 following their removal from the Department's accounting boundary into their own standalone ARA. The Department publishes the academy sector ARA separately.

1.4.1. Movement in Departmental bodies

There have been no movements of Departmental bodies or policy responsibility during the year.

1.5. Adoption of FReM amendments

There have been no significant amendments to FReM for 2019-20.

1.6. Early adoption

The Group has not early adopted any accounting standards in 2019-20.

1.7. IFRSs in issue but not yet effective

To comply with the requirements of *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*, the Group must disclose where it has not applied a new IFRS that has been issued but is not yet effective. The Group has carried out a review of the IFRSs in issue but not yet effective, to assess their impact on its accounting policies and treatment. The full impact of the IFRSs in issue but not yet effective is not known and could be material to the accounts. The Group has therefore, chosen not to early adopt requirements of the following accounting standards and interpretations, which have an effective date after the start of these accounts:

Standard	Effective	FReM Application	Change and Impact
IFRS 16 Leases	Annual periods beginning on or after 1 January 2021	2021-22	**Change:** The proposed changes simplify the classification and measurement of leases by introducing a single lessee accounting model, removing the distinction between recognising an operating lease (off-balance sheet financing) and a finance lease (on-balance sheet financing). The new standard requires recognition of all leases which last over 12 months (on-balance sheet). This will result in the recognition of a right-to-use asset, measured at the present value of future lease payments, with a matching financing liability. The pattern of recognition of the expenditure will result in depreciation of the right-to-use asset and an associated finance cost being recognised. **Impact on Group:** The main effect of the adoption of IFRS 16 will be for lessees, which will result in a number of former operating leases being brought on-balance sheet. The effect on lessor accounting for the new standard is limited in scale, and remains largely unchanged. The Group is as yet unable to quantify the full impact of adopting IFRS 16 due to the potential for movement in the Group's lease portfolio up to adoption and the lack of HMT supplied discount rate. Work will continue throughout 2020-21 in readiness for adoption on 1 April 2021.
IFRS 17 Insurance Contracts	Annual periods beginning on or after 1 January 2023	Unknown	**Change:** The standard makes changes to how insurance contracts are accounted for and may in certain circumstances widen the scope to include arrangements that may not have previously been viewed as insurance contracts. Changes may be more extensive for bodies that have not previously adopted the existing insurance standard IFRS 4. However, prior to endorsement by the EU and adoption by FReM the final version for the standard applicable to the Group has still to be decided. Consequently, the Group is unable presently to scope the impact of adopting the new standard.

1.8. Segmental reporting

In accordance with *IFRS 8 Operating Segments* (IFRS 8), the Group has considered the need to analyse its income and expenditure relating to operating segments. The Group has assessed that all lines of operation fall within the same geographical location and regulatory environment as envisaged by IFRS 8. Since segmental information for total assets and liabilities is not regularly reported to the chief operating decision-maker and in compliance with the FReM, it has not been produced in the accounts.

See note 2 for operational disclosures.

1.9. Income

Group income as authorised in the Supply Estimate (such as general administration receipts and income from other departments) and income to the Consolidated Fund that HMT has agreed should be treated as operating income.

Income is stated net of recoverable VAT where applicable.

The Group receives the following income streams and accounts for them as follows:

1.9.1. Revenue from contracts (IFRS 15)

Revenue is recognised once the Group has completed performance obligations. The nature of the obligations differs between contract types.

Levy and registration income

Levy income is collected from construction and engineering sector employers under statute by CITB and ECITB. Registration fee income is collected from social care professionals by SWE. The Chief Secretary to the Treasury has approved all bodies to retain such income to offset against their expenditure. Therefore, the Exchequer has no right of access to these funds.

Both levies and registration fees apply to an annual period. Payment of the levies does not create additional rights to construction sector employers from the Group. Payment of fees allows social care professionals to practice during the registration period.

Management judge there to be similar performance obligations between the two levies and registration fees. In contrast management judge satisfaction of the obligations differs between levies and registration fees. Satisfaction of levy performance obligations is judged to occur at a point in time rather than across a period. Consequently, levy income is not deferred or accrued across the levy year. Levy income is fully recognised immediately on raising of the annual assessments. In contrast registration fee satisfaction is judged to occur across the registration year, the practitioner consumes the benefit over time as it is provided by registration. Accordingly, registration fee revenue is deferred and recognised evenly across the year.

Where doubts arise over collectability of levy or registration fees either through ageing, past experience, or other known factors, an impairment allowance is recognised in the accounts.

The Group does not recognise Apprenticeship Levy income in the ARA. The levy is collected and accounted for by HMRC as tax.

Sales of goods and services

The Group sell goods and services, such as tests and training. Performance obligations for these transactions are completion of training or despatch of goods. There is no significant timing difference between satisfaction of performance obligations and receipt of income. Revenue recognition is immediate.

Investment income

Income from investments is included in the SoCNE on an accruals basis. The performance obligation is judged to be the Group holding the financial asset on the relevant distribution date.

Master servicer fee

The Group has retained the servicer function for the portfolios of student loans sold under the previous policy to sell student loans. While both sold portfolios have separate servicer fee agreements, they are both similar in structure.

For both agreements the Group has identified two separate performance obligations:

- completion of the day-to-day servicing of loans; which stretches out for a further twelve months beyond each annual servicing period ending on 31 March
- payment of the loan repayments to each loan sale counterparty in July the year after each servicing year ending in March

Management consider the first performance obligation to be satisfied on an ongoing basis since the benefit of the actions are consumed by the customer as completed. Revenue arising from the normal servicing activities is deferred over each two year cycle. Management judge the second obligation to be settled at a point in time, when cash is moved, and so revenue for these activities is recognised in July when received.

1.9.2. Grant income (IAS 20)

The Group receives grant income from other government bodies (both UK and European) which are accounted for under IAS 20 through the non-deferral option. The income relates to programmes jointly funded by the Group and other departments or governments.

Included with grant income is income received from the European Social Fund.

European Social Fund

The European Commission provides funding for certain projects. This income is matched to the expenditure profile for each project concerned. Income not matched to expenditure at the end of the financial year is transferred to deferred income. If expenditure exceeds income, an accrual may be made for the balance of the income.

1.9.3. Risk Protection Arrangement (IFRS 4)

The Group operates a self-insurance arrangement for the academy sector. Income is recognised for claim cover years. See note 1.21 for more information.

1.10. Research and development

Research expenditure is reported in the SoCNE in the year in which it is incurred. Development expenditure is also recognised in the SoCNE when incurred unless it meets the specific criteria for capitalisation within *IAS 38 Intangible Assets*. Property, plant and equipment acquired for use in research and development are depreciated over the life of the associated research project or according to the asset category if the asset is to be used for subsequent production work.

1.11. Grant expenditure

1.11.1. Grant financing and Grant-in-Aid

Funding to the Department's Agencies and NDPBs through financing and Grant-in-Aid payments is reported on a cash basis in the period in which payments are made. Grant financing and Grant-in-Aid as well as any intra-Group grants between the consolidated bodies are eliminated within the Group.

1.11.2. Grants payable

The majority of grants made by the Group are recorded as expenditure in the period in which the claim is paid, as the grant funding cannot be directly related to activity in a specific period. The claims are deemed the only appropriate and measurable activity that truly creates an entitlement for the recipient. However, recognition of the entitlement of grant varies according to the individual programme. Where entitlement to the grant has arisen during the period it is accrued in the SoCNE and shown as a liability on the SoFP.

1.11.3. Grant recoveries

Grants paid to end users that are unspent at the year end may be retained to fund future activity. The Group does not recognise a prepayment if the end user has not spent the grant due to timing or delays.

Some grants will result in recognition of a receivable at the year end if there has been over-funding or un-spent amounts:

- where the Group pays end users according to a grant payment profile established before the final grant obligation is known, and the actual spend shows over-funding
- un-spent amounts will arise where time bound grants have been provided and not spent within the stipulated timescale

The accounts will only recognise a receivable when either of the above instances crosses the year end.

1.12. Leases

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership of the leased assets to the lessee. All other leases are classified as operating leases. Operating leases are charged to the SoCNE as expenditure is incurred.

1.13. Pensions

The Group has adopted *IAS 19 Employee Benefits* (IAS 19) to account for its pension schemes.

Accordingly, for funded defined benefit schemes the Group recognises a liability in respect of any deficit, being the excess of the present value of the scheme's liabilities over the value of the assets in the scheme, to the extent that the Group has a legal or constructive obligation to make good the deficit in the scheme. The Group's share of the pension scheme surplus (to the extent that it is considered recoverable) or deficit is recognised in full on the face of the SoFP. Actuarial gains or losses from the scheme are recognised in reserves.

Where the Group makes contributions to defined contribution pension schemes (which do not have underlying assets and liabilities) and unfunded multi-employer defined benefit pension schemes (where the Group is unable to identify its share of underlying assets and liabilities), the Group recognises contributions payable in the SoCNE.

Further details of the pension schemes are available in note 19.

1.14. Early departure costs

The Department is required to meet the additional cost of benefits beyond the normal pension scheme benefits in respect of some employees who retire early, and for compensation payments payable to some employees who take early severance. The Department provides for the costs when the early departure programme has been announced and is binding on the Department.

The exit costs of staff in the Agencies are borne and managed centrally by the Department while the NDPBs are responsible for managing the costs of their staff exit programmes.

1.15. Property, plant and equipment

The minimum level of capitalisation for expenditure on property, plant and equipment ranges between £500 and £10,000 across the Group. In the case of IT equipment and furniture, all items recorded as capital expenditure are capitalised and if they fall below the capitalisation threshold they are grouped together and recorded as bulk assets. The asset value on capitalisation is measured at cost plus all direct costs, such as installation, attributable to bringing them into working condition.

Land and buildings are measured initially at cost and are restated to current value (depreciated replacement cost) using external professional valuations in accordance with IAS 16 every five years, and in the intervening years by use of appropriate indices supplied by the Valuation Office. The Group has stated other property, plant and equipment at existing use value using appropriate indices published by the ONS. Some assets are of short life and of low value and have used depreciated historical cost as a proxy for fair value.

One of the Group's purposes is to, as appropriate, fund the acquisition of premises or sites that, ultimately, academy trusts will use. The Group will also fund all the required construction works and associated professional services needed to bring the premises or sites into use.

The Group measures the value of assets under construction (AuC) at cost plus direct costs directly attributable to bringing the assets into working condition in line with IAS 16. Direct costs include all costs associated with purchasing the land and property and bringing the assets into use, and a fair proportion of the Group's internal costs. The Group recognises AuC assets where it has control over the asset, and the right to the future economic benefit from that asset. At the time at which either or both is no longer the case, the asset is removed from the Group's SoFP. A large portion of the development sites funded by the Group are not recognised as AuC assets. Once an agreement is in place between the Group and the site's end user (predominantly an academy trust) control over the asset is judged to pass to the end user and so the asset is de-recognised. Additional funds to complete development are recognised as capital grants-in-kind.

In the atypical situation where circumstances existing prior to the year end indicate that assets cannot be opened as a Group school, and will have to be sold to the open market, then an asset will be recognised and treated under *IFRS 5 Assets held for Sale and Discontinued Operations*. In that case, any difference between carrying value and fair value would be recognised as an in-year impairment and the asset presented separately.

If a project ceased, or an asset became surplus through circumstances not yet existing at the year end, the changes in asset treatment would not take effect until the following financial year.

1.16. Depreciation

Depreciation is provided at rates calculated to write-off the valuation of buildings and other property, plant and equipment by equal instalments over their estimated useful lives. Land and assets under construction are not depreciated.

Asset lives are in the following ranges:

- property: up to 60 years, or the lease term (whichever is shorter)
- other PPE : 3 – 20 years

1.17. Intangible assets

Assets are capitalised as intangible assets where expenditure of £2,500 or more is incurred. Intangible assets are initially valued at cost, then carried at fair value that is determined by reference to an active market where possible. Where there is no active market, we use depreciated replacement cost as a proxy fair value. Assets are amortised over their estimated useful economic lives. Assets under construction are not amortised but are assessed for impairment annually.

Asset lives are in the following ranges:

- software licences – 2 to 5 years or the licence period, whichever is shorter
- developed software – 3 to 5 years
- non-software licences – 3 years
- other – 3 to 5 years

1.18. Revaluation and impairment of non-current assets

Increases in value are credited to the Revaluation Reserve, unless it is a reversal of a previous impairment, which is credited to the SoCNE to the extent of the previous impairment and then to the Revaluation Reserve, in accordance with *IAS 36 Impairment of Assets* (IAS 36).

Impairments of revalued assets that do not result from a clear consumption of economic benefits are debited to the Revaluation Reserve up to the level of depreciated historical cost. Any excess devaluation is charged to the SoCNE. Each year, the realised element of the reserve (i.e. an amount equal to the excess of the actual depreciation over depreciation based on historical cost) is transferred from the reserve to the General Fund.

Impairment losses that result from a clear consumption of economic benefit are taken directly to the SoCNE. Where the impairment relates to a revalued asset, the balance on the Revaluation Reserve to which the impairment would have been charged is transferred to the General Fund to ensure consistency with IAS 36.

On disposal of a revalued asset, the balance on the Revaluation Reserve in respect of that asset becomes fully realised and is transferred to the General Fund. Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are recognised in the SoCNE. All non-current assets are reviewed for impairment if circumstances indicate the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

1.19. Financial instruments

The Group applies *IFRS 7 Financial Instruments: Disclosures, IAS 32 Financial Instruments: Presentation*, and IFRS 9. Financial assets and financial liabilities are recognised when the Group becomes party to the contractual provisions of the instrument. Embedded derivatives are recognised if separable from the host contract.

1.19.1. Financial assets

Financial assets include cash and cash equivalents, trade and other receivables and loans. The Group 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 FVTPL, directly attributable costs. The Group does not hold derivative financial instruments.

The subsequent measurement of financial assets depends on their classification into IFRS 9's three categories: amortised cost, FVTPL and fair value through other comprehensive income.

Amortised cost

Financial assets classified as amortised cost include:

- **Trade and other receivables** which have fixed or determinable payments that are not quoted on an active market. They do not carry any interest.

- **Non-student loans** which comprise loans judged to have passed the SPPI test and are not traded on any active market.
- **Cash and cash equivalents** comprise cash in hand and on demand deposits.

Where there are restrictions upon the Group's ability to access cash, for example through being held in escrow with a solicitor pending a transaction, the Group discloses these restrictions separately in the notes to the accounts. However, in accordance with *IAS 7 Statement of Cash Flows* the Group continues to present balances as cash in the SoFP and Statement of Cash Flows.

The above asset types are subsequently recognised at amortised cost using the effective interest method. Carrying values are based on initial fair value adjusted for interest charges and repayments. Appropriate impairment allowances for estimated irrecoverable amounts are recognised in the SoCNE based on expected losses for a particular asset, or group of assets. The allowance recognised is measured as the difference between the asset's carrying amount and the estimated future recoverable amount.

Fair value through profit or loss

Financial assets at fair value through profit or loss include:

- **Student loans** have been classified to FVTPL because management consider the loans to fail the solely payments of principal and interest test due to the loans' terms and conditions.

  Student loans suffer a Day 1 fair value loss due to the difference between the initial fair value of new loans and their transaction price at issue. Day 1 fair value losses are deferred to SoFP since student loans are classified as Level 3 per IFRS 13's hierarchy. Deferred balances are then expensed as part of the loans' first year end fair value re-assessment.

  More information about the measurement techniques used to determine the fair value of student loans is provided in note 11.3.

- **Investments** the Group holds quoted investments which are recognised at fair value. Fair value is calculated as the closing bid price as at the year end. Movements in the fair value are recognised in profit and loss.

  As well as quoted investments the Group also holds a corporate paper issued by the body that acquired student loans sold in December 2018. The asset is held to fulfil regulatory requirements and is termed a retention note. In accordance with IFRS 9, the note is designated as FVTPL due to the underlying pool of financial assets (student loans) being designated as FVTPL.

The above asset types are subsequently measured at fair value, with annual movements in fair value being recognised in profit and loss. Fair value movements are recognised as gains or losses in a gains or losses note.

1.19.2. Financial liabilities

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

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

Trade and other payables

Trade and other payables, excluding 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.

Loan liabilities

The Group holds both interest bearing and non-interest bearing loans. The Group states such loans at their face value on initial recognition. Subsequently, the Group measures interest bearing loans at amortised cost using the effective interest method, which includes all direct costs associated with the loans.

Financial guarantees

Financial guarantees are initially recognised at fair value on the date that the guarantee was given in accordance with IFRS 9. Subsequent measurement is at the higher of:

- the amount of the equivalent IFRS 9 expected credit loss allowance
- the amount initially recognised less cumulative effect of income recognised

1.20. Provisions

The Group makes provision in the accounts where the following criteria are met in accordance with IAS 37. The criteria are as follows:

- a legal or constructive obligation exists that will result in the transfer of economic benefit
- the transfer is probable
- 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.

The Group applies HMT's nominal discount rate, and separately inflation rates to discount its provisions.

1.21. Risk protection arrangement

Academy trusts that join the Group's risk protection arrangement (RPA) pay an annual per pupil fee to the Group and are covered for risks in defined categories.

The risks covered arise from activities external to the Group and therefore remain after the Group's consolidation.

The Group has adopted IFRS 4 to account for the transfer of risk between the academy trusts and the Group. IFRS 4 provides that any entity that issues an insurance contract is an insurer (whether or not the issuer is regarded as an insurer for legal, supervisory or taxation purposes) and that an insurance contract is a contract under which one party accepts significant insurance risk from another party. Accordingly, provisions for losses have been recognised calculated on an expected loss basis (total losses expected to be incurred during a cover period) rather than on an IAS 37 basis (losses reported during the period).

Based on the number of schools that are members of the scheme, the Group provides for expected losses in respect of a claim year (which runs from 1 September to 31 August). The full expected value of valid claims leads to a transfer from the loss provision to RPA payables, prior to settlement. Loss provisions will be held for the full claim year plus four subsequent years, as claims incurred in that claim year are expected to be made within that time period.

Claims from individual academies are handled by a third party administrator, under contract to the Department.

An annual liability adequacy test is completed in accordance with IFRS 4.

1.22. Contingent liabilities

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. Remote contingent liabilities that are not required to be disclosed by IAS 37 are disclosed in the parliamentary accountability report and stated at the amounts reported to parliament.

1.23. Value added tax

Most of the activities of the Group are outside the scope of VAT. 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 or included in the capitalised purchase cost of property and equipment and intangible assets. Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT.

1.24. Corporation tax

The Department, its Agencies and most of its NDPBs are exempt from corporation tax. Three of the Group's NDPBs (SLC, Aggregator Vehicle PLC and LocatED) are subject to corporation tax on their reported profits.

1.25. Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

1.26. Service concession arrangements

Under a service concession arrangement, a government entity contracts with the private sector to construct, operate and maintain public sector infrastructure; allowing the private sector to deliver services directly or indirectly to the public. However, the government entity retains control, or regulates, the services provided (including access fees) and controls significant residual interest in the infrastructure at the completion of the arrangement.

The Group has adopted *IFRIC 12 Service Concession Arrangements* (IFRIC 12) as interpreted by the FReM for the grantor to account for the 46 schools the private sector will construct and then operate for the Group under the Private Finance 2 (PF2) scheme over a 25 year period. The transaction is part of the wider Priority Schools Building Programme (PSBP) programme sponsored by the Department that is addressing condition issues across the school estate. Within these accounts the transaction is referred to as PF2.

The assets being constructed under the terms of PF2 are not recognised by the Group. In accordance with the Group's existing asset recognition approach for PSBP assets, the Group does not recognise school assets being constructed under PSBP (including PF2). The Group does not judge any economic benefit to flow to the Group from the PSBP assets during and after construction other than where the assets are, or will be, operated by academy trusts involved in the consolidation. The Group instead recognises the value of the assets during construction for schools outside the Group as capital grants-in-kind.

As well as potential asset recognition, IFRIC 12 application also results in the Group recognising the financing liability arising from constructing the assets originally. The financing liability is repaid over the term of the service concession arrangement through the unitary charges settled by the Group.

Interest on the financing liability and expenditure on services provided under the service concession arrangement are recognised in the SoCNE as they accrue. Unitary charges are apportioned between three elements: an element to pay for services; an element to pay interest on the liability and an element to repay the financing liability.

2. Statement of operating costs by operating segment

The Group is structured to clearly align activity and expenditure against the government's Structural Reform Priorities for education. Information on operating activities, financial results, forecasts and plans is presented to and reviewed by the Leadership Team on this basis and the Group's Supply Estimates are also structured in this way.

The vast majority of the lines of operation fall within the same geographical location and regulatory environment. Segmental analysis of the Group's assets and liabilities are not reviewed by management and consequently are not provided here.

The segmental report shown below links expenditure within the Group structure to note S1 and covers the Group's total resource and capital outturn for the year.

2.1. Segmental analysis

			2019-20			2018-19
	Gross expend'e	Income	Net expend'e	Gross expend'e	Income	Net expend'e
	£m	£m	£m	£m	£m	£m
Early Years & Schools Group	6,538	(209)	6,329	7,326	(404)	6,922
Education and Skills Funding Agency	58,736	(161)	58,575	56,858	(220)	56,638
Higher Education & Further Education Group	45,614	(7,707)	37,907	32,656	(8,971)	23,685
Operations Group	362	(68)	294	344	(54)	290
Social Care, Mobility & Disadvantage Group	421	(9)	412	372	(3)	369
	111,671	**(8,154)**	**103,517**	**97,556**	**(9,652)**	**87,904**

2.2. Reconciliation between operating segments and SoCNE

				2019-20
		Reconciling items		
	Net expenditure per segmental analysis	Income & gains	Expenditure	Net costs per SoCNE
	£m	£m	£m	£m
Early Years & Schools Group	6,329	81	106	6,516
Education and Skills Funding Agency	58,575	21	(73)	58,523
Higher Education & Further Education Group	37,907	2,146	(23,156)	16,897
Operations Group	294	15	(71)	238
Social Care, Mobility & Disadvantage Group	412	-	(2)	410
	103,517	**2,263**	**(23,196)**	**82,584**

The reconciling expenditure items are primarily movements in loans:

- Operations Group includes loans in respect of PF2 (see note 11.4) with an increase in these at the year end
- Higher Education & Further Education Group segment includes the student loan book, with new loans issued and repayments during the year being a reconciling item (see note 11.3)

3. Income

3.1. Revenue analysis

	2019-20		2018-19	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Income from contracts				
Levy income	-	212	-	212
Fees and charges	56	79	84	88
Sale of goods and services	-	56	-	70
Capital contributions	5	5	3	3
Other income	73	72	29	31
Grant income				
Joint programme income	112	112	84	84
European Union funding	135	135	197	198
Other income				
RPA income	50	50	48	48
Rental income	3	3	4	5
	434	**724**	**449**	**739**

Joint programme income relates to income from Department of Health & Social Care (previously Department of Health) and the Ministry of Justice for jointly managed projects where the Group had recharged some of the expenditure for those programmes.

Included within income from contracts is £2 million deferred from last year and recognised in the opening contract liability. EU funding recognised above represents more than 10% of total revenue, and is reported by the ESFA segment in note 2.

3.2. Revenue streams

3.2.1. Levy and registration fee income

Levy income is raised by the Group's training boards from employers in the construction and engineering sectors. Employers' levy charges are assessed by applying the statutory levy rate to employers' annual salary bills. Both levies are used by the training boards to fund training in their specific sectors. Employers who are assessed for either levy do not receive additional rights to training, training is open to all employers irrespective of levy charges. Annual registration fees are raised from social care professionals to allow them to perform their duties. Practitioners are required to register with the Group each year to receive authorisation to practice.

The Group considers the assessment for levy and registration fees to be the performance obligations required by IFRS 15 to support revenue recognition. For the levies the Group is not required to perform any other duties to employers to crystallise payment of levy assessments. Therefore, levy income is recognised in full immediately with no deferral across the levy period. For registration fees, the customer is judged to consume the benefits evenly during the registration year. Accordingly, revenue is deferred and recognised evenly over the registration year.

3.2.2. Fees and charges

Fees and charges arise from the sale of training materials to third parties and the supply of health and safety tests. In both areas the Group assesses the completion of performance obligations to be the supply of either goods or tests (mostly on-line). Both areas have no significant delay between satisfaction of obligations and recovery of fees. Therefore, income is not deferred but recognised immediately.

3.2.3. Capital contributions

Under the Department's Priority Schools Building Programme the Group is investing into the school estate. The Group applies standard design specifications to projects to drive value for money and efficiency. However, local authorities are able to amend the standard design specifications at their cost. Once revised designs have been agreed and costed with local authorities the Group will raise a sales invoice to recover the additional funds.

The Group considers that the performance obligation is met during construction of the school buildings, the customer consumes the benefit as their asset is constructed. Consequently, income received from local authorities is deferred to the SoFP and revenue is recognised evenly over the construction period.

In a similar vein, the Group receives income from school developments under planning condition applied through s106 of *The Town and Country Planning Act 1990*. Under specific planning terms developers may be obliged to settle sums on the Group or local authorities as a condition of receiving planning permission for larger development projects. Where the Group is a recipient management judge IFRS 15 to be applicable.

The terms underpinning s106 receipts are varied and may not rely on specific Group activities. The Group considers satisfaction of s106 obligations to occur when the last condition on the developer has been met. Revenue is deferred until the last condition on a developer has been met and revenue is recognised in whole at that point.

Where funds are received in advance of the performance obligation satisfaction (capital contributions) an IFRS 15 contract liability will be recognised. Where funds are received after satisfaction (s106 events) an IFRS 15 contract asset is recognised as revenue is recognised.

4. Staff costs

Disclosures relating to staff numbers and costs are detailed within the Remuneration and Staff Report.

5. Grants and other funding

5.1. Resource

	2019-20		2018-19	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Schools				
National funding formula	34,984	34,984	34,104	34,104
High needs funding	5,755	5,755	5,618	5,618
Pupil premium	2,467	2,467	2,468	2,468
Teachers' pension employer contribution grant	851	851	-	-
PFI grants	751	751	751	751
Free school meals	704	704	710	710
School improvement	488	488	582	582
Teacher pay grant	427	427	188	188
Primary sport premium	312	312	324	324
Teacher supply	312	312	276	276
Life skills, disadvantages and SEND*	59	59	64	64
Other grants	31	31	31	31
Early years				
Entitlements*	3,560	3,560	3,586	3,586
Early years – pupil premium*	29	29	29	29
Other early year grants	17	17	14	14
Children's services				
Children in care	92	92	79	79
Children's social care	60	60	39	39
Other grants	54	54	58	58
Post 16 and skills				
Core funding	5,194	5,194	5,327	5,327
Adult education budget*	1,425	1,425	1,449	1,449
Apprenticeships*	1,919	1,904	1,728	1,696
High needs (16-19)	656	656	656	656
HE maintenance grants	460	460	640	640
Bursary funding*	211	211	223	223
FE teachers' pension employer contribution grant	80	80	-	-
Teaching grant	58	1,404	57	1,309
Construction sector training	-	148	-	144
Professional and technical education*	13	13	4	4
Other grants*	86	73	58	50
Operations				
European Social Fund	135	135	198	198
Other grants	9	9	16	16
Grant-in-aid	1,735	-	1,723	-
	62,934	**62,665**	**61,000**	**60,633**

During 2019-20 the presentation of some of the lower level payments has been re-mapped across the resource headings provided in the table above to strengthen consistency of financial reporting between this ARA and ESFA's ARA. There has been no re-calculation of 2018-19 resource payments, the 2018-19 totals for resource and capital payments remain unchanged. The re-mapping has focused on how lower level balances have been aggregated into the captions above. To bring consistency across the two reporting years some 2018-19 balances (marked with *) have changed immaterially.

5.2. Capital

		2019-20		2018-19
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Schools				
Free schools	1,355	1,355	983	983
School condition allocations	1,345	1,345	1,851	1,851
Basic needs schools grants	948	948	1,228	1,228
Priority Schools Building Programme	764	764	515	515
School capital improvement	42	47	22	22
Life Skills, Disadvantage and SEND	226	226	162	162
PFI grants	(1)	(1)	4	4
Children's services				
Secure accommodation	16	16	7	7
Early years				
Other grants	(1)	(1)	(7)	(7)
Post 16 and skills				
Core funding	24	24	121	121
Other grants	65	170	20	183
Operations				
Intra-government property transfer	15	15	-	-
Other grants	12	12	(3)	(3)
	4,810	**4,920**	**4,903**	**5,066**

6. Operating expenditure

6.1. Operating expenditure

	2019-20		2018-19	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Staff related costs	28	33	33	38
Consultancy fees	10	13	13	13
Other professional fees	367	448	328	389
Building, maintenance and premises costs	5	16	22	30
IT and telecommunications costs	83	140	86	131
Rentals under operating leases:				
land and buildings	11	16	17	22
other operating leases	-	1	-	1
Travel and subsistence	13	21	14	23
PF2 service costs	3	3	5	5
Research and development costs	38	38	29	35
Advertising and publicity	21	33	20	26
Other expenditure	40	69	29	60
	619	**831**	**596**	**773**

6.2. Depreciation, impairment and other non-cash charges

	2019-20		2018-19	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Depreciation	10	16	5	12
Amortisation:				
intangible assets	12	45	13	33
deferred capital grants	-	(1)	-	(34)
Impairment:				
loans	26	31	(4)	(4)
other	21	26	(36)	(35)
Loss/(gain) on disposal of PPE and intangible assets	25	1	(4)	21
Auditor's remuneration: audit fee	1	1	1	1
Provisions:				
provided in year	71	75	64	74
not required written back	(2)	(5)	(36)	(37)
change of discount rate	10	10	18	18
borrowing costs (unwinding of discounts)	-	-	4	4
Financial guarantees:				
additions	9	9	-	-
net remeasurement	6	6	10	10
	193	**214**	**35**	**63**

6.3. Audit fees

	2019-20		2018-19	
	Department & Agencies	Group	Department & Agencies	Group
	£000	£000	£000	£000
Group audit:				
non-cash	1,046	1,046	953	953
cash – NAO	-	643	-	438
cash – non-NAO	-	6	-	6
SARA audit:				
cash – NAO	570	570	588	588

Non-cash audit fees for the Department and Agencies are included in note 6.2 above as Auditor's remuneration: audit fee. Cash audit fees for NDPB audit costs are included within Consultancy and other professional fees in note 6.1 above.

The Department is responsible for preparing SARA which is then audited by the NAO. As SARA is an amalgamation of operational academy trusts it does not bear central costs itself. Consequently, the NAO's fees for auditing SARA are recognised in the Group's ARA not SARA.

7. Other (gains)/losses

	2019-20		2018-19	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Annual valuation movements				
student loans	14,020	14,020	4,283	4,283
investments	(8)	(8)	1	2
On de-recognition				
sale of student loans	-	-	1,104	1,104
write-off of student loans	47	47	58	58
losses on student loans	3	3	-	-
write-off of FE sector loans	6	6	46	46
	14,068	**14,068**	**5,492**	**5,493**

Student loans and investments (including the retention note) presented above are required to be designated as FVTPL by IFRS 9, none were unilaterally designated at initial recognition.

Annual valuation movements presented in this note relate to gains and loss recognised when remeasuring the fair value of financial assets classified as FVTPL. The student loan annual fair value movements above are the net balances between:

- £19.5 billion (2018-19: £8.3 billion) of unrealised losses
- £5.5 billion negative (2018-19: £4.0 billion negative) of capitalised interest gains

8. Property, plant and equipment

8.1. Analysis

				2020				2019
	Property	Other PPE	AuC	Total	Property	Other PPE	AuC	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Cost or valuation								
1 April	117	107	952	1,176	130	119	851	1,100
Additions	2	15	196	213	1	8	355	364
Disposals	(19)	(51)	-	(70)	(1)	(15)	-	(16)
Transfer of function	-	-	-	-	-	(6)	-	(6)
Reclassifications	(41)	(1)	20	(22)	(13)	1	(3)	(15)
Revaluations	2	-	-	2	-	-	-	-
Transfers regarding ATs:								
transfer in	-	-	12	12	-	-	34	34
transfer out	-	-	(374)	(374)	-	-	(285)	(285)
At 31 March	**61**	**70**	**806**	**937**	**117**	**107**	**952**	**1,176**
Depreciation								
1 April	(11)	(84)	-	(95)	(15)	(94)	-	(109)
Charged in year	(3)	(13)	-	(16)	(3)	(9)	-	(12)
Disposals	5	41	-	46	4	15	-	19
Transfer of function	-	-	-	-	-	4	-	4
Impairment	-	1	-	1	-	-	-	-
Reclassifications	-	(2)	-	(2)	3	-	-	3
Revaluations	(1)	-	-	(1)	-	-	-	-
At 31 March	**(10)**	**(57)**	**-**	**(67)**	**(11)**	**(84)**	**-**	**(95)**
Carrying value as at 31 March	**51**	**13**	**806**	**870**	**106**	**23**	**952**	**1,081**
Of the total:								
Department & Agencies	30	7	805	842	90	14	951	1,055
NDPBs	21	6	1	28	16	9	1	26
	51	**13**	**806**	**870**	**106**	**23**	**952**	**1,081**

The property asset class includes freehold sites as well as leasehold improvements on leased sites recognised as operating leases. AuC represents school building projects under the free school programme. Where the Group does not yet have documentary agreements in place with the academy trust end users, management judges the sites to be the Group's as we control the assets. Once the Group has an occupation agreement in place with the academy trust, who will operate the free school from the site when operational, the Group de-recognises the AuC asset as a disposal. If after de-recognition the free school project changes (site selection and/or academy trust), project sites will be re-recognised as a transfer in from ATs as the Group regains control over the sites.

The Group operates from multiple sites, all but two of which are leased as at the year end. The owned properties are Bircham Newton, King's Lynn and Kings Langley. The Group has assessed all of its property leases as operating leases and rental costs are accounted for as such. The asset class leasehold improvements relates to site improvements found on these leased properties. The Group surveyors revalue land and buildings in accordance with the Royal Institute of Charted Surveyors' *Appraisal and Valuation Manual*, the most recent revaluations occurred:

- for Bircham Newton, in March 2018 by Savills
- Kings Langley, December 2017 by Bidwells

During the year the Group transferred its freehold property, St Paul's Place, and long leasehold properties to the GPA as part of a wider cross-government strategy to transfer departmental freehold and long leasehold properties to GPA to drive estate efficiencies. The Group expects to continue to occupy the transferred premises and pay rents to their landlord GPA.

8.2. Academy sector leasing activities

As described more fully in note 1.15 above, the Group is involved in supporting the academy sector in locating and developing sites for occupation by academy trusts. Sites are acquired by the Group and then leased out to academy trusts on 125-year peppercorn leases.

Sites have been acquired by the Group through both freehold and leasehold tenure. The majority of leasehold sites are held on long leases. Consequently, the Group is both a lessor and lessee; in some cases sites have been acquired under a head lease and then sub-leased to an academy trust. In a limited number of occasions, in order to secure suitable premises where availability is limited, the Group has acquired mixed-use sites which include both an academy site and third-party retail and/or residential accommodation. Where appropriate, the Group has put in place a managed disposal process to oversee the sale or lease of the third-party accommodation to secure value for the taxpayer. However, in some instances third-party accommodation is not suitable for disposal and so it is managed by the Group's property management operation LocatED. A small amount of rental income is recognised in SoCNE.

The majority of leases have been assessed as being finance leases since the long term, peppercorn nature of the leases transfers significantly all the risks and rewards of ownership of the leased assets to the lessees (in the main academy trusts). This approach mirrors the lease recognition approach adopted by SARA for the lessee position of the academy trusts. The classification as finance leases results in the de-recognition of land and building or AuC assets initially recognised on lease acquisition.

9. Financial instruments

9.1. Financial assets by category

	2020		2019	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Fair value through profit or loss				
Student loans	69,235	69,235	67,852	67,852
Investments	95	135	102	145
Amortised cost				
Other loans	248	809	168	761
Receivables	1,032	1,042	415	447
Cash at bank	1,015	1,123	1,185	1,291
	71,625	**72,344**	**69,722**	**70,496**

Other than the retention note, all the investments presented above are listed securities with values taken from public information as at the year end. Therefore, we consider these to be Level 1 fair values as required by IFRS 13. Student loans and the retention note (whose underlying pool of financial assets is composed of student loans) are valued using non-observable market inputs and so the Department considers these to be Level 3 as per IFRS 13.

9.2. Financial liabilities by category

	2020		2019	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Amortised cost				
Payables - excluding loans	1,532	1,493	2,494	2,516
PF2 imputed lease liability	625	625	637	637
PF2 loan liabilities	-	563	-	575
Financial guarantees	147	147	159	159
	2,304	**2,828**	**3,290**	**3,887**

9.3. Fair value disclosures

	2020		2019	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Fair values				
Level 1				
Investments	-	40	1	44
Level 2				
None	-	-	-	-
Level 3				
Student loans	69,235	69,235	67,852	67,852
Retention note	95	95	101	101
	69,330	**69,370**	**67,954**	**67,997**

This section provides information on the determination of fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the nature of the inputs used in determining fair value, financial instruments are classified into three levels as prescribed by accounting standards.

Quoted market price (Level 1): the fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

Valuation techniques with significant non-observable inputs (Level 3): if one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. This is the case for student loans and the retention note.

There were no transfers between the different levels of the fair value hierarchy.

10. Financial risk

10.1. Financial risk management

As the cash requirements of the Group are met through the Estimates process, the Group is not exposed to the degree of financial risk faced by similar sized business entities. Consequently, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body.

The Group has limited powers to borrow or invest surplus funds and, except for the Group's PF2 transaction, financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Group in undertaking its activities. To support the PF2 transaction, the Group both took out and issued loans to allow funds to flow down to the construction firms building the PF2 schools.

Liquidity risk

The Group's net revenue resource and capital requirements are financed by resources voted annually by Parliament. The funding requirements of the Group's PF2 transaction required to support the school construction are aligned to the planned drawdowns from the external investors to manage liquidity risk. The Group's PF2 loan assets and liabilities have aligned maturity profiles, the loan assets are used to service the loan liabilities.

The Group is therefore not exposed to significant residual liquidity risk.

Interest rate risk

The Group's financial instruments carry nil, variable or fixed rates of interest.

The Group's variable rate financial assets are predominantly its student loans which have an interest rate cap set at RPI or the Bank of England base rate plus 1%.

The interest rate on Pre-2012 loans is the lower of RPI and the Bank of England base rate plus 1%. The amount of interest repayable is therefore subject to fluctuations in the base rate and RPI. The probability of the Department recovering the face value of loans issued is increased when the Bank of England base rate is low and the rate of inflation is comparatively high, because the base rate cap comes into operation for these loans. The impact of the interest rate risk for student loans issued under the Pre-2012 scheme is factored into the carrying value as the student loan repayment model calculates the impact of interest rate on expected future cash flows. There is inherent risk in forecasting the amount of interest payable and if England experiences base rates that are lower than RPI the future cash flows will be impaired further. Additional information about student loans is provided in note 11.3.

The Group's inbound and outbound PF2 financial instruments have fixed interest rates that are broadly aligned and were set within the context of the PF2 transaction as a whole.

Consequently, the Department does not consider it is exposed to significant residual interest rate risk.

Credit risk

Credit risk is the risk that a service user or counterparty to a financial instrument will fail to pay amounts due causing financial loss to the Group and arises principally from cash and outstanding debt. The Group's exposure to credit risk can be split into two broad sources: arising from loans originated by the Group (predominantly PF2 and student loans) and the funding of education providers.

The Department addressed the credit risks arising from the PF2 loans through careful planning at the origination stages (aligned drawdown and repayment schedules). In addition, the PF2 loans have been structured so that repayment starts once the school buildings are operational; and the borrowers are receiving rental income from the Department to service the loans.

The Group's student loans retain credit risk since, as per government policy, no mitigating checks on potential borrowers are performed prior to loan origination. More information pertaining to student loan risk profile is provided in note 11.3.

The Group has a credit (receivables) policy for education providers that ensures consistent processes are in place throughout the Group to measure and control credit risk. Commercial and charitable education providers for the Group are subjected to quality and financial status reviews to mitigate the risk of non-payment of debts as a result of insolvency.

The Group has a small number of immaterial non-student loan portfolios, predominantly to the academy and FE education sectors. The loans are designed to support the education providers and are not intended to replace commercial lending. As such credit risk is not as important in the loan management process, supporting continued education provision is more important. Loan terms are tailored to borrowers' circumstances and in some situations loan repayments are deducted at source from future grant payments.

For non-student loan assets, there is no active market and there is no intention to sell. Therefore, the Group does not disclose fair value comparatives.

Market risk

The Group is exposed to market risk through its market valued investment portfolio. The majority of the Group's investment portfolio comprises investment funds and/or unit trusts managed by professional money managers.

The Department considers that the use of third party professional managers mitigates against significant residual market risk.

Other market risk

The other main risks resulting from a downward movement in the economy relate to the potential increase in borrowers' unemployment impacting on their ability to repay student loans. Student loans are also impacted due to the potential resultant negative impact on graduate earnings growth, which lengthens the time period before loans are in repayment and extends the repayment period. This may impact the carrying value in the accounts. It can also lead to an increase in write-offs as it increases the likelihood that some graduates may not repay their loans in full by the end of the loan period.

10.2. PF2 risk

The Group has entered into agreements for five regional batches of schools with construction consortia. These schemes are PFI arrangements, with the financing for each of the batches raised by Aggregator Vehicle PLC.

In summary, the transactions involved are:

- investor debt is raised (liability of the Group)
- a loan is made onward to the relevant regional batch consortium (asset of the Group)
- the consortium undertakes construction projects with assets controlled by the local authority or AT as relevant
- adopting the Group's AuC accounting policy the school assets are not recognised as assets, the value of construction is recognised as a capital grant-in-kind
- the Group recognises an imputed lease liability in respect of unitary charges payable to the consortia to cover the construction value of the schools

The table below sets out the principal balances included in the consolidation in respect of these arrangements, and where the relevant details are included in the accounts:

Balance	Note	Counterparty
SoFP		
PF2 loan assets	11.4	Receivable from regional batch consortia
PF2 senior debt	14,15	Loan financing
PF2 subordinated debt	14,15	Loan financing
PF2 lease liability	14,15	Payable to regional batch consortia
SoCNE		
Loan interest income		Receivable from regional batch consortia
Loan interest expense		Private sector investors
PF2 service costs	6.1	Payable to regional batch consortia
PF2 finance costs		Payable to regional batch consortia

11. Loans

11.1. Current loans

		2020			2019
		Department & Agencies	Group	Department & Agencies	Group
	Note	£m	£m	£m	£m
Student loans	11.3	2,438	2,438	2,440	2,440
PF2 loan assets	11.4	-	25	-	26
Loans to FE sector	11.4	9	9	25	25
Loans to Academy Trusts	11.4	11	11	11	11
Other loans	11.4	-	-	-	9
		2,458	**2,483**	**2,476**	**2,511**

11.2. Current loans

		2020			2019
		Department & Agencies	Group	Department & Agencies	Group
	Note	£m	£m	£m	£m
Student loans	11.3	66,797	66,797	65,412	65,412
PF2 loan assets	11.4	-	525	-	548
Loans to FE sector	11.4	114	114	71	71
Loans to Academy Trusts	11.4	114	114	61	61
Other loans	11.4	-	11	-	10
		67,025	**67,561**	**65,544**	**66,102**

11.3. Student loans in higher and further education

Loans for students in higher and further education are originated and recognised by the Department.

11.3.1. Features of student loans

The different loan schemes are detailed in the table below, for simplicity these have been categorised into: the Pre-2012 and Post-2012 schemes in the following tables. The Group has categorised these in this way mainly because of key differences in the loan characteristics. Post-2012 student loans are available to students at different levels of study: further education (advanced learner loans) and higher education courses (undergraduate, master's and doctoral).

	Pre-2012 loans scheme	Post-2012 loans scheme
Nature of repayments	**Income contingent and generally through the tax system**	
Students	Starters in higher education between academic years 1998/99 and 2011/12	**Undergraduate loans** – starters on higher education courses from 2012/13 onwards. **Advanced learner loans** – starters on eligible level 3 and 4 courses aged 24 or over from academic year 2013/14 onwards. From 2016/17 this has been extended to cover levels 3 to 6 for those aged 19 or over. **Master's loans** – starters on master's courses from 2016/17 onwards. **Doctoral loans** – doctoral courses of between 3-8 years in duration.
Value of tuition fee loan (2019/20 rates)	£3,465 (full-time starters from academic year 2006/07)	**Undergraduate loans** – up to £9,250 (full-time) per academic year. **Advanced learner loans** – set at various levels, capped in regulations, subject to size of qualification and sector subject area. **Master's loans** – up to £10,906 per academic year as a contribution to course and living costs. **Doctoral loans** – up to £25,000 per academic year for doctoral courses in 2018/19 increasing to £27,500 for new starters in 2019/20 onwards.

	Pre-2012 loans scheme	Post-2012 loans scheme
Nature of repayments	**Income contingent and generally through the tax system**	
Interest rate applicable for 2019/20	Borrowers are charged the lower of RPI or Bank of England base rate plus 1%. If the latter applies, then the base rate cap is in operation. The interest rate is currently 1.1% (2018/19: 1.8%).	**Undergraduate loans** and **advanced learner loans** – borrowers in study and until the April after leaving their course are charged RPI plus 3%. The interest rate is currently 5.4% (2018/19: 6.3%). From the April after leaving their course, or after 4 years if in part-time study, borrowers are charged a variable rate of interest between RPI and RPI plus 3%, depending on their income. **Master's loans** – RPI plus 3% throughout the period of the loan. Rate is currently 5.4% (2018/19: 6.3%). **Doctoral loans** – borrowers are charged interest at RPI plus 3%.
Repayment threshold	2018-19: £18,330 2019-20: £19,390	**Undergraduate loans** and **advanced learner loans** – £26,575 from April 2019, increasing annually in line with average earnings. **Master's loans** – frozen at £21,000 **Doctoral loans** – frozen at £21,000
Repayment rate	9% above repayment threshold	**Undergraduate loans** and **advanced learner loans** – 9% above repayment threshold. **Master's loans** – 6% above repayment threshold (in addition to 9% for any Advanced Learner Loans and Undergraduate Loans). **Doctoral loans** – 9% above repayment threshold (in addition to 9% for any Advanced Learner Loans and Undergraduate Loans).

11.3.2. Carrying values

	2020			2019		
	Pre-2012 loans	Post-2012 loans	Total	Pre-2012 loans	Post-2012 loans	Total
	£m	£m	£m	£m	£m	£m
Balance at 1 April	**22,752**	**45,100**	**67,852**	**26,453**	**34,694**	**61,147**
IFRS 9 transition cumulative adjustment	-	-	-	(185)	(338)	(523)
Balance at 1 April	**22,752**	**45,100**	**67,852**	**26,268**	**34,356**	**60,624**
Additions	1	17,566	17,567	7	16,438	16,445
Repayments	(1,492)	(625)	(2,117)	(1,274)	(460)	(1,734)
De-recognition due to loan sale	-	-	-	(3,142)	-	(3,142)
Write-offs	(16)	(31)	(47)	(23)	(35)	(58)
Fair value movement	(1,693)	(12,327)	(14,020)	916	(5,199)	(4,283)
Balance as at 31 March	**19,552**	**49,683**	**69,235**	**22,752**	**45,100**	**67,852**

Under IFRS 9, student loans are recognised at fair value. In determining the fair value of student loans, the Department has used a discounted cash flow model (see below) and this includes all expected cash flows, including the interest that is expected to be received. As a result, a single fair value movement is recognised in the SoCNE.

The remeasurement of the fair value balance for the 2019-20 financial year is made up of the following:

Description	OBR March 2020 forecast	COVID-19 impact/ difference	OBR July 2020 Central Scenario
	£m	£m	£m
Deferral of the difference in fair value and amount advanced to students on new loans	(8,619)	(340)	(8,959)
The difference between the amount advanced to students (transaction value) and estimated fair value at initial recognition is deferred and recognised as an in-year remeasurement fair value. These fair value gains and losses are recognised within net operating expenditure. For further detail on the IFRS 9 assessment of the deferral see note 1.3.4.			
Changes made to student loan valuation model	(5,046)	(2,120)	(7,166)
Annual updates to the student loan valuation models are made to improve methodology and forecast outputs of the models. These are broken down in note 11.3.5.			
Operational costs	(192)	3	(189)
In accordance with IFRS 9 operational costs of servicing the loan books have been included in the fair value calculation.			
Interest	1,766	(66)	1,700
Interest charged on borrower balances			
Other fair value movements	588	6	594
Fair value revaluation			
	(11,503)	**(2,517)**	**(14,020)**

11.3.3. Impact of COVID-19 on carrying values

The OBR published new macroeconomic scenarios for three COVID-19 scenarios[42] in mid-July. Of these, determinants from the upside and downside scenarios have been used to compare the resulting student loan forecasts to those obtained using the central scenario which has been used to calculate the closing valuation.

The three scenarios are set out as follows:

- upside scenario: a sharp rebound in activity and no medium-term economic scarring
- central scenario: activity recovers more slowly and incorporates some potential scarring to GDP
- downside scenario: recovery is slower still and scarring is deeper

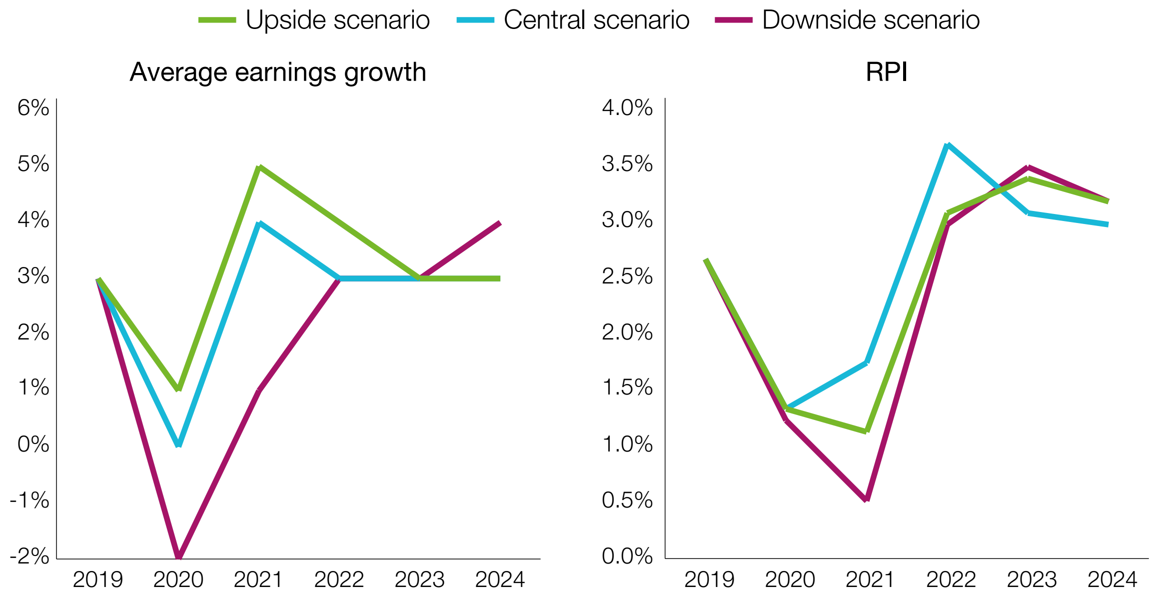
The determinants associated with these scenarios imply the following:

- A sharp drop in 2020-21 RPI before rebounding to between 3%-3.5% by 2023-24. The speed and shape of the recovery varies by scenario. From 2023-24 slightly lower RPI is forecast in the upside, than central or downside scenarios.
- A decrease in earnings in all scenarios in 2020-21, followed by a rebound in 2021-22, though still lower than the 2019-20 value for the downside scenario. Scenarios begin to converge from 2022-23 onwards.
- Bank of England base rate forecasts are the same in all three scenarios.

The determinants published by the OBR are mainly medium term, projecting up to financial year 2024-25. Beyond this the RPI and earnings projections converge to the pre-COVID figures in 2025-26. The Bank of England base rate for 2025-26 and beyond is published by the OBR and is assumed to converge to the projected pre-COVID value by 2039-40.

The two graphs are taken from OBR's July 2020 publication.

COVID-19 Scenarios



42 The OBR's July estimates of COVID-19 impacts (https://obr.uk/fsr/fiscal-sustainability-report-july-2020/) build on earlier estimates produced by the OBR in April.

Impact on carrying values

Closing carrying values by scenario

	Downside		Central		Upside	
	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20
	£m	£m	£m	£m	£m	£m
Pre-2012 loans	20,247	19,179	20,722	19,670	21,074	20,033
Post-2012 loans:						
full time undergraduate	36,483	44,898	37,794	46,536	38,739	47,718
part time undergraduate	863	1,014	884	1,039	899	1,056
Master's	1,700	2,407	1,713	2,426	1,721	2,437
	59,293	**67,498**	**61,113**	**69,671**	**62,433**	**71,244**

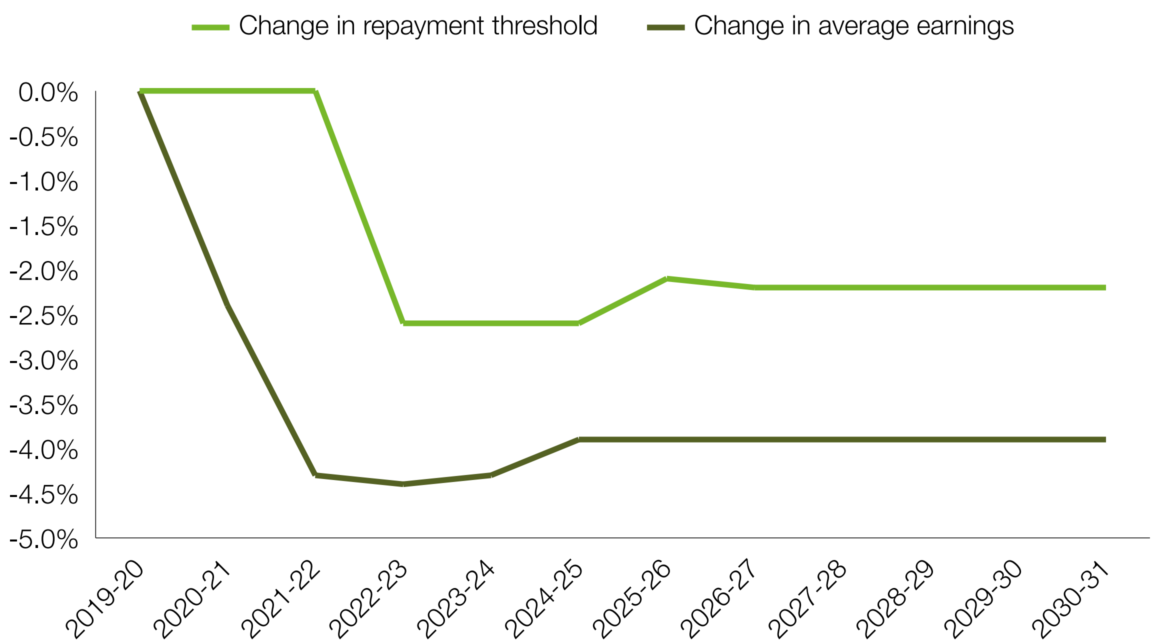
The values in the table above do not include operational costs so the 2019-20 central scenario values differ slightly from the carrying values presented in note 11.3.2.

As expected, the downside scenario depresses the closing fair value and increases the Day 1 fair value adjustment (RAB charge) relative to the central scenario.

The upside increases closing fair value and decreases Day 1 fair value adjustment.

The downside scenario increases the RAB charge for Post-2012 loans by up to 1.8 percentage points (£0.3 billion) between 2019-20 and 2020-21. This is the result of forecast earnings growth decreasing faster than the Post-2012 repayment threshold, see below:

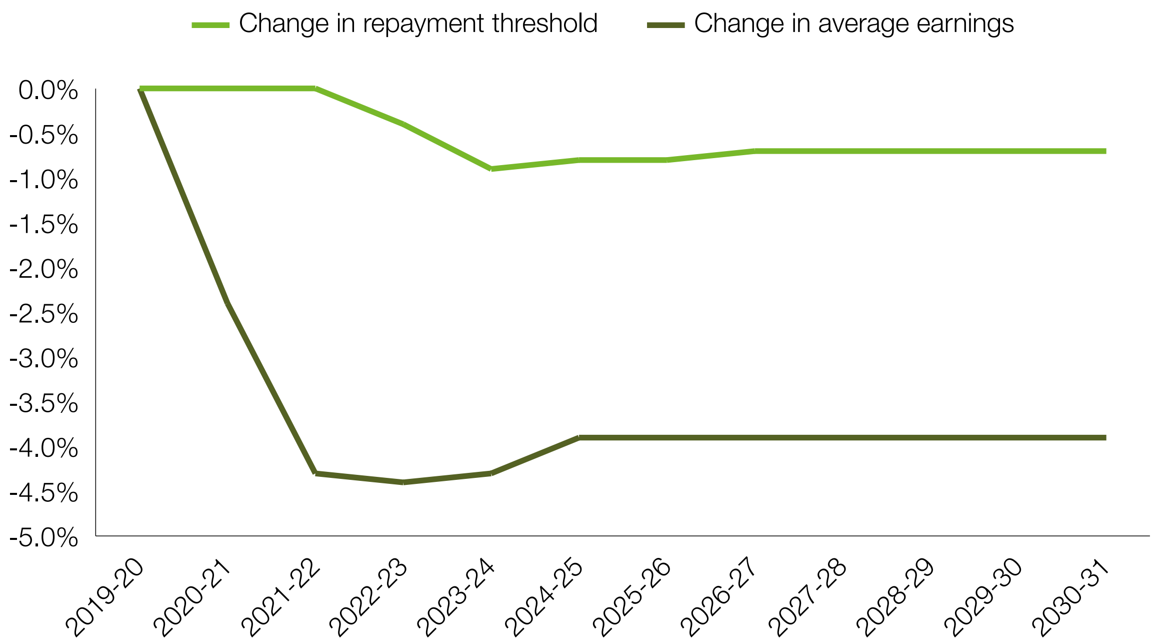
Post-2012 changes between central and downside COVID-19 scenarios



The Post-2012 repayment threshold is already set up to the 2021-22 financial year, but over that time earnings are expected to decrease by up to 4% more in the downside scenario than the central scenario. Whilst the Post-2012 repayment threshold changes in line with average earnings long term, forecast average earnings do not catch up to that change due to this initial de-alignment between the repayment threshold and average earnings.

Lower RPI mainly impacts discount rates and the Pre-2012 repayment threshold. The Pre-2012 interest rate is mostly unaffected since the Pre-2012 threshold is capped below RPI, due to the Bank of England base rate +1% cap, until 2030-31 in all three scenarios. As the Pre-2012 repayment threshold is linked to RPI this only sees around a 1% decrease in the downside scenario in comparison to the central scenario. As in the Post-2012 scenario earnings growth is affected more than the repayment threshold therefore resulting in lower repayments long term, and thus decreases in the loans' carrying value.

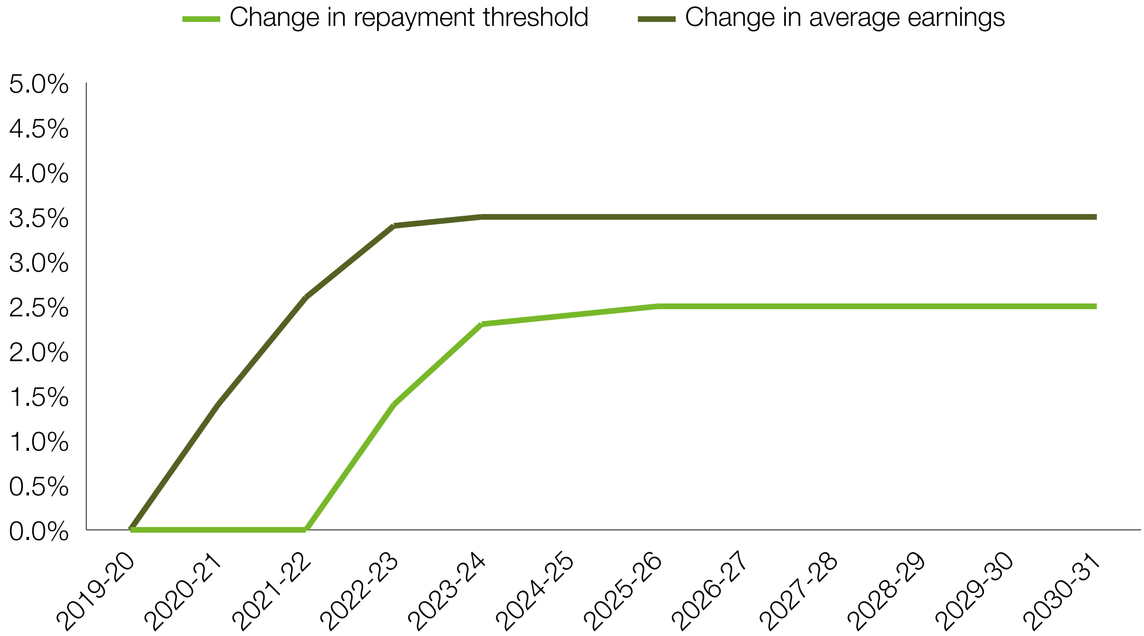
Pre-2012 changes between central and downside COVID-19 scenarios



The impact of the downside on the discount rate is relatively minor with discount rates for repayments in 2021-22 and later being 1% lower in the downside scenario than in the central scenario.

The upside scenario projects higher earnings than the central scenario, with a forecast RAB charge of up to 1.3 percentage points lower (£0.2 billion) for Post-2012 full time loans. The carrying value for Post-2012 loans increases by 2.5% (£1.2 billion), over the same period. This is the result of earnings growth increasing faster than the Post-2012 repayment threshold, as shown below.

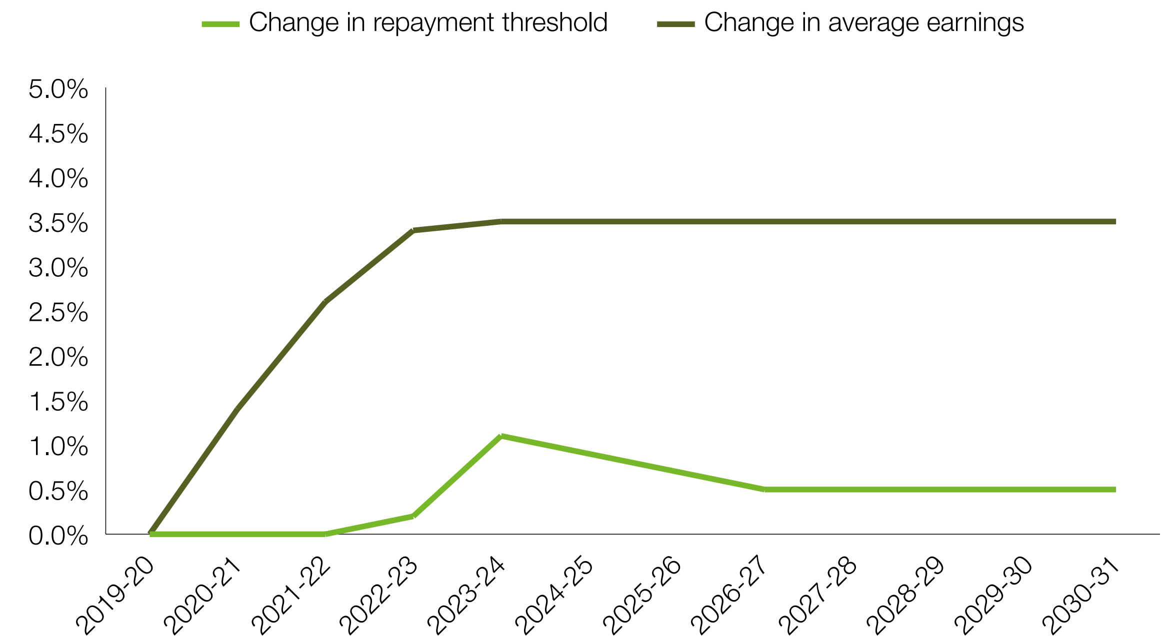
Post-2012 changes between central and upside COVID-19 scenarios



Earnings are expected to increase by up to 3% more by 2020-21 in the upside scenario, compared with the central scenario, while the repayment threshold remains the same in both scenarios up until 2020-21 (until which time the repayment threshold is already fixed). The upside scenario then sees an increase in repayment threshold relative to the central scenario of 2%, but this is not enough to catch up to the increased average earnings in the long term, increasing the carrying value and decreasing the Day 1 fair value charge for Post-2012 loans compared with the central scenario.

The graph below shows an increase in the Pre-2012 repayment threshold of up to 1% (2023-24) in the upside scenario compared with the central scenario, due to the relatively higher RPI in the upside scenario shown above. As was the case when comparing the downside scenario with the central scenario, earnings growth is affected more than the repayment threshold. This results in higher repayments in the long term, and increasing the carrying fair value for Pre-2012 loans (by up to 1.8% (£0.3 billion) compared with the central scenario in 2020-21).

Pre-2012 changes between central and upside COVID-19 scenarios



Impact on scope of modelling assumptions

Note 11.3.6 provides more detail on the modelling assumptions used to calculate the closing value of student loans. COVID-19 could cause a significant increase to unemployment as part of its wider economic effects. However, the impact on graduates forecast to make repayments on their loans is unknown. The current model does not allow for unemployment to be flexed as a model input in the same way as other factors such as discount rate and RPI. The increased focus on unemployment following COVID-19 is why the absence of the input has been identified as a model weakness in 2019-20.

The Department has been unable to address this issue for the 31 March 2020 carrying values. We hope to look at this as part of the 2020-21 improvement cycle. It remains a risk.

11.3.4. Face value of student loans

The face value is made up of the opening face value, plus additions and capitalised interest, and less write-offs and repayments. Face value excludes fair value adjustments.

The table below provides a reconciliation between the carrying value and the face value of student loans issued:

	Pre-2012 loans	Post-2012 loans	Total
	£m	£m	£m
Opening carrying value of loan book as at 1 April 2019	22,752	45,100	67,852
Add back opening fair value adjustment	11,453	37,442	48,895
Opening face value as at 1 April 2019	**34,205**	**82,542**	**116,747**
New loans issued	1	17,566	17,567
Interest charged	571	4,943	5,514
Write-offs	(16)	(31)	(47)
Repayments	(1,492)	(625)	(2,117)
	(936)	**21,853**	**20,917**
Face value of loan book as at 31 March 2020	**33,269**	**104,395**	**137,664**
Less: closing fair value adjustment	(13,717)	(54,712)	(68,429)
Fair value of loan book as at 31 March 2020	**19,552**	**49,683**	**69,235**

11.3.5. Risk

Forecasting models

The value of new loans is calculated using a forecasting model, which uses data on the demographics of higher education and further education students in order to predict their likely repayments of loans. There are also models for borrowers taking different loan types – Pre-2012 (Undergraduate) and Post-2012 loans (Undergraduate, Advanced Learner, Doctoral and Master's). The models depend on a complex set of assumptions, and particularly, on borrowers' earnings. The models are long-term in nature and depend on a complex set of assumptions, particularly, they rely on the latest OBR long-term and short-term forecasts for RPI, Bank of England base rate and earnings growth. The valuation of the student loan books is uncertain as they are highly dependent on macroeconomic circumstances and graduate earnings over the next 30-35 years, as well as a number of other complex assumptions, for around five million borrowers. There is little historic repayment data available for Post-2012 loans as none of these loans were were due for statutory repayment until 2016-17. Further information on the undergraduate model assumptions[43] is provided on the Department's website.

The assumptions used in the repayment models are formally reviewed each year and the amounts provided reflect the estimate as at 31 March 2020.

Assurance over the carrying fair value

Each year the fair value carrying value of undergraduate loans is compared with the latest outputs from the student loan

43 https://www.gov.uk/government/statistics/student-loan-forecasts-england-2017-to-2018

repayment model, which is re-run using current assumptions. If there is a significant difference, a review is undertaken to determine the reasons for the variance. The carrying value would only be adjusted if there was sufficient evidence to suggest that the divergence constituted a permanent reduction in the carrying value.

Changes in assumptions and modelling

During 2019-20, changes in assumptions and modelling led to the following movements in fair value for student loans:

- Revised short term forecasts for base rates, RPI and earnings growth were published in the OBR's *Economic and Fiscal Outlooks* in March 2018 and March 2019. These together with other modelling improvements led to a decrease in the value of Pre-2012 loans of £2.2 billion (2018-19: £0.8 billion decrease) and a decrease in the value of Post-2012 loans of £4.8 billion (2018-19: £0.2 billion decrease).
- Modelling improvements in 2019-20 include the first steps in our planned transition from a linear regression methodology to a new methodology using nearest-neighbour matching for borrowers in the first ten years of holding a loan. This improvement work will continue into at least 2020-21.

Impact of changes in assumptions and modelling on loan fair value

	Pre-2012 loans	Post-2012 loans	Total
	£m	£m	£m
Remeasurements to existing loans arising from changes to:			
modelling improvements	(1,320)	(1,948)	(3,268)
student number forecasts	(25)	(27)	(52)
macroeconomic factors	(608)	(2,081)	(2,689)
new data/unwinding	(311)	(813)	(1,124)
policy changes	3	(36)	(33)
Total loan remeasurement	**(2,261)**	**(4,905)**	**(7,166)**

11.3.6. Assumptions used to calculate the student loan fair value at 31 March 2020

Key macroeconomic assumptions that affect the value of the student loan books are earnings growth, RPI inflation and, for Pre-2012 loans, the Bank of England base rate. The tables below indicate the sensitivity of the valuation of future cash flows to these assumptions. Other assumptions, for example, that future graduate earnings will mimic the available data on historical graduate earnings, cannot be easily verified.

The sections below show the changes required in earnings growth, RPI inflation and Bank of England base rate assumptions to create an increase/decrease in the carrying value of each loan book of 1%.

A 1% shift in the carrying value is a relevant deviation to consider as it is larger than the magnitude of the inherent random variation present in the forecasting model. The assumptions could change by a larger amount, causing the carrying value to change by more than 1%. There are no earnings growth forecasts specifically for graduates, so the macroeconomic assumptions include both graduates and non-graduates.

Figures are split into Pre-2012 and Post-2012 loan books, as the impact of these assumptions differ between the books. The carrying values at 31 March 2020 were:

- £19.5 billion for the Pre-2012 undergraduate loan book (2019: £22.8 billion)
- £49.7 billion for the Post-2012 loans (2019: £45.1 billion) which can be split:
  - £46.0 billion for the Post-2012 undergraduate full-time loan book (2019: £42.1 billion)
  - £1.0 billion for the Post-2012 part-time undergraduate loan book (2019: £0.9 billion)
  - £2.3 billion for the postgraduate master's loan book (2019: £1.6 billion)
  - £25 million for the postgraduate doctoral loan book (2019: £60 million)
  - £368 million for the advanced learner loan book (2019: £400 million)

The sensitivity analysis shows the relative changes in for a 1% and 2% change in the applied discount rate, and the underlying assumptions (RPI, earnings, Bank of England base rate) which results in a 1% change in the carrying amount of the loan books. The changes in the tables below are value changes or relative percentage changes based on the underlying assumptions. For example, an increase in the carrying value of Pre-2012 loans by 1% (or £197 million) would require a 3.0% decrease in RPI. The carrying values used in the sensitivity analysis below do not include the limited impact of including operational costs. The sensitivity analysis workings are completed prior to the inclusion of operational costs for the IFRS 9 carrying values used in note 11.3.2 above.

Discount rate

	Pre-2012 undergraduate loans	Post-2012 loans
	£m	£m
Increase by 1%	(1,315)	(6,615)
Decrease by 1%	1,480	8,036
Increase by 2%	(2,488)	(12,095)
Decrease by 2%	3,151	17,863

With the implementation of IFRS 9 from 1 April 2018, we have assessed whether the discount rate currently used to value student loans is appropriate. In accordance with IFRS 9 the Group will be accounting for the student loan book as FVTPL. Therefore, there may be an expectation that the Group will be applying a market discount rate as per IFRS 13. Per IFRS 13, the fair value considers the most advantageous market for an orderly transaction to take place.

However, the rate used in these accounts is prescribed by the FReM interpretation of IFRS 9, and is therefore the rate as promulgated in the HMT PES paper and based on internal government borrowing costs. It is also different to the discount rate HMT require to be used to calculate a retention value for the purposes of assessing value for money in the event of a disposal of a tranche of student loans.

However, it should be noted that there may be a difference in the long term recovered value of loans from the fair value assessment for required accounting treatment and that this is recognised in the public finances through the RAB process. The RAB process is the process by which there is an assessment of the calculation of a net present value (NPV) of the future repayments and the estimated cost to government of borrowing to support the student finance system based on future loan write-offs and interest subsidies in net present value terms. The RAB charge is the difference between the loan issued and the NPV of the repayments and this is taken into account in the assessment of government budget forecasting purposes on an annual basis. The table above shows the relative change in pre-operational cost carrying value for a 1% and 2% change in the discount rate for each loan book.

RPI

	Pre-2012 undergraduate loans	Post-2012 loans
	1% change = £197 million	**1% change = £499 million**
Increase by 1%	(3.6%)	(3.8%)
Decrease by 1%	3.7%	3.8%

An increase in RPI leads to a higher discount rate, which will lower the carrying value of both Pre- and Post-2012 loans. A higher RPI will increase interest in the following year for Post-2012 loans. It will also increase it for Pre-2012 loans, unless RPI is higher than the base rate +1%, in which case RPI does not determine the interest rate. When the repayment threshold for Pre-2012 loans increases in line with RPI each year, a higher RPI results in lower repayments. The OBR forecast for March 2020 RPI for 2019-20 is 2.60% rising to 2.90% over the long term (2018-19: 2.72%, rising to 3.0% over the long term). The table above shows the relative percentage changes in RPI that would cause a 1% shift in the pre-operational cost carrying value of each loan book.

Earnings growth

	Pre-2012 undergraduate loans	Post-2012 loans
	1% change = £197 million	**1% change = £499 million**
Increase by 1%	4.4%	3.0%
Decrease by 1%	(4.4%)	(3.2%)

Higher earnings growth will increase repayments for both Pre- and Post-2012 loans. The Post-2012 interest rate following graduation is linked to a borrower's earnings, so higher earnings will also increase Post-2012 interest. The OBR forecast for 2019-20 average earnings growth is 2.97% rising to 3.83% over the long term (2018-19: 3.2% rising to 4.3% in the long term). The table above shows the relative percentage changes in earnings growth that would cause a 1% shift in the pre-operational cost carrying value of each loan book.

Bank of England base rate

	Pre-2012 undergraduate loans	Post-2012 loans
	1% change = £197 million	**1% change = £499 million**
Increase by 1%	99.9%	No impact
Decrease by 1%	(52.1%)	No impact

A higher base rate will increase interest for Pre-2012 loans, unless RPI is higher than the base rate +1%, in which case the loan interest rate is determined by RPI. The OBR forecast for the Bank of England base rate in 2019-20 was between 0.61% and 0.75% (2018-19: 0.74%), rising to between 3.9% and 4.2% in the long term. The table above shows the relative percentage changes in the Bank of England base rate that would cause a 1% shift in the carrying value of each loan book. Note that these figures are larger than the earnings growth and RPI changes, because the base rate is not forecast to impact the Pre-2012 interest rate in the long term. A large short term impact is needed to cause a 1% shift in the per-operational cost carrying value.

Historical data over the last five years, from 2014-15 to 2018-19 shows the extent of change to earnings growth, RPI rates and base rates:

- the HMT discount rate is used to calculate the remeasurements on student loans. It is the long term cost of government borrowing. This changes infrequently, with the last change occurring during the 2005-06 and 2015-16
- ONS outturn figures for the financial year average of earnings growth have varied between a low of 1.3% in 2014-15 and a high of 3.1% in 2017-18
- ONS outturn figures for March RPI have varied between a low of 0.9% in 2014-15 and a high of 3.3% in 2017-18
- the Bank of England base rate has varied between 0.25% and 0.5% throughout this time. For 2019-20 this rate currently stands at 0.10%

Another important assumption is the discount rate used to calculate fair values of student loans. This is the long term cost of government borrowing, which is set by HMT. This changes infrequently, with the last changes occurring during 2005-06 and 2015-16.

11.4. Other loans

11.4.1. 2020

	FE sector	Academy trusts	PF2	Other
	£m	£m	£m	£m
Opening balance 1 April 2019	**96**	**72**	**574**	**19**
New lending	34	111	-	-
Effective interest	5	-	20	-
Repayments	(10)	(28)	(39)	(8)
Written-off	-	(6)	-	-
Impairment movement in year	(2)	(24)	(5)	-
Balance as at 31 March 2020	**123**	**125**	**550**	**11**
Gross value	156	149	555	11
Closing impairment allowance	(33)	(24)	(5)	-
	123	**125**	**550**	**11**
Disclosed as:				
Current loans	9	11	25	-
Non-current loans	114	114	525	11
	123	**125**	**550**	**11**

11.4.2. 2019

	FE sector	Academy trusts	PF2	Other
	£m	£m	£m	£m
Opening balance 1 April 2018	**124**	**6**	**588**	**25**
Cumulative adjustment on adopting IFRS 9 on 1 April 2018	(35)	-	-	-
Amended opening balances	**89**	**6**	**588**	**25**
New lending	60	62	-	7
Effective interest	2	-	21	-
Repayments	(13)	(14)	(35)	(13)
Reclassification	-	18	-	-
Written-off	(46)	-	-	-
Impairment movement in year	4	-	-	-
Balance as at 31 March 2019	**96**	**72**	**574**	**19**
Gross value	127	72	574	19
Closing impairment allowance	(31)	-	-	-
	96	**72**	**574**	**19**
Disclosed as:				
Current loans	25	11	26	9
Non-current loans	71	61	548	10
	96	**72**	**574**	**19**

11.4.3. FE sector loans

Loans to the FE sector represent both Exceptional Financial Support and Restructuring Facility loans provided to FE colleges in order to safeguard learner provision. These loans may be provided to FE colleges over a number of years based on the individual merits of each case.

During the year there have been conversions from Exceptional Financial Support to Restructuring Facility loans, some of which resulted in the write-off of balances which are reported in our losses and special payments statement.

11.4.4. Loans to academy trusts

Loans issued to academy trusts comprise the following types:

- Loans to assist with the academy trusts' deficit funding following conversion of their schools. The loans are collected by the Group as a deduction against the academy trusts' grant payments over the loan term.
- Loans to allow academy trusts to address estate condition issues. There are three separate pools of loans here:
  - Condition Improvement Fund (CIF) loans, to improve school buildings in smaller trusts
  - MAT loans, improvement loans similar to CIF but for larger academy trusts
  - SALIX loans, to support energy efficiency improvements in academies.
- Loans issued to voluntary aided (VA) schools for capital projects under Schedule 3 of the *Schools Standards and Framework Act 1998*. Interest is charged in accordance with the HMT lending rates. The rate set at the time of the loan issue was 4.45%. At 31 March 2020 there was only one outstanding loan (2018-19: one), and all balances are scheduled for repayment by 2025.

11.4.5. PF2 loan assets

These are loans made within the structure of the Group's PF2 transaction between the Group and the transaction's five regional batch consortia. Each consortium has a single loan repayable in six-monthly instalments from 31 March 2017 ending on 28 December 2041; which matches the service concession period. The loans bear interest at fixed rates; with the weighted average fixed interest rate of 3.56% (2018-19: 3.56%).

11.4.6. Other loans

Other loans comprise legacy loans to learning providers across several sectors to support specific projects of the providers. None of the loans are interest bearing.

12. Receivables

	2020		2019	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Amounts falling due within one year				
Trade receivables	216	221	218	246
Other receivables	634	639	43	43
Prepayments and accrued income	228	246	911	925
Deferred tax asset	-	1	-	1
	1,078	**1,107**	**1,172**	**1,215**
Amounts falling due after one year				
Trade receivables	-	-	1	1
Other receivables	182	182	153	157
Prepayments and accrued income	1	1	6	7
	183	**183**	**160**	**165**

13. Cash and cash equivalents

13.1. Analysis

	2020		2019	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Balance at 1 April	**1,185**	**1,291**	**612**	**694**
Net change in cash and cash equivalent balances	(170)	(168)	573	597
Balance at 31 March	**1,015**	**1,123**	**1,185**	**1,291**
The following balances are held as cash at bank and in hand:				
Government Banking Service	988	1,017	1,146	1,178
Commercial banks	3	82	3	77
Cash held by solicitors on behalf of Group	24	24	36	36
Balance at 31 March	**1,015**	**1,123**	**1,185**	**1,291**

13.2. Reconciliation of liabilities arising from financing activities

			Non-cash changes			
	2019	Cash flows	Acquis'n	Fair value changes	Other changes	2020
	£m	£m	£m	£m	£m	£m
Supply	1,178	(163)	-	-	-	1,015
PF2 lease liabilities	637	(12)	-	-	-	625
PF2 loan liabilities	575	(12)	-	-	-	563
Total liabilities from financing activities	**2,390**	**(187)**	**-**	**-**	**-**	**2,203**

14. Current payables

	2020		2019	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Tax and social security payables	9	11	8	11
VAT payables	34	33	23	29
Trade payables	133	156	94	103
Other payables	574	603	624	648
Accruals and deferred income	1,168	1,243	1,088	1,202
IFRS 15 contract liabilities	6	6	3	3
Amounts issued from the Consolidation Fund for Supply but not spent at year end	1,015	1,015	1,178	1,178
PF2 imputed lease liability	67	67	67	67
PF2 loan liabilities	-	29	-	21
Consolidated Fund extra receipts due to be paid to the Consolidated Fund:				
received	-	-	7	7
	3,006	**3,163**	**3,092**	**3,269**

15. Non-current payables

15.1. Analysis

	2020		2019	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
PF2 imputed lease liability	558	558	570	570
PF2 loan liabilities	-	534	-	554
Other payables	819	728	598	587
	1,377	**1,820**	**1,168**	**1,711**

PF2 senior debt relates to five bank notes and five bond subscriptions. The borrowing facilities are for a total value of £563.3 million (2018-19: £563.3 million) and as at 31 December 2019 £515.7 million (2018-19: £535.1 million) has been drawn. Loan issue costs related to the bank borrowings have been deducted from the gross proceeds and an effective interest is used to calculate finance costs. There was £5.9 million (2018-19: £4.2 million) of accrued interest and an unamortised effective interest adjustment of £6.7 million (2018-19: £6.7 million) as at the Aggregator's year end of 31 December 2019.

The loans are repayable in six-monthly instalments commencing on 31 March 2018, and ending on 31 March 2042. Interest is charged on amounts drawn under the facilities based on a fixed rate; the weighted average fixed rate is 3.56% (2018-19: 3.56%).

The PF2 subordinated debt has been provided by a party related to the Aggregator Vehicle PLC. As at 31 December 2019 £3.8 million (2019: £786,000) interest has been accrued.

15.2. Maturity analysis

The table below shows the maturity analysis for the Group's financial liabilities with defined multi-year maturities: PF2 loans and PFI lease liabilities.

	2020		2019	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Not later than one year	12	35	11	33
Later than one year and not later than five years	58	151	54	146
Later than five years	555	1,002	571	1,037
	625	**1,188**	**636**	**1,216**

16. Provisions for liabilities and charges

16.1. Analysis

	2020		2019	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Balance at 1 April	**341**	**359**	**202**	**396**
Provided in year	71	75	56	68
Transfer in during year	-	-	188	-
Not required written back	2	(5)	(37)	(37)
Reclassification	(1)	(1)	-	-
Provision utilised in year	(96)	(103)	(90)	(90)
Borrowing costs (unwinding of discount)	-	-	4	4
Discount rate change	10	10	18	18
Balance as at 31 March	**327**	**335**	**341**	**359**
Presented as:				
Current provisions	71	71	64	77
Non-current provisions	256	264	277	282
	327	**335**	**341**	**359**

16.2. Analysis of expected timing of discounted flows

	2020		2019	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Not later than one year	71	71	64	77
Later than one year and not later than five years	133	133	144	148
Later than five years	123	131	133	134
	327	**335**	**341**	**359**

16.3. Analysis by provision type – Group

					2020
	Retirement comp'n	Inherited staff liabilities	RPA	Other	Total
	£m	£m	£m	£m	£m
1 April 2019	**154**	**157**	**24**	**24**	**359**
Provided in year	2	10	62	1	75
Not required written back	(11)	-	-	6	(5)
Reclassification	-	-	-	(1)	(1)
Provision utilised in year	(17)	(24)	(47)	(15)	(103)
Borrowing costs (unwinding of discount)	-	(1)	1	-	-
Discount rate change	7	2	-	1	10
At 31 March 2020	**135**	**144**	**40**	**16**	**335**

Individual provisions of less than £10 million have been aggregated on the basis of materiality.

Retirement compensation

This long term provision relates to premature retirement compensation of teaching staff of ex-Grant Maintained Schools and Colleges and pension payments relating to the staff of former Departmental bodies (Training Commission and other NDPBs). The provision was calculated using data supplied by both Capita Business Services Limited for teachers' pensions and Equiniti Paymaster for former Departmental bodies and NDPBs. The calculation was based on the average life expectancy for men and women as detailed by ONS.

Inherited staff liabilities

These are certain staff related commitments of HEIs that were previously local authority maintained. These liabilities were transferred from local authorities to HEIs on incorporation and the *Education Reform Act 1988* gave powers to the Polytechnics and Colleges Funding Council to reimburse institutions and local authorities for such liabilities. The Department has assumed the council's main responsibilities and provided funding for reimbursements as follows:

- early retirement or redundancy compensation payments
- protection of salary

- pension increases under the Local Government Superannuation Scheme for former non-teaching staff of institutions formerly funded by the council

The closing provision estimate is based on data of all pension scheme members and uses various assumptions. However, the provision valuation approach does not constitute a full actuarial valuation, and so may differ from such a third party assessment. An analytical review is undertaken annually in order to verify the reasonableness of the provision. The provision value is an estimate based upon projected payments, mortality rates and other actuarial-style assumptions. Current assumptions mean that payments are expected to continue until at least 2041. The provision is discounted using HMT's nominal general provision rates.

Risk Protection Arrangement

The RPA for ATs is a scheme that provides an alternative to insurance where losses that arise are covered by government funds. The provision is based on an actuarial model of expected claims. See note 18 for further details.

Other provisions

Provisions of less than £10 million are presented as other provisions.

Other provisions include:

- a potential breach of warranties made to investors for student loans sold that would not have been, had all information been available at the sale date. These loans will be repurchased by the Department from the relevant loan sale counterparty in July each year
- provisions for costs of properties occupied by the Group
- provisions for the cost of academy closures

Details of other provisions held by the Agencies and NDPBs can be found in their individual ARAs.

17. Financial guarantees

17.1. Analysis

	2020		2019	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Balance at 1 April	**159**	**159**	**160**	**160**
Additions	9	9	12	12
Reclassification	1	1	-	-
Called	(28)	(28)	(17)	(17)
Net remeasurement	6	6	4	4
Balance at 31 March	**147**	**147**	**159**	**159**
Presented as:				
Current liabilities	12	12	12	12
Non-current liabilities	135	135	147	147
	147	**147**	**159**	**159**

17.2. Analysis by type – Group

	2020			2019		
	PCDL financial guarantee	Student loan debt sale subsidy	Total	PCDL financial guarantee	Student loan debt sale subsidy	Total
	£m	£m	£m	£m	£m	£m
Balance at 1 April	**25**	**134**	**159**	**23**	**137**	**160**
Additions	9	-	9	6	6	12
Reclassification	1	-	1	-	-	-
Called	(9)	(19)	(28)	(4)	(13)	(17)
Net remeasurement	-	6	6	-	4	4
Balance at 31 March	**26**	**121**	**147**	**25**	**134**	**159**

PCDL financial guarantee

The Professional and Career Development Loans programme operates by providing loans to learners to enable them to complete a course of study. High street banks provide the loans to learners at a rate of interest below what might ordinarily be offered to them in such circumstances. The Group has a liability for the cost of default on such loans and for the interest costs of the loans while the learners are in learning.

During the year the interest loss portion of the PCDL guarantee was reclassified from provisions into financial guarantees following a review of financial guarantees.

Student loan debt sale subsidy

The student debt sale subsidy is the additional cost to the Department arising from the government subsidising the purchaser of the debts beyond the cost that the government would have incurred had the debts remained in the public sector. This liability arose from loan sales in 1998 and

1999. The subsidy will continue until all the loans are extinguished which is expected to be no earlier than 2028, which is the 30-year duration of the first debt sale agreement.

The annual debt sale subsidy payments are calculated according to a formula set out in the debt sale contracts signed in 1998 and 1999. The subsidy consists of two elements. The interest subsidy element of the payment is calculated as LIBOR plus margin less RPI. Margin is calculated as a percentage of the portfolio with different rates for each contract. The key risk is therefore that the gap between LIBOR and RPI increases. The other key element relates to compensation payable for loan repayments which are deferred or written-off, under the terms of the original loan contracts with borrowers.

18. Risk protection arrangement

The RPA (a replacement for commercial insurance for the academy trusts) allows the Group to comply better with *Managing Public Money*'s expectation that central government bodies do not purchase commercial insurance; risks should be borne internally across government.

A flat fee per pupil provides cover in the following risk types and for two types of claimant:

- AT losses:
  - property damage and business interruption
  - travel - UK and overseas
  - cultural assets
- Non-AT claimants:
  - employers' liability
  - third party liability

Claim costs are borne by the Department from existing resources; no reserves fund or portfolio of investment assets is built up to cover future claims. RPA membership is restricted to ATs and covers losses incurred at the academy site on academy business. Consequently, the risks associated with the RPA are limited to the academy schools sector within England.

No risk is ceded to re-insurance parties.

18.1. Reported balances

	Department & Agencies 2020 £m	Group 2020 £m	Department & Agencies 2019 £m	Group 2019 £m
Statement of Comprehensive Net Expenditure				
Membership income (presented in note 3)	50	50	48	48
Expected losses for the year (presented in note 16, as provisions, provided in year)	62	62	47	47
Statement of Financial Position				
Unsettled claims (presented in note 14, in other payables)	58	58	38	38
Closing RPA provision (presented in note 16)	40	40	24	24

The table above discloses all RPA balances recognised in these accounts at all reporting levels. Membership income is collected monthly by the Group, at source from grant payments payable to ATs.

18.2. Assumptions

The Group has insufficient internal data upon which to model realistically the Department's expected losses, because of the relative immaturity of RPA. To resolve this, the Group has relied on the Government Actuary's Department (GAD) to perform two formal provision reviews of RPA at August 2019 and as at March 2020. We have received a small increase in claims (approximately £13 million) resulting from the impact of COVID-19.

The claim provisions for each class, provided by GAD, are calculated on a 'best estimate basis' which means that they do not contain any explicit margins for either prudence or optimism.

As the RPA has become more established, the claims activity to date has become more statistically credible for estimating future claims experience. It has therefore been reasonable to begin taking more account of actual experience and placing less reliance on the initial sector claims history survey conducted in 2015.

18.3. Risks

Insurance risk

Insurance risk is defined in IFRS 4 as the non-financial risk transferred to an entity in relation to insurance contracts; the risk arising from the unknown outcomes from future loss events. The Department takes on the insurance risk from ATs.

The Group mitigates insurance risk by improving risk management practice in the academies through risk management audits and reviews. The Group has retained the services of a third party insurance specialist to perform the risk management audits and drive best practice adoption.

Market risk

The Group is not exposed to market risk in relation to the RPA.

The RPA is similar to a group-wide scheme whereby insurance risk is retained within a reporting group. However, the 2016/17 separation of financial reporting of the Group and the academy sector into their own ARA has removed RPA members from this reporting group. Notwithstanding the separation, the Department is still responsible to Parliament for the academy sector and so management still consider the RPA to be in effect a 'group-scheme'. RPA claims are settled from existing funds of the Group and no asset portfolio designed to support future payments is being created. The absence of an asset portfolio, including fair valued listed assets, and the specific nature of the cover provided removes any market risk exposure – there are no life products.

Credit risk

The Group does not consider itself to be exposed to significant credit risk.

The Group recovers membership fees from grant payments made to member ATs. In addition, the Group does not cede insurance risk to a re-insurance provider.

Liquidity risk

The Group is exposed to liquidity risk.

The absence of an underlying investment portfolio whose maturity is matched to the expected profile of claim settlements generates the Group's liquidity risk. The Group will provide for claims expected in cover years. The settlement of claims related to past cover years will be made from resources set aside through the provisioning process.

19. Retirement benefit obligations

SLC operated the Group's only funded defined benefit scheme, SLC Limited Retirement and Death Benefits Scheme for all permanent staff, which provides benefits based on final pensionable salary. On 31 January 2020 SLC closed the scheme to new members, and from 1 March 2020 all active members were transferred to the main Civil Service pension scheme – the Civil Servants and Others Pension Scheme (CSOPS). In parallel, a bulk transfer of qualifying active members' past benefits to PCSPS triggered a one-off settlement gain of £42.3 million. A residual SLC scheme still exists and has some retained members, and the reduced-scope scheme's asset surplus as at 31 March 2020 was £10.6 million (2019: deficit of £31.1 million). Further details of the pension scheme transfer can be found in SLC's 2019-20 ARA.[44]

44 https://www.slc.co.uk/about-us/remit/annual-report.aspx

20. Capital and other commitments

20.1. Capital commitments

Contracted and approved commitments at 31 March not otherwise included in these financial statements:

	2020		2019	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Programmes:				
Free schools	4,199	4,199	4,665	4,665
PSBP	474	474	509	509
Secure accommodation	3	3	10	10
Exceptional capital	4	4	15	15
Strategic school improvement	31	31	27	27
Property, plant and equipment	-	1	36	38
Intangible assets	-	4	1	2
	4,711	**4,716**	**5,263**	**5,266**

The majority of capital commitments relate to school projects managed by the Group. These capital commitments do not include the cost of contract workers engaged in the delivery of the programmes.

The 2019 Department & Agencies £36 million commitment presented above relates to the project to reconfigure the Old Admiralty Building (OAB). In 2018-19 the Department made the decision to pull out of the decision to occupy OAB; and instead signed a new lease for Sanctuary Buildings. The Department had intended to pass the site, along with the associated capital commitments, to the GPA for ongoing management in 2019-20. In response to the emergence of COVID-19 the Department paused the transfer to the GPA; OAB continues to be recognised as an AuC asset. However, the Department has removed the £36 million capital commitment since the GPA will be managing completion of the project.

20.2. Commitments under operating leases

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

		2020		2019
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Land and buildings				
Not later than one year	19	26	21	28
Later than one year and not later than five years	71	84	75	92
Later than five years	125	128	136	136
	215	**238**	**232**	**256**
Expected receipts from sub-leases	-	-	(14)	(14)
	215	**238**	**218**	**242**
Other				
Not later than one year	-	1	-	-
Later than one year and not later than five years	-	1	-	1
Later than five years	-	-	-	-
	-	**2**	**-**	**1**

20.3. Obligations under PFI contracts (on-balance sheet)

Total future minimum payments under on-balance sheet PFI and other service concession arrangements are given in the table below for each of the following periods:

		2020		2019
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Not later than one year	67	67	67	67
Later than one year and not later than five years	274	274	272	272
Later than five years	1,266	1,266	1,336	1,336
	1,607	**1,607**	**1,675**	**1,675**

Under the terms of the PF2 agreement (the Group's only PFI transaction), the Group is committed to pay unitary service charges regarding each batch for the twenty-five-year operational period of the schools constructed under the financing transaction.

20.4. Other financial commitments

The Group has entered into non-cancellable contracts (which are not leases, PFI contracts or other service concession arrangements), for the previous student loan debt sale and marking key stage tests. The payments to which the Group are committed are as follows.

	2020		2019	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Non-cancellable contracts				
Not later than one year	38	38	54	54
Later than one year and not later than five years	137	137	63	63
Later than five years	48	48	62	62
	223	**223**	**179**	**179**

No commitments are included here in respect of student loans, as loan repayments only become due when student attendance is confirmed at the start of each term.

20.5. Education grant funding commitments

Education grant funding commitments include: those for private finance initiative grants to local authorities and voluntary aided schools; and those with training providers.

	2020		2019	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Not later than one year	1,017	1,473	1,248	1,703
Later than one year and not later than five years	3,024	4,448	3,009	4,461
Later than five years	6,730	6,730	7,497	7,497
	10,771	**12,651**	**11,754**	**13,661**

20.6. Apprenticeship levy funding

Income from the apprenticeship levy is accounted for by HMRC, and as such, no levy income is shown in the Group's ARA. Grants paid by the Group to apprenticeship training providers are funded through the Supply Estimates process and are accounted for in line with our grant expense accounting policy (see note 1.11). The Group has commitments to apprenticeship training providers for English apprentices who are already enrolled on training courses as at the year end. The Group's commitments cover the reminder of the courses but will only crystallise when the apprenticeship training has taken place.

		2020		2019
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Not later than one year	1,104	1,104	837	837
Later than one year and not later than five years	776	776	641	641
Later than five years	3	3	4	4
	1,883	**1,883**	**1,482**	**1,482**

20.7. Other educational grants

The Secretary of State is committed to funding the ongoing provision of education at a wide variety of providers. The Group cannot quantify fully the commitments as the Group typically agrees funding for one year even though the Secretary of State's commitment is for a much longer period.

In response to COVID-19, the Group decided in March 2020 that grant-funded 16-19 providers will be paid on allocations driven by data from previous years, not on real time delivery. If they end up delivering less provision due to COVID-19 than they are funded for, this impacts on their allocations for future years rather than the current year. The proposal is to reassure grant-funded providers of 16-19 education that the Group intends to ensure that their future funding from 2021-22 will be protected from disproportionate impact in future years after the end of February 2020 resulting from COVID-19.

21. Contingent liabilities

21.1. IAS 37 contingent liabilities

21.1.1. Quantifiable

The Group holds the following quantifiable contingent liability as described by IAS 37.

Guarantee to the Local Government Pension Scheme

A guarantee to Local Government Pension Scheme funds to meet pension deficits if an AT closes. The value increased to £13.6 million in the year (2019: £11.9 million) in line with annual estimates of AT deficits, and has been reported to Parliament by departmental minutes.

21.1.2. Unquantifiable

The Group has identified the following unquantifiable contingent liabilities.

PSBP asbestos removal

The Group is aware of two outstanding claims from PSBP contractors for the removal of asbestos found at Blackpool Aspire Academy and Annie Holgate Infant School. It is standard Group practise to negotiate with

PSBP contractors and partially meet the cost of removing asbestos found during PSBP projects. In the case of Blackpool Aspire Academy and Annie Holgate Infant School, the contractors have not yet quantified the value of their claims and consequently the Group is not able to quantify its liability in respect of these two cases.

PF2 contractual warranties

As a result of entering directly into a PFI arrangement for the building of schools (PF2) there are a number of contracts in place, which have clauses that could give rise to a liability for the Group. These are considered by the Group to be remote and unquantifiable as they relate to breach of contractual conditions.

Overage clauses

As a result of entering into contracts for academy and free school site purchases, the Group is subject to a number of overage clauses. These are considered remote as they relate to changes in contractual arrangements.

Adjudication

Under paragraph 7 of the *Schools Standards Framework Act 1998*, the Secretary of State has a statutory duty to indemnify any adjudicator against any reasonable cost and expense reasonably incurred by him in connection with any decision taken in pursuit of his statutory duty. Adjudicator decisions can be challenged through judicial review. It is not possible to quantify this.

22. Related party transactions

The Department is the parent of the Agencies and sponsor of the NDPBs shown in note 23. These bodies are regarded as related parties with which the Department has had various material transactions during the year. These are mainly financing to the Agencies and payments for grants-in-aid to the NDPBs. All such transactions have been eliminated during the preparation of these consolidated accounts.

Relationships with academy trusts, and their academies, are classified as related parties only at the AT-level which is the corporate body. Therefore, only Departmental Board members who are trustees of ATs are classified as being a related party. The Department considers governors of local governing bodies for individual academies are insufficiently influential at the AT-level, not being trustees, to be classified as related parties.

In addition, the Group has had a number of transactions with other government departments, other central government bodies, local authorities and some charitable organisations. Most of these transactions have been with the BEIS and local authorities. The Department also makes pension contributions into public sector pension schemes.

As well as the disclosures in the Remuneration and Staff Report, the following relationships are also considered as related parties and have therefore been disclosed in line with IAS 24. Transactions are classified as related party transactions if they occurred during the period the board member named held office.

Disclosures are split between those individuals who were board members as at the year end below, and those whose term as a board member ended during the year.

The following are related party disclosures for those board members in post at year end.

- Nick Gibb's spouse is:
  - a non-executive governor at CityLit
  - a director of Brandcap Group Limited
  - the Chief Executive Officer of Populus Limited

- Gillian Keegan's spouse is:
  - a non-executive director of Centerprise International Holdings Limited
  - the vice-chairman of Tech UK, an industry trade body
  - a trustee of Chichester Marks Holocaust Memorial Day charity
- Michelle Donelan's spouse, and his family are owners of Allington IP Limited and its subsidiary V12 Footwear
- Vicky Ford's spouse is a trustee of Addenbrookes Charitable Trust
- Richard Pennycook is:
  - chair of the board of directors for Howdens Joinery PLC, the British Retail Consortium, On the Beach PLC and Boparan Holdings Limited
  - co-chair of the Retail Sector Council
- Ian Ferguson:
  - is a director of Metaswitch Networks Limited
  - his partner is chief executive of Edmonton Academy Trust and head teacher of one of the trust's academies, Edmonton County School
- Baroness Ruby McGregor-Smith is:
  - a trustee of Cumberland Lodge
  - a council member of the University of Bath
  - a non-executive director of Bazalgette Tunnel Limited
  - non-executive chair of Airport Operators Association and Q3 Services Group Limited
  - chair of the Cabinet Office body Office for Tackling Injustices
  - president of British Chamber of Commerce
- Toby Peyton-Jones:
  - is a trustee of The Edge Foundation
  - his brother is chair of Computing at Schools, and the National Centre for Computing Education
- Irene Lucas is:
  - chair, and family members are directors and joint owners of Hays Travel Limited
  - along with family members trustees of Hays Travel Foundation
  - a director of Irene Lucas Consulting Limited
- Jonathan Slater's wife is chair of the education governing body for The National Centre for Young People with Epilepsy, and a member of the Committee on Standards in Public Life
- Mike Green is:
  - a trustee of the Talent Foundry
  - a board member for the Northern Estates Programme
  - a governor at Nottingham College
- Paul Kett is a trustee of Skills Force Training Limited, Skills Force Development and Skills Force Development (Scotland)
- Andrew McCully is a trustee of:
  - Palatine Estate Charity
  - The Stoke Newington Relief in Need
  - Parochial Church Council of the Ecclesiastical Parish of St Mary's, Stoke Newington

Related party disclosures for those board members who were no longer board members as at the year end are also given below. The date individuals ceased to be a board member, and so cease to be included in related party disclosures, can be found in the Accountability Report.

- Lord Agnew is a trustee of The Public Interest Foundation, as is his partner
- Chris Skidmore was a minister with responsibilities in BEIS
- Nadhim Zahawi's spouse is a director of Zahawi and Zahawi Limited, Wantage Limited and Brierley Hill Limited
- Emran Mian is a trustee of Maslaha

The following table shows the value of material related party transactions entered into during the year:

	2019-20		2018-19	
	Net payments/ (receipts)	Receivable/ (payable)	Net payments/ (receipts)	Receivable/ (payable)
	£000	£000	£000	£000
Government bodies				
Department for Business, Energy and Industrial Strategy	58,089	(812)	59,492	(1,693)
Academy trusts				
Inspiration Trust	-	-	15,285	-
Edmonton Academy Trust	19,615	(2)	11,528	-
Other education sector bodies				
University of Bath	22,980	5	16,092	6
CityLit	4,170	-	7,965	(23)
Nottingham College	57,376	-	-	-
Non-government bodies				
Populus Limited	333	(17)	271	(19)
The National Centre for Young People with Epilepsy	1,294	-	1,532	-
Transformation Trust	-	-	9,532	(39)
Hays Travel Limited	694	-	948	-
Wantage Limited	1	-	-	-
Bazalgette Tunnel Limited	1	-	-	-
National Centre for Computing Education	1	-	-	-

Apart from the above related party disclosures, no Minister, board member, key manager or other related parties have undertaken any material transactions with the Group during the year.

Transactions disclosed above for academy trusts include all transactions which occurred with their relevant academies.

23. Entities within the Group boundary

23.1. Closing position

The entities within the boundary during 2019-20 comprise Supply financed Agencies and those entities listed in the Designation and Amendment Orders presented to Parliament.

They are:

Executive Agency:

Education and Skills Funding Agency (ESFA)*

Teaching Regulation Agency (TRA)*

Standards and Testing Agency (STA)*

Executive NDPB:

Construction Industry Training Board (CITB)*

Engineering Construction Industry Training Board (ECITB)*

Film Industry Training Board (FITB)

Institute for Apprenticeships and Technical Education (IFATE)*

Located Property Limited (LocatED)

Office of the Children's Commissioner (OCC)*

Office for Students (OfS)*

Student Loans Company Limited (SLC)

Social Work England (SWE)*

Advisory NDPB:

School Teachers' Review Body (STRB)

Social Mobility Commission

Other:

Aggregator Vehicle PLC

Office of the Schools Adjudicator

*The ARAs of these bodies can be found on GOV.UK website. Student Loans Company Limited, Aggregator Vehicle PLC and Located Property Limited's ARAs are available on Companies House. The two advisory NDPBs, FITB and the Office of the Schools Adjudicator, do not produce ARAs.

24. Events after the reporting period

24.1. COVID-19

The Group has continued to support the government's response to COVID-19 after the year end. More detail about the Group's response to COVID-19 can be found in the Performance Report on page 29.

Other than the student loan revaluation based on OBR's July 2020 economic scenarios, discussed in note 11.3.3, there have been no other material adjustments arising from events that occurred after the year end.

24.2. EU Exit

Until the end of the Transition Period in December 2020, there are extreme levels of uncertainty as to the impact any exit scenario will have on the Group. Significant uncertainty remains regarding the impact any exit scenario will have, and so we continue to monitor the issue accordingly.

24.3. Authorisation

These accounts were authorised for issue by Susan Acland-Hood (Acting Accounting Officer) on the date they were certified by the Comptroller and Auditor General. With the exception of the above, there have not been any other significant post year end events that have required disclosure in the accounts.

Annexes

Annex A – Additional performance reporting

Better regulation

The Department is fully committed to ensuring the proper balance between its responsibilities to:

- safeguard children and young people
- ensure they have a good education
- enforce standards

and to its firm commitment to support the wider government principles of better regulation.

We do this through the careful examination of policy initiatives to ensure that regulations which impact business and civil society are both proportionate; and are introduced only where there is a clear case for doing so. Stakeholders in these sectors include childminders, nurseries, independent schools, higher education institutions and FE colleges.

The Department has continued to promote effective policy making through robust assessment of evidence and proportionate, detailed and thorough impact assessments.

Business Impact Target (BIT)

The *Better Regulation Annual Report 2018 to 2019*[45] reports that the Department introduced provisions for the newly established OfS to regulate the higher education sector with a new regulatory framework, which contributed £68 million (de-regulation) to the BIT.

Post implementation reviews

All new regulations that have a significant impact on the business sector must include a clause allowing for their review at five years and/or removal at seven years after coming into force, unless a case is made for their retention. During the reporting period, the Department reviewed *The Education (Pupil Registration) (England) (Amendment) Regulations 2016* and *The Children's Homes (England) Regulations 2015*.

Alternatives to regulation

The Department wants to ensure that all regulations are fair and effective. Complying with regulation costs businesses time and money, and red tape can make running businesses unnecessarily difficult. The Department's policy tests are a framework for improving policymaking, and its delivery tests flesh out the key delivery issues. Questioning the purpose of the policy, the role of government, the evidence base, and the creativity and deliverability of the policy helps policy-makers to consider alternative approaches, tools and methods.

Behavioural insights can help us understand why people make seemingly sub-optimal decisions. The Department's Behavioural Insights Unit aims to increase the impact and efficiency of education and children's services policy by applying behavioural science throughout the work of the Department. Its aims are to support the Department to use behavioural insights to tackle policy challenges, help commission

45 https://www.gov.uk/government/publications/better-regulation-annual-report-2017-to-2018

high-quality behavioural research and build the Department's knowledge and ability to apply behavioural insights.

Sustainability

In response to the COVID-19 pandemic, HMT have reduced the sustainability reporting requirement for departmental ARAs. As well as disclosure in ARAs Defra publish a cross-government report on sustainability each year – Greening Government Commitments (GGC).[46] Owing to the reporting duplication HMT has allowed departments to dispense with disclosing GGC for 2019-20 only.

46 https://www.gov.uk/government/publications/greening-government-commitments-2016-to-2020

Annex B – Departmental statistics

Fire, health and safety

The Department is committed to ensuring the health, safety and wellbeing of staff, contractors and all others who could be affected by its activities. It fully accepts its responsibilities under the *Health and Safety at Work etc. Act 1974*.

We recognise that effective management of fire, health and safety makes a significant contribution to our overall business performance and strategic aims, as well as a positive impact on the wellbeing of staff. The Department acknowledges that positive, proportionate health and safety risk management prevents harm and enables efficient delivery of services across the Department.

Category	2019-20	2018-19	2017-18
Total number of employee accidents/ incidents	18	11	22
Total number of non-employee/ member of public/detainees accidents/ incidents	-	-	7
Total number of near misses	3	1	-
Total number of reporting of injuries, deaths and dangerous occurrences regulations	-	-	-
	21	**12**	**29**

The Department's accident and incident data illustrates an increase in the total number of reported accidents and incidents overall in comparison to last year's data.

Personal data security

All departments are required to report personal data related incidents that have occurred during the financial year in accordance with the standard disclosure format issued by the Cabinet Office.

A 'personal data related incident' is defined as a loss, unauthorised disclosure or insecure disposal of protected personal data. 'Personal data' is data which the Department or its delivery partners hold whose release or loss could cause harm or distress to individuals, including as a minimum:

- information that links one or more identifiable living person with information about them whose release would put them at significant risk of harm or distress
- any source of information about 1,000 or more identifiable individuals, other than information sourced from the public domain

Protected personal data related incidents formally notified to the Information Commissioner's Office in 2019-20 are summarised in the table below:

Date of incident (month)	
April 2019	
Nature of incident	Lost in transit
Nature of data involved	A member of staff reported on 2 May 2019 that they had left their securely encrypted and protected laptop and a paper notebook on a train on 30 April 2019. Several printed documents were also lost, including printouts of letters sent by 30 children from Bosworth Academy. The personal data comprised the names of 30 pupils attending Bosworth Academy in Wolverhampton, including the home addresses of two pupils and the mobile telephone number of one of them.
Number of people potentially affected	30
Notification steps	The ICO was notified of the incident by the DfE 12 June 2019. The ICO's decision, which was received 19 July 2019 was that no further action was required.
Further action on information risk	The loss was reported to the train company. A subsequent investigation by the British Transport Police established that the laptop and notebook had been stolen, and although a suspect was arrested and later confessed, they have so far failed to recover the items. The Department wrote to the school explaining the incident and how it was lost.
January 2020	
Nature of incident	Unauthorised disclosure
Nature of data involved	Information released via a FOI request on 14 February 2020, published on the "What do they know" website on 16 January 2020, included five separate incidents where the personal data of three persons undertaking whistleblowing activities was not redacted correctly in all 164 pages of the document. This has been highlighted as human error. Although only their names were released, there is information in the public domain relating to this case which makes them easily identifiable. Although they did not work for the trust involved, and as such are not legally classed as whistleblowers, the Department recognised that they were undertaking whistleblowing activities and therefore should have been afforded additional protections.
Number of people potentially affected	3
Notification steps	On 10 February 2020, the National Education Union wrote to the Department highlighting this oversight, but the letter was not received until 17 February 2020. The press asked for further information on 10 February 2020 but due to incorrect staff engaged, the wrong information was issued in the press release. The ICO raised concerns with the Department on 12 February 2020 and an internal investigation was opened. The document was also taken down at the request of the Department and ICO. Findings were sent to the ICO on 16 March 2020 and the Department is still awaiting their decision.
Further action on information risk	We are reviewing the guidance around FOI and redaction to ensure everyone understands what they need to do and the role of "What do they know".

Date of incident (month)	
January 2020	
Nature of incident	Unauthorised disclosure
Nature of data involved	Information was submitted alleging that a learning provider registered with the Learning Records Service (LRS) had been working with another company to use their access to the LRS for the purposes of ID verification for non-educational purposes, in clear breach of their agreement with the Department. The personal data comprised of the name, date of birth, gender and post code of 380,000 individuals registered with the LRS. Protected personal data was also affected – in terms of the number of users involved (380,000).
Number of people potentially affected	380,000
Notification steps	The ICO was notified of the incident by the ESFA between 21 January 2020 and 4 February 2020. The Department is still awaiting a decision from the ICO.
Further action on information risk	The LRS was temporarily withdrawn from all providers. Trustopia (Trust Systems Software Ltd) had their access to the system suspended. Additional monitoring of the LRS access and audit logs was initiated and queries created to highlight any unusual activity to ensure this situation does not happen again via any provider.

Note: Incidents, the disclosure of which would in itself create an unacceptable risk of harm, may be excluded in accordance with the exemptions contained in the *Freedom of Information Act 2000* or may be subject to the limitations of other UK information legislation.

Protected personal data related incidents reported in 2019-20 are summarised in the table below. Incidents which do not fall within the criteria for reporting to the Information Commissioner's Office, but are recorded centrally within the Department, are included. Smaller, localised incidents are not included.

Category	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured government premises	None
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured government premises	1
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	None
IV	Unauthorised disclosure	None
V	Other	None

The information contained in the table above only relates to personal data security for the Department and its Agencies. The Department's NDPBs report personal data related incidents in their own statutory ARAs.

Departmental correspondence

All government departments and executive agencies have published targets for answering correspondence. The Cabinet Office's minimum target is for departments to reply to 95% of all correspondence within 20 working days. The Department has set itself the more challenging target of replying to 95% of 'treat official' correspondence within 15 working days and ministerial correspondence within 18 working days. Freedom of information requests have a deadline of 20 working days as governed by the Information Commissioner's Office.

Treat official correspondence	**2019-20**	**2018-19**	
Internal 15-day deadline			
Number	21,765	23,037	
Deadline met	89%	92%	
20-day deadline			
Deadline met	95%	96%	
Ministerial correspondence	**2019-20**	**2018-19**	
Internal 18-day deadline			
Number	7,267	8,584	
Deadline met	91%	93%	
20-day deadline			
Deadline met	93%	95%	
Freedom of Information requests	**2019-20**	**2018-19**	**2017-18**
20-day deadline			
Number	3,133	2,825	2,501
Deadline met	88%	85%	87%

Communications, publicity and advertising

In 2019-20, the Department continued to deliver highly effective communications activity in support of ministerial priorities and the wider government communications plan. This included supporting the new government and its priorities from December 2019.

The work of the Department is crucial to the country's future success and communications continued to play an important role in both its accountability and as a lever for change by delivering against five strategic objectives:

1. change the behaviour of parents, teachers, young people, employers, and others to support the achievement of the Department's objectives
2. provide an effective service to parliament, the public, teachers and the education sector and meet our responsibilities as a department of state
3. build trust and confidence in the Department and its Agencies, manage and improve its reputation, and contribute to the active management of risk and issues
4. contribute to stronger democracy by explaining our policies to the public, our stakeholders and the media and actively tackling disinformation and misinformation
5. engage staff and keep them informed of our internal narrative and how we will deliver our vision

In doing so, we also rose to the challenges in the government's annual communications plan:

- raising our standards through an ambitious portfolio of improvement programmes
- strengthening our democracy through our activity to maintain the Union
- tackle disinformation and strengthen electoral integrity
- delivering for our communities through our major campaigns for the year

Every policy is important and all the Department's work is valuable. However, to make sure that our resources align with ministerial, government and Department priorities and to focus where communications can have the greatest impact, we categorised communications priorities into gold, silver and bronze. Our three gold communications priorities for 2019-20 were:

- the attractiveness of teaching: to increase the number of teachers joining or returning and improve retention in the profession
- academic standards: to raise awareness of improving outcomes and levelling up for children, whatever their background, and the numbers of good school places
- technical education: to support delivery of reforms to technical education, such as apprenticeships and T Levels

High-profile, insight-led campaigns have included:

- 'The Next Level', a new campaign to raise awareness, build credibility and generate demand for the new T Level qualification
- 'Hungry Little Minds', a new campaign to improve social mobility by nudging parents to do more proven early learning activities with their under-5s as part of drive to close the attainment gap between disadvantaged children and their peers in the earliest years of school

Most communications continue to be delivered in-house at no additional cost, or at low cost by supporting and co-ordinating partners' activity. These included:

- a campaign to encourage and support more teachers to stay in the profession
- tackling misinformation, disinformation, and explaining government policy around school funding; the reception baseline assessment; relationship, sex and health education
- preparing the public and our stakeholders for an orderly EU Exit

Where paid-for campaigns were essential (such as those listed above), we have worked with Cabinet Office colleagues to reduce costs and secure approval through the professional assurance process.

Communications Group had the following staff and spend on centrally commissioned activity (not including campaigns funded by business areas). This spend falls within budget.

	2019-20	2018-19	2017-18
Number of staff	80	79	64
Spend on activity (£000)	£580	£646	£790

Payments policy

Under the *Public Contract Regulations 2015*, the Department is legally required to pay correctly submitted invoices within 30 days of receipt from the day of physical or electronic arrival at the nominated address of the Department. In addition, it is practice for the Department to pay all correctly submitted invoices within five calendar days.

The Department & Agency prompt payment data can be found online.[47]

Complaints policy

The Department's complaint policy and guidance on how to make a complaint can be found online.[48]

Guidance[49] on how to complain about a maintained school, academy or free school and how the Department will consider your complaint is also published.

47 https://www.gov.uk/government/publications/prompt-payment-data-for-dfe

48 https://www.gov.uk/government/organisations/department-for-education/about/complaints-procedure

49 https://www.gov.uk/complain-about-school

Complaints to the Parliamentary Ombudsman

					2018-19	2017-18
	Department	ESFA	TRA	Other	Total	Total
Enquiries received	25	25	3	1	54	290
Complaints assessed	6	5	1	-	12	45
Complaints resolved through intervention	1	-	-	-	1	-
Complaints accepted for investigation	-	-	-	-	-	11
Investigations upheld or partly upheld	-	1	-	-	1	3
Investigations not upheld	-	-	-	-	-	10
Investigations resolved without a finding	-	-	-	-	-	-
Investigations discontinued	-	-	-	-	-	2
Number of recommendations	-	-	-	-	-	-
Number of recommendations complied with	-	-	-	-	-	-

The Parliamentary and Health Service Ombudsman (PHSO) considers complaints about a service provided by the NHS or a government department, agency or other organisation acting on their behalf providing that the body falls within its jurisdiction and that it has been referred to the Ombudsman by a MP. Cases which relate to local authorities and schools (where most of the services are delivered to the public) are normally outside the Ombudsman's jurisdiction.

The table above shows the complaints about the Group in 2018-19. This is the most up-to-date information at the time of reporting.

The Enquiries Received row is the number of enquiries received in 2018-19; the other columns are cases the PHSO closed at that stage in the year. The figures do not add up, as the investigations closed in the year were likely submitted to the Ombudsman prior to April 2018.

Investigations resolved without a finding are complaints where the Ombudsman starts an investigation but are able to resolve the complaint without having to formally complete the investigation.

Investigations discontinued are complaints where the Ombudsman ends the investigation for a variety of reasons, for example, because the complainant asked them to.

Effectiveness of whistleblowing arrangements

The Department has stringent whistleblowing processes and procedures in place. Out of the 14 cases raised last year, three are still being investigated. The 11 resolved cases were closed with no case to answer or no evidence of wrongdoing.

Since introducing the raising a concern portal we saw an increase of cases, we received six in the last quarter of the year.

We have introduced more stringent internal processes to ensure our nominated officers are fully aware of the part of the Civil Service Code that has been breached, before they start the process.

An independent, external and confidential whistleblowing helpline continues to operate.

The Department's whistleblowing policy is being reviewed and we are looking to make a more streamlined, effective transparent process so employees who 'blow the whistle' know they are protected from any potential repercussions and their concerns will be impartially and independently investigated.

Sponsorship agreements over £5,000

There were no sponsorship agreements in the year (2018-19: none).

Annex C – Data tables

The Core Tables represent expenditure for resource and capital, set for each year in the Spending Review process (amended to incorporate transfers of functions to other government departments as they have arisen). These tables are not reported on the same basis as the financial statements disclosures, with differing categories and headings based on the Department's Estimates allocation of activities and budgeting not financial reporting terms. The Core Tables are produced automatically from the HMT system (Online System for Central Accounting and Reporting (OSCAR)) which is used by all central government departments to record their spending and plans. At 31 March 2020, OSCAR reflects the position agreed at the 2019 Budget. This won't match the outturn in previous years' financial statements and some spending may also appear on different lines, this may frequently result in restatement of the previous years' Core Table figures.

Table 1: Total Departmental Group spending

Summary

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans
	£m	£m	£m	£m	£m	£m
Resource DEL	62,471	68,280	73,333	67,900	79,409	72,072
Resource AME	(8,197)	(1,841)	(1,589)	(1,029)	(1,739)	(3,960)
Total resource	**54,274**	**66,439**	**71,744**	**66,871**	**77,670**	**68,112**
Capital DEL	5,069	5,732	4,908	5,402	4,865	4,327
Capital AME	11,642	13,073	15,771	15,631	20,982	23,619
Total capital	**16,711**	**18,805**	**20,679**	**21,033**	**25,847**	**27,946**
	70,985	**85,244**	**92,423**	**87,904**	**103,517**	**96,058**
Less depreciation	3,551	(8,735)	(11,386)	(6,453)	1,608	(4,293)
Total Departmental spending	**74,536**	**76,509**	**81,037**	**81,451**	**105,125**	**91,765**
Of which:						
Total DEL	63,948	65,277	66,856	66,850	84,178	72,110
Total AME	10,588	11,232	14,181	14,601	20,947	19,655

Total Departmental Group spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource DEL budget and capital DEL budget less depreciation, and total AME is the sum of resource AME budget and capital AME budget less depreciation in AME.

Resource spending

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans
	£m	£m	£m	£m	£m	£m
Resource DEL						
Activities to Support all Functions	254	262	350	348	364	361
Early Years and Schools (Department)	-	-	-	-	1,364	1,471
School Infrastructure and Funding of Education (Department)	140	537	179	214	-	-
Education Standards, Curriculum and Qualifications (Department)	137	4,271	4,236	4,438	-	-
Early Years and Schools (ALB) (net)	-	-	-	-	1	3
School Infrastructure and Funding of Education (ALB) (net)	5	1	22	(17)	-	-
Social Care, Mobility and Disadvantage (Department)	316	328	192	321	347	411
Social Care, Mobility and Disadvantage (ALB) (net)	(1)	20	21	4	9	8
Standards and Testing Agency	50	50	53	61	57	51
Teaching Regulation Agency	-	-	-	6	6	8
National College for Teaching and Leadership	404	401	398	-	-	-
Education and Skills Funding Agency (ESFA)	-	-	3,271	3,404	2,068	2,667
Education Funding Agency	4,907	89	-	-	-	-
Skills Funding Agency	2,448	3,250	-	-	-	-
Grants to Local Authority Schools via ESFA	31,134	30,353	30,027	29,642	29,560	31,427
Grants to Academies via ESFA	15,406	16,739	18,661	20,705	22,904	24,157
Higher Education	5,418	10,104	13,934	7,132	16,327	4,740
Further Education	124	179	242	107	4,801	5,214
Higher Education (ALB) (net)	1,711	1,680	1,739	1,522	1,582	1,531
Further Education (ALB) (net)	18	16	8	13	19	23
Total resource DEL	**62,471**	**68,280**	**73,333**	**67,900**	**79,409**	**72,072**

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans
	£m	£m	£m	£m	£m	£m
Of which:						
Staff costs	419	390	362	490	563	552
Purchase of goods and services	575	666	593	641	697	957
Income from sale of goods and services	(5)	(77)	(162)	(138)	(210)	(139)
Current grants to local government (net)	32,375	30,579	30,456	30,098	30,411	31,690
Current grants to persons and non-profit bodies (net)	9,849	10,694	11,982	9,582	32,022	10,277
Current grants abroad (net)	(204)	(31)	(202)	(197)	(134)	(140)
Subsidies to private sector companies	12	-	-	-	13	7
Subsidies to public corporations	-	6	-	2	-	-
Rentals	16	172	22	21	15	17
Depreciation	3,592	8,735	11,385	6,452	96	4,289
Take up of provisions	-	-	-	84	97	33
Other resource	15,842	17,146	18,897	20,865	15,839	24,529
Resource AME						
Activities to Support all Functions (Department)	-	21	(10)	(8)	11	-
Activities to Support all Functions (ALB)	-	-	-	-	5	(5)
Executive Agencies	(3)	1	(5)	6	(13)	-
Higher Education	(8,140)	(1,882)	(1,621)	(1,031)	(1,725)	(3,986)
Further Education	(26)	12	(13)	(12)	(6)	-
Higher Education (ALB) (net)	(30)	(33)	(14)	2	(54)	1
Further Education (ALB) (net)	2	40	74	14	43	30
Total resource AME	**(8,197)**	**(1,841)**	**(1,589)**	**(1,029)**	**(1,739)**	**(3,960)**

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans
	£m	£m	£m	£m	£m	£m
Of which:						
Staff costs	75	-	64	58	43	123
Purchase of goods and services	198	104	74	87	112	-
Income from sales of goods and services	(119)	-	(110)	(244)	(268)	(108)
Current grants to persons and non-profit bodies (net)	-	-	284	144	148	213
Subsidies to private sector companies	157	-	-	-	4	-
Rentals	1	-	2	2	2	-
Depreciation	(7,143)	-	1	1	(1,704)	4
Take up of provisions	79	39	25	35	50	64
Release of provisions	(76)	(58)	(44)	(64)	(95)	(75)
Change in pension scheme liabilities	-	-	(15)	-	(42)	-
Unwinding of the discount rate on pension scheme liabilities	6	-	-	8	10	(4)
Other resource	(1,375)	(1,926)	(1,870)	(1,056)	1	(4,177)
Total resource budget	**54,274**	**66,439**	**71,744**	**66,871**	**77,670**	**68,112**
Of which:						
Depreciation	(3,551)	8,735	11,386	6,453	(1,608)	4,293

Capital spending

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans
	£m	£m	£m	£m	£m	£m
Capital DEL						
Activities to Support all Functions	4	30	42	86	72	39
Early Years and Schools (Department)	-	-	-	-	1,835	1,601
School Infrastructure and Funding of Education (Department)	-	-	2	1,494	-	-
Education Standards, Curriculum and Qualifications (Department)	-	-	-	6	-	-
Early Years and Schools (ALB) (net)	-	-	-	(4)	(32)	(20)
School Infrastructure and Funding of Education (ALB) (net)	164	356	68	-	-	-
Social Care, Mobility and Disadvantage (Department)	-	(13)	-	7	17	4
Social Care, Mobility and Disadvantage (ALB) (net)	1	1	1	2	3	3
Standards and Testing Agency	-	-	2	2	3	2
Education and Skills Funding Agency (ESFA)	-	-	1,478	190	37	26
Education Funding Agency	850	1,999	-	-	-	-
Skills Funding Agency	57	51	-	-	-	-
Grants to Local Authority Schools via ESFA	3,080	2,468	2,320	2,301	1,846	1,298
Grants to Academies via ESFA	560	612	763	1,023	819	955
Higher Education	-	12	18	120	16	5
Further Education	35	23	-	8	101	222
Higher Education (ALB) (net)	318	193	214	167	147	191
Further Education (ALB) (net)	-	-	-	-	1	1
Total capital DEL	**5,069**	**5,732**	**4,908**	**5,402**	**4,865**	**4,327**

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans
	£m	£m	£m	£m	£m	£m
Of which:						
Staff costs	-	-	-	-	-	5
Purchase of goods and services	4	-	1	12	12	10
Capital support for local government (net)	1,936	2,471	2,345	3,421	2,055	1,731
Capital grants to persons & non-profit bodies (net)	332	-	385	1,577	2,714	302
Capital grants to private sector companies (net)	214	2,725	2,060	105	214	407
Purchase of assets	49	563	116	472	(54)	142
Income from sales of assets	-	-	(1)	-	-	-
Net lending to the private sector and abroad	-	-	-	27	(23)	(26)
Other capital	2,534	(27)	2	(212)	(53)	1,756
Capital AME						
Higher Education AME	11,472	12,845	15,565	15,417	20,752	23,395
Further Education AME	171	229	205	212	212	223
Higher Education (ALB) (net)	(3)	(3)	-	-	-	-
Further Education (ALB) (net)	2	2	1	2	18	1
Total capital AME	**11,642**	**13,073**	**15,771**	**15,631**	**20,982**	**23,619**
Of which:						
Purchase of assets	2	2	-	-	-	1
Net lending to the private sector and abroad	11,643	13,074	15,771	15,629	20,985	23,618
Other capital	(3)	(3)	-	2	(3)	-
Total capital budget	**16,711**	**18,805**	**20,679**	**21,033**	**25,847**	**27,946**

Depreciation in the table above also includes amortisation, impairment and revaluation. Pension schemes report under IAS 19, the pension figures include cash payments and contributions received, as well as certain non-cash items.

The ESFA became operational on 1 April 2017 following the merger of the Education Funding Agency and the Skills Funding Agency. The ESFA budget is the aggregate of the two former bodies. Following a 2019-20 structural change within the Department, the former Schools Infrastructure and Funding and the former Education Standards, Qualifications and Curriculum have been replaced by a new Estimates line Early Years and Schools. As a result, outturn prior to either change has been presented against the original Estimate lines with post-change outturn and plans balances presented under the revised name.

Total Departmental staff costs within the table above differs from those published elsewhere in this ARA, because staff costs above include early departure costs and lump sum payments that have been presented elsewhere in the Accountability Report.

Total Departmental revenue and capital costs within the table above differs from those published elsewhere in this ARA due to differences in compilation methodology between these core tables and this ARA.

Total Departmental provisions within the table differ from those published elsewhere in this ARA, because the balances in the table above include costs arising from an NDPB pension scheme, which have been presented differently elsewhere in this ARA.

Table 2: Administration costs

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans
	£m	£m	£m	£m	£m	£m
Resource DEL						
Activities to Support all Functions	226	253	320	329	336	321
Early Years and Schools (ALB) (net)	-	-	-	-	2	2
School Infrastructure and Funding of Education (ALB) (net)	(1)	2	2	(1)	-	-
Social Care, Mobility and Disadvantage (ALB) (net)	17	15	16	2	2	2
Standards and Testing Agency	3	4	4	3	3	3
Teaching Regulation Agency	-	-	-	-	-	1
National College for Teaching and Leadership	13	12	15	-	-	-
Education and Skills Funding Agency (ESFA)	-	-	98	77	81	85
Education Funding Agency (EFA)	63	76	-	-	-	-
Skills Funding Agency (SFA)	88	63	-	-	-	-
Higher Education (ALB) (net)	72	69	68	74	56	54
Further Education (ALB) (net)	5	15	5	7	10	11
Total administration budget	**486**	**509**	**528**	**491**	**490**	**479**
Of which:						
Staff costs	314	317	362	337	368	308
Purchase of goods and services	145	273	157	141	140	151
Income from sales of goods and services	(5)	(20)	(21)	(51)	(61)	(60)
Rentals	14	3	20	19	13	15
Depreciation	30	32	35	25	34	46
Other resource	(12)	(96)	(25)	20	(4)	19

Annex D – Glossary of key terms

Abbreviation or term	Description
Academies	All schools operated by academy trusts encompassing academies, free schools, university technical colleges and studio schools
Agency	Executive agency
ALB	Arm's length body
AME	Annually Managed Expenditure
ARA	Annual report and accounts
ATs	Academy trusts: the charitable companies that operate all types of academy schools
BAME	Black, Asian and minority ethnic
CITB	Construction Industry Training Board
DEL/CDEL/RDEL	Departmental Expenditure Limit (capital/resource)
Department	The core Department for Education, excluding executive agencies, non-departmental public bodies and academy trusts
Department & Agencies	The core Department plus its executive agencies but excluding non-departmental public bodies
Departmental Group, the Group	The Departmental Group (the Group) encompassing the core Department, executive agencies, and non-departmental public bodies
ECITB	Engineering Construction Industry Training Board
ESFA	Education and Skills Funding Agency
Estimate	Group funding, as approved by HM Treasury and subject to specific limits by category of spending
EYSG	Early Years and Schools Group, an operational group of the Department
FE	Further education
FITB	Film Industry Training Board
FReM	Financial Reporting Manual, issued by HM Treasury
GAD	Government Actuary's Department
GGC	Greening Government Commitments
GHG	Greenhouse gas
GIAA	Government Internal Audit Agency
HEFE	Higher Education and Further Education Group, an operational group of the Department
HE	Higher education
HEI	Higher education institution
HMT	HM Treasury
IFATE	Institute for Apprenticeships and Technical Education
LIBOR	London Interbank Offered Rate
NAO	National Audit Office
NDPB	Non-departmental public body

Abbreviation or term	Description
OCC	Office of the Children's Commissioner
OfS	Office for Students
ONS	Office for National Statistics
Operations Group	Operations Group, an operational group of the Department
PAC	Public Accounts Committee
PSBP	Priority School Building Programme, a programme to address the needs of the schools most in need of urgent repair
RPA	Risk Protection Arrangement
RPI	Retail Price Index
SARA	Sector annual report and accounts, the standalone annual report and accounts for the academy sector
SCMD	Social Care, Mobility and Disadvantage Group, an operational group of the Department
SCS	Senior Civil Servant
SEND	Special Educational Needs and Disability
SoCTE	Statement of Changes in Taxpayers' Equity
SoCF	Statement of Cash Flows
SoCNE	Statement of Comprehensive Net Expenditure
SoFP	Statement of Financial Position
SoPS	Statement of Parliamentary Supply
SLC	Student Loans Company Limited
STA	Standards and Testing Agency
STEM	Science, Technology, Engineering and Mathematics
TRA	Teaching Regulation Agency
2018-19 & 2019-20	Financial years, ending on 31 March
2017/18 & 2018/19	Academic years, ending on 31 August

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