Department for Education

Department for Education

Consolidated annual report and accounts

For the year ended 31 March 2022

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Annual Report presented to the House of Commons by Command of His Majesty

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This is part of a series of departmental publications which, along with the Main Estimates 2021-22 and the document *Public Expenditure: Statistical Analyses 2021*, present the government's outturn for 2021-22 and planned expenditure for 2022-23.

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Overview

This section sets out the Department for Education's (Department's) responsibilities, priority outcomes, key risks, the sectors we serve and how we performed during the year.

Our organisation

The Department is a ministerial department supported by a number of executive agencies, non-department public bodies and non-ministerial departments.

We are responsible for children's services and education, including early years, schools, higher and further education policy, apprenticeships and wider skills in England.

We help to create a country where there is social mobility and equality of opportunity by providing excellent education, training and care, and to help everyone realise their potential, regardless of background.

We work closely with:

- national and local agencies who look after children
- local authorities (LAs)
- professionals who work in schools and further and higher education institutions, children's services and health services

Our vision

At our heart, we are the department for realising potential. We enable children and learners to thrive, protecting the vulnerable and ensuring the delivery of excellent standards of education, training and care. This helps realise everyone's potential – and that powers our economy, strengthens society, and increases fairness.

Our departmental plan sets out what we will do to drive economic recovery, improve educational standards across our country, give children the best start in life and level up opportunity for all.

Our priority outcomes

At Spending Review 2021 (SR21) we published our Priority Outcomes (POs), the underlying plans to deliver the outcomes and associated metrics which underpinned our strategic objectives in our 2021-22 Outcome Delivery Plan (ODP).[1] For 2021-22 our performance reporting is framed against these.

1 https://www.gov.uk/government/publications/department-for-education-outcome-delivery-plan/dfe-outcome-delivery-plan-2021-to-2022

Priority Outcome 1:

Drive economic growth through improving the skills pipeline, levelling up productivity and supporting people to work

Director general sponsors: Paul Kett and Eileen Milner/John Edwards

Outcome strategies

- PO1-OS1 – Expand and raise the profile of technical and higher technical education
- PO1-OS2 – Boost skills of those at risk of unemployment due to the pandemic and drive growth in apprenticeship careers
- PO1-OS3 – Encourage world-class high-quality provision and streamlining funding and accountability
- PO1-OS4 – Increase the opportunities adults and young people have to access further education and higher education
- PO1-OS5 – Ensure higher education and technical education support the UK's economic need and improve outcomes for the individual

Performance indicators

- total number of starts, and total number and rate of achievements on apprenticeships (standards and frameworks)
- number of 19+ and 25+ further education and skills learners in the 20% most disadvantaged areas
- percentage of recent higher education graduates in high-skilled employment

Key achievements

We began working towards our new skills mission that by 2030 the number of people successfully completing high-quality skills training will have significantly increased in every area of the UK.

To achieve this, we:

- strengthened partnerships between employers and post-16 providers to help shape future technical skills provision
- committed to consulting on reforms to the funding and accountability system for adults skills funding to make it simpler and fairer

- launched the Teach in Further Education campaign to support providers to recruit the teaching staff they need
- committed to a lifetime skills guarantee which supports people to train, retrain and upskill throughout their lives
- began development of a Lifelong Loan Entitlement, allowing individuals to access funds for study throughout their lives
- delivered the Turing Scheme which has created opportunity for UK educational organisations to offer life-changing experiences across the globe

More performance analysis from page 57.

Priority Outcome 2:

Level up education standards so that children and young people in every part of the country are prepared with the knowledge, skills and qualifications they need

Director general sponsor: Andrew McCully

Outcome strategies

- PO2-OS1 – Support children and young people to catch up on lost learning due to COVID-19 disruption
- PO2-OS2 – Raise the quality of teaching and leadership in all areas of the country
- PO2-OS3 – Support schools to deliver brilliant lessons for every child and provide support on discipline and behaviour
- PO2-OS4 – Raise school standards right across the country and support every school to join a strong family of schools, especially in areas where standards are weak
- PO2-OS5 – Help schools drive the best value from school funding

Performance indicators

- percentage of schools, further education and skills providers rated good or outstanding by Ofsted
- postgraduate initial teacher training (PGITT) applications compared to previous year
- PGITT starts by secondary and primary subjects compared to the target set using the teacher supply model (TSM)
- percentage of young people attaining Level 3[2] by age 19
- disadvantage gap index (key stage 4) – national
- percentage of young people achieving GCSEs in English and mathematics by age 19
- percentage of pupils entered for all the EBacc suite of qualifications (national – all and for disadvantaged pupils)

2 https://www.gov.uk/what-different-qualification-levels-mean/list-of-qualification-levels

Key achievements

We continued to support children and young people to catch up on lost learning due to COVID-19 by delivering:

- tuition through the National Tutoring Programme (NTP)
- improved digital capability for high quality remote learning through the delivery of laptops and 4G wireless routers
- £152 million in recovery premium for schools to support the most disadvantaged pupils

In order to raise the quality of teaching, we launched our new, more user-friendly digital service, Apply for Teacher Training, and offered bursaries and scholarships to talented trainees in key subjects. We also rolled out the biggest teaching reform in a generation, the Early Career Teachers reforms, which provides a high-quality evidence-based two year induction programme for new teachers. Additionally, an average 3.1% pay award made a substantial difference to the competitiveness of the early career pay offer.

Through our Curriculum Hub programmes which focus on music, computing, languages, English and mathematics, we continued to champion important strands of the curriculum and support schools to deliver brilliant lessons for every child.

The white paper, *Opportunity for all: Strong schools with great teachers for your child* (Schools White Paper), was published in March 2022. This set out the Department's long-term vision for a school system that helps every child to fulfil their potential by ensuring that they receive the right support, in the right place, at the right time.

More performance analysis from page 65.

Priority Outcome 3:

Support the most disadvantages and vulnerable children and young people through high-quality local services so that no one is left behind

Director general sponsor: Indra Morris

Outcome strategies

- PO3-OS1 – Ensuring safe and loving homes
- PO3-OS2 – Promoting engagement and participation in education and training
- PO3-OS3 – Driving improvements in efficiency and effectiveness of local public services for children and young people

Performance indicators

- absence, persistent absence and absence for Free School Meals (FSM) and Education Health and Care Plans (EHCP) pupils
- absence for 'children in need'
- percentage of alternative provision schools rated good or outstanding by Ofsted
- percentage of LAs with a written statement of actions (or equivalent) for special educational needs and disabilities (SEND) services issued by Ofsted
- percentage of LA SEND services with a written statement of actions (or equivalent) that are revisited and had made significant progress (or equivalent judgement)
- percentage of LAs rated inadequate for children's care services

Key achievements

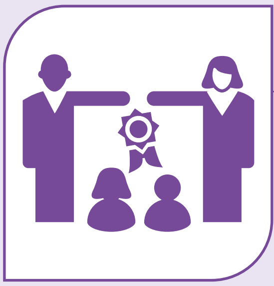
We are committed to ensuring that vulnerable and disadvantaged children get the support they need and that we continue to increase system capacity and capability.

We published the *Special Education Needs and Disabilities and Alternative Provision Green Paper* (SEND and AP Green Paper) which sets out ambitious proposals to ensure that every child and young person with SEND can access the right support, in the right place, at the right time including from health and care. We are considering our response to the Independent Review of Children's Social Care, which called for a reset of the children's social care (CSC) system so that it acts decisively in response to abuse; provides more help to families in crisis; and ensures those in care have lifelong loving relationships and homes.

Other key achievements during the year were:

- the launch of a new adoption strategy to ensure families get better support to adopt children
- action taken to improve placement quality and stability through banning the use of unregulated accommodation for children under 16
- continuing to deliver the Holiday Activities and Food programme, allowing 735,000 children to attend a summer holiday club in person

More performance analysis from page 81.



Priority Outcome 4:

Provide the best start in life through high-quality early education and childcare to raise standards and help parents to work

Director general sponsor: Andrew McCully

Outcome strategies

- PO4-OS1 – Maintaining sufficient local supply in the childcare market and maximising take up of the early education entitlements so that all young children can access high-quality early years provision.
- PO4-OS2 – Set up every child for success by increasing the proportion of children who achieve expected levels in communication and language, literacy and mathematics at age 5 and by ensuring high-quality, safe education and childcare throughout the COVID-19 pandemic and beyond for all children.

Performance indicators

- percentage of eligible children taking up the early education entitlements (15 hours for disadvantaged 2-year-olds, universal entitlement for 3 and 4-year-olds)
- percentage of registered early years settings rated good or outstanding by Ofsted

Key achievements

We sought to deliver high-quality early years provision that raises outcomes for young children, maximising take up of the early education entitlements and minimising any barriers to access support for the most disadvantaged children, setting up every child for future life success.

We introduced the Early Years Foundation Stage reforms which will help ensure all children in early years settings benefit from a holistic and inclusive curriculum, with a strong focus on early language and communication skills. Alongside this, early years education recovery programmes are helping to develop a skilled workforce, ensuring children in settings receive high quality education and care.

More performance analysis from page 86.

Our performance

£46.7bn
Core funding for schools and high needs (2020-21: £43.2bn)

Over 3.95m scripts
Marked key stage 2 test scripts (2020-21: tests cancelled due to COVID-19)

37,077
Number of individuals awarded Qualified Teacher Status (2020-21: 32,074)

£20.0bn paid to around 1.8m students
In English student loans to students on higher education courses in 2021-22 (2020-21: £19.0bn to 1.4m students)

Over 600,000 RBAs
Administered RBA to 16,430 schools and 609,948 pupils (2020-21: 88,947 assessments, reduced due to COVID-19)

97% social worker renewals
97% of social workers renewed their registration (2020-21: 95%)

which included over £10.7bn
Paid as tuition fees to providers in higher education (2020-21: £10.1bn)

108
Prohibited 108 teachers and imposed interim prohibition orders on 77 teachers (2020-21: 39 & 110)

647
647 available apprenticeships (2021: 600)

102 providers covering 16 T Levels
(2020: 44 providers and 3 T Levels)

30 HTQs
30 approved higher technical qualifications (2021: none)

£6.0bn
Core funding for 16 to 19 (2020-21: £5.6bn)

The sectors we served this year

Children's Services, Communication and Strategy Group

51,000
Children subject to a protection plan (31 March 2020: 52,000)

388,000
Children in need (31 March 2020: 389,000)

1.5m
Pupils with special educational needs (SEN) (Jan-20: 1.3m)

1.3m
2 to 4-year-olds funded in early education (Jan-20: 1.4m)

81,000
Looked-after children (31 March 2020: 80,000)

Early Years and Schools Group

4.66m in **16,786** schools
Pupils in state-funded primary schools in Jan-22 (Jan-21: 4.66m 16,791 schools)

3.57m in **3,473** schools
Pupils in state-funded secondary schools in Jan-22 (Jan-21: 3.49m in 3,458 schools)

466,000
Number of full-time equivalent (FTE) teachers in state-funded schools (Nov-20: 461,000)

38,036 in **385** nurseries
Pupils in state-funded nurseries in Jan-22 (Jan-21: 37,865 in 388 schools)

over 9,800
open academies

which includes over
680
open free schools
(Mar-21: over 9,400 open academies which includes over 600 open free schools)

Higher Education and Further Education Group

1.51m
Funded 19+ further education and skills participants Q2 2021/22 (2020/21: 1.45m)

30.7% higher level
Apprenticeship starts in 2020/21 were higher apprenticeships (level 4+) (2019/20: 25.6%)

836,000
Adult education budget funded particiation Q2 2021/22 (2020/21: 776,000)

Timeline of major announcements

Apr 21
- £1.5bn fund announced to transform FE facilities
- New funding to improve facilities for children and young people with SEND

May 21
- £50m funding to support care leavers
- Skills for Jobs White Paper published

Jun 21
- £1.4bn funding to support education recovery

Jul 21

Aug 21
- £50m funding to deliver facilities for T Level students
- Over 300,000 CO_2 monitors sent to providers
- Successful bids announced for Turing Scheme

Sep 21
- Major investment in school premises begins
- National Tutoring Programme expanded to support six million pupils over the next three years

Oct 21

Nov 21
- Period poverty scheme extended

Dec 21
- New investment in skills and technical training
- Catch up learning accelerates with £10m for mathematics and literacy
- School funding boosted by £4bn to level up education
- Air Cleaning Unit marketplace for providers

Jan 22
- Bradford's children's services placed into trust

Feb 22
- HE reforms – student loans and Lifelong Learning Entitlement
- Levelling Up White Paper issued by DLUHC

Mar 22
- SEND and AP Green Paper published
- Schools White Paper issued to level up education

Apr 22
- Skills Bill receives Royal Assent

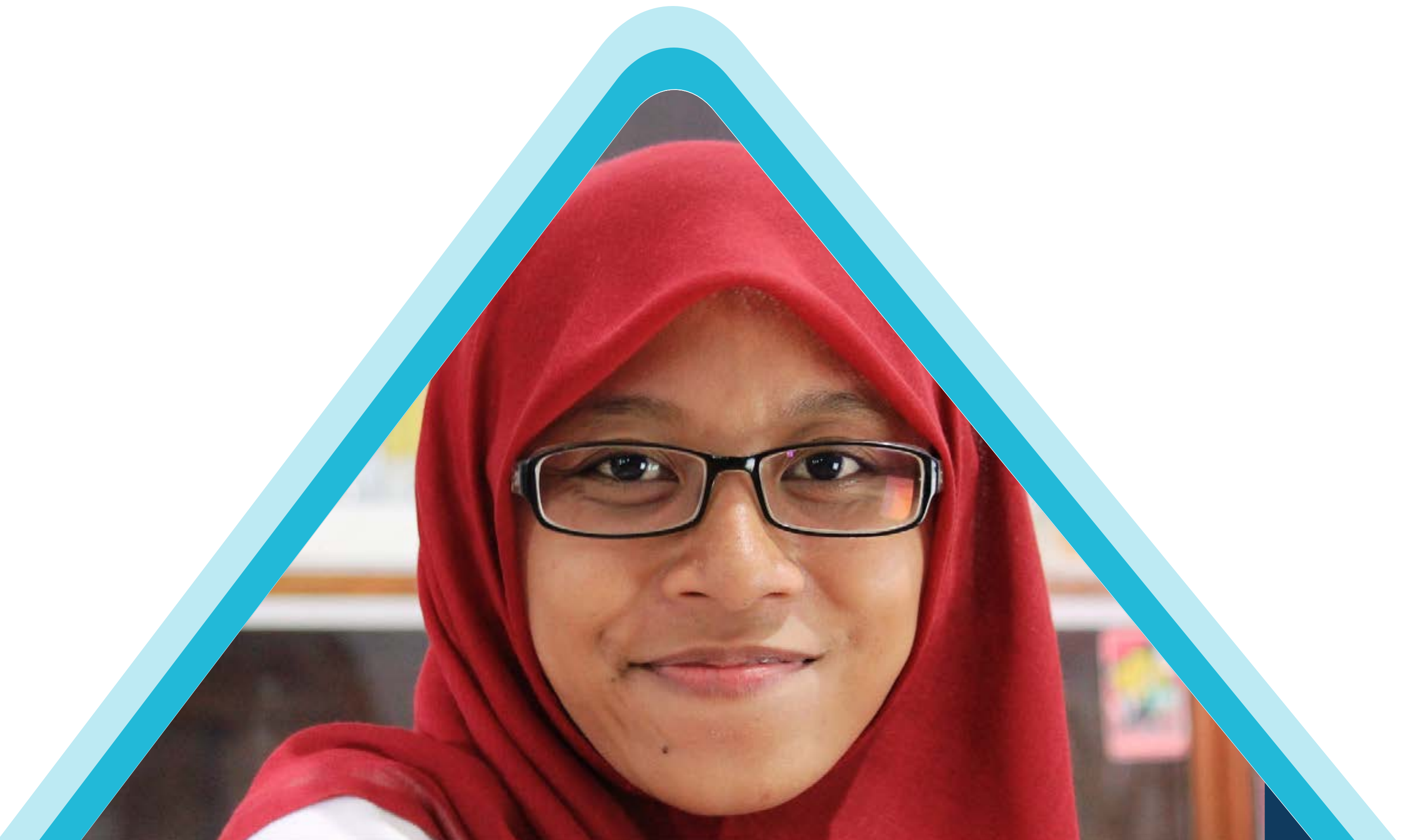
Where we spent taxpayers' money

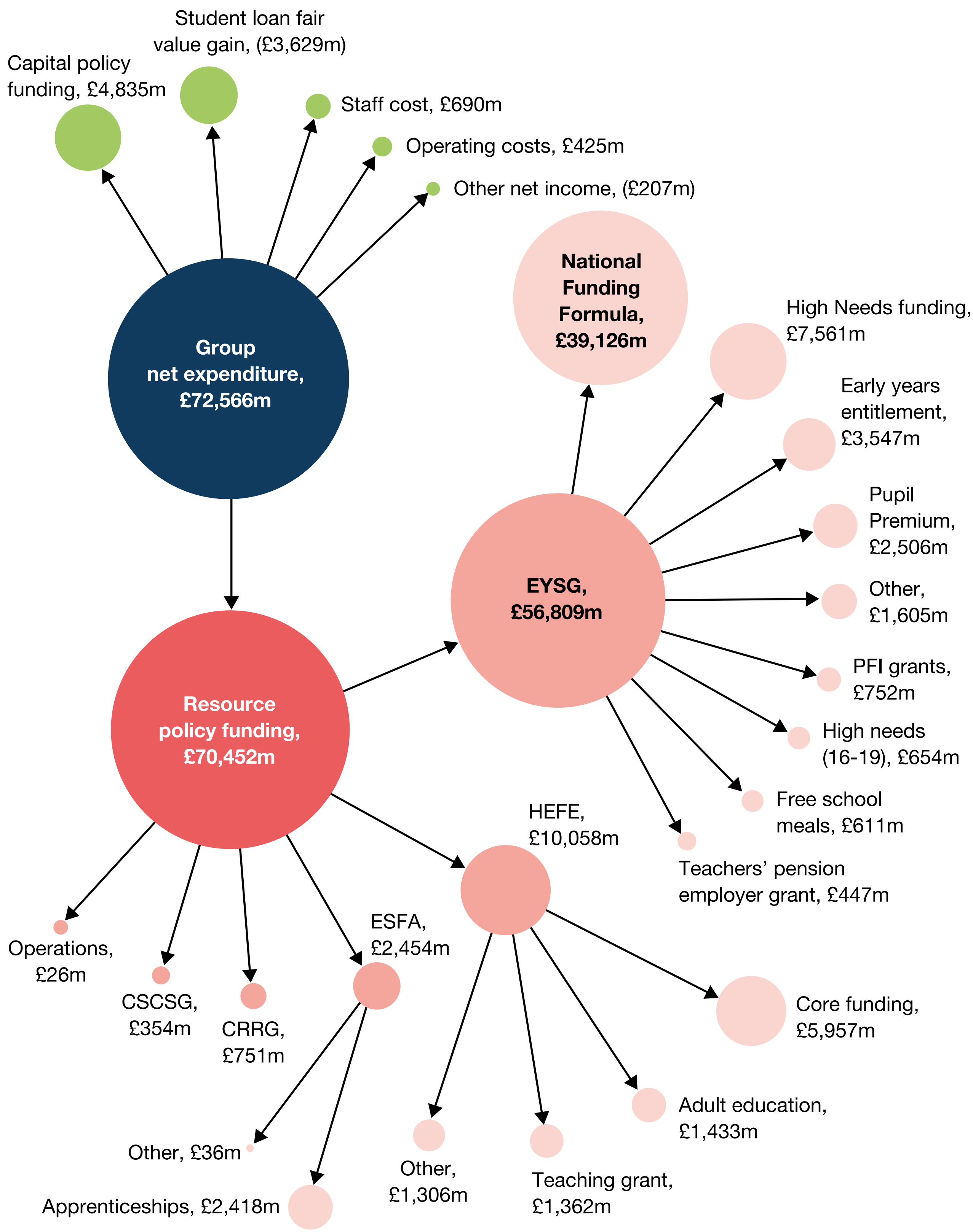
The figure on the following page shows the Group's net expenditure for the year analysed across the main expense types as presented in the Statement of Comprehensive Net Expenditure (SoCNE). The second figure presents an analysis of the main area of non-SoCNE spending which is further and higher education student loans. The totals reported in the graphics below may differ from those reported through the Group's budgetary framework (outturn) which is termed total managed expenditure (TME). Whilst accounting and budgeting treatments are broadly aligned; some transactions have unequal treatments under the different frameworks. Throughout this annual report and accounts (ARA) we have applied the following terms consistently:

- budget cover – to refer to the value of spending authorised by parliament through the Estimates process, also called voted totals
- budget scoring – a common term meaning which budget class spending is allocated to, so that 'this spending is scored to RDEL' means the spending will be recorded as RDEL outturn
- outturn – spending reported under the budgetary framework
- actuals – spending reported under the accounting framework

For the purposes of brevity and consistency, budget cover is termed Estimates throughout this ARA. More information about budget types is provided on page 33.

The Financial Review of the Year (pages 32 to 49) provides more detail on spending, variances between budget cover claimed at Estimates and outturn, and a reconciliation between outturn and actuals. Further details of the net expenditure (actuals) can be found in the Financial Statements from page 217.

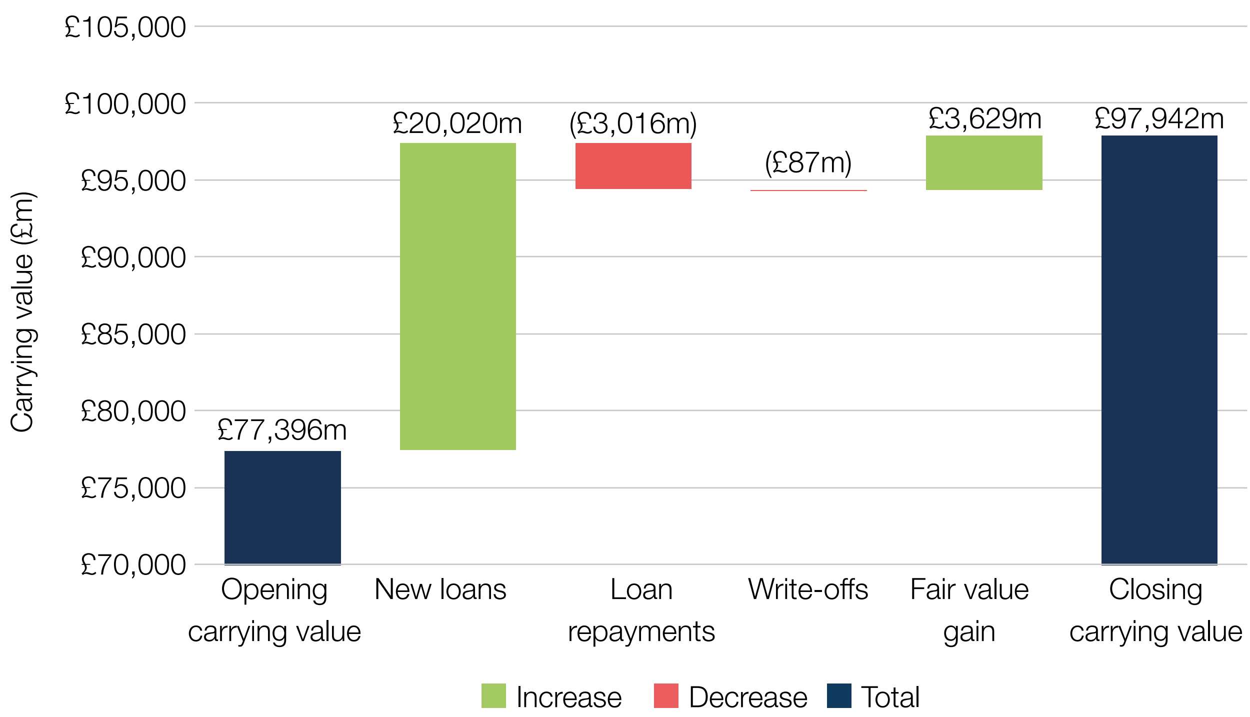




The balances reported above for the ESFA business group differ from those reported through ESFA's ARA. Policy funding payments are mapped to other Group segments for the purposes of internal Group reporting but are recognised by ESFA in their own ARA.

In addition to the expenditure described above, the Group also incurs outlay that generates assets away from SoCNE but does generate budget outturn. The largest such activity is student loans, with new loan advances and loan repayments, which are posted to the Statement of Financial Position (SoFP). As well as these cash movements there are also non-cash movements, the largest of which is the annual movement in fair value. The fair value adjustment reflects the movement in the estimated fair value of student loans resulting from the revaluation of the loans at the financial year end.

Total student loans carrying value movements



During the year we recognised a fair value gain for student loans which contrasts with prior years where fair value losses have been recorded. The movement from last year's loss to this year's gain, £12.0 billion (note 8), is the main driver of the overall movement of comprehensive net expenditure across the last two years from £82.1 billion in 2020-21 to £72.6 billion this year.

Overall, the majority of the fair value movement has been generated from two separate issues:

- a change in the discount rate applied to expected future cash flows, which produced a gain of £19.8 billion
- changes in the valuation models, which caused caused a loss of £12.5 billion

The change in discount rate was mandated by HMT through their year end guidance to departments. The discount rate is not the interest rate charged to borrowers; it is the rate applied to the expected future cash flows to discount the values back to the present to generate the fair value.

In the year, two new models have been implemented, the long-term earnings model and a new repayments model. The long-term earnings model addresses forecasts of earnings 11+ years post-statutory repayment due date and reflects improved data held by the Department on earnings. The new earnings model has also meant moving to a new model platform and methodology, which supports identification of the cost of particular degree and student types and much more effective quality assurance processes.

Note 12 and annex C describe student loans and their annual movements in more detail.

Summary of key risks

Below are the six key risks managed by the Department.

A loss in public confidence in the fairness of exams, creating calls for government to: cancel exams, broaden the scope of existing adaptations, or implement a differential approach to grading

Children and young people do not recover from the impact of COVID-19, leading to widened attainment gaps between pupils (linked to socio-economic disadvantage, SEND and place).

There is a risk of collapse of one or more blocks in some schools which are at or approaching the end of their designed life-expectancy and structural integrity is impaired. The risk predominantly exists in those buildings built in the years 1945 to 1970 which used ‘system build’ light frame techniques.

The attainment gap between Vulnerable Children and Young People (VCYP) and their peers continues to grow and the education recovery package is insufficiently targeted to meet the needs of VCYP particularly those in special/alternative provision settings.

Attendance at education settings is lower than business as usual rates and this attendance ‘gap’ cannot be explained by directly permissible COVID-19 related absences.

Notwithstanding the additional funding allocated in 2020-21, 2021-22 and 2022-23, in the medium term (2-5 years) high needs costs continue to increase significantly more than available funding. This results in the SEND and AP system becoming unsustainable and threatening the overall financial stability of LAs.

The loss of access to critical departmental systems and services, as well as a loss of critical departmental data.

Of the six principal risks listed above – school buildings safety and cyber security have been escalated to the Civil Service Board as cross-governmental risks.

The likelihood of the school buildings safety risk increased in October 2021 due to the increased numbers of serious structural issues identified. The impact and likelihood are unlikely to reduce in 2022, as there was no agreement to increase condition funding or the scale of the rebuilding programme at SR21. Although high needs cost pressure likelihood increased in July 2021, it did improve in March 2022 as a result of a positive SR21 outcome. The impact of a cyber attack has decreased due to progress made in maturing the cyber operation capabilities, although the risk is expected to remain high in the next financial year.

There is an emerging risk relating to the potential impacts of the cost of living in education and care. This is likely to be reported as a principal risk in the next financial year. In addition, Russia's invasion of Ukraine is likely to have an impact on a number of principal risks.
The number of risks relating to the impact of COVID-19 are expected to reduce as we move into a more normal position.

More detail on the risks described above can be found from page 103.

Forewords

Secretary of State's overview

Education today is night and day compared to when I was at school. Today 87% of our schools are good or outstanding, which is reflected in the most recent international studies for primary reading and mathematics where we have achieved our highest ever scores.

Education is at the forefront of the Government's levelling-up agenda and we have been working hard to ensure people can access high-quality educational opportunities anywhere, at any time in their lives.

We have expanded the choices available, with high-quality technical and vocational options right through the system including T Levels, apprenticeships, Institutes of Technology, and higher technical qualifications. All while breaking down barriers for people to go to university if that is their ambition, with the proportion of 18-year-olds from disadvantaged backgrounds going to university up by over 80% since 2010.

There is no doubt that there continue to be massive challenges facing the sector, across the developed world. We are still recovering from the impacts of shutting down the economy for two years. All our young people are continuing to catch up after the disruption caused by the COVID-19 pandemic and some need extra help which is why we are continuing to expand our tutoring programme. Meanwhile Russia's illegal war in Ukraine is driving up global inflation and causing a serious impact throughout our communities.

The Government has put economic stability at the heart of its agenda. This is vital for families and for businesses making long-term investment decisions.

It's also vital for schools and colleges, whose leaders have to plan how to deliver our world-class education for every learner of whatever age or whatever stage.

The Schools White Paper, published in March, set out a vision for a stronger and fairer school system that works for every child. Our mission is to make sure every child gets a fantastic education that makes the most of their abilities but particularly in those cases where young people have SEND or who may need extra help and support. Protecting the most vulnerable and safeguarding children has always been and will continue to be a key priority.

The *Skills and Post-16 Education Act* became law in April 2022. It will help transform the skills and training landscape and level up opportunities across the country. It will also support our efforts to close the skills gap, and ensure we have the pipeline of talent to meet the needs of future industries, such as the growing green economy, health and social care and the digital technologies that are changing the way we all live and work.

We continue to work hard to improve the lives of England's most vulnerable children and have published a SEND and Alternative Provision Green Paper. The Department has also committed to publishing a full implementation strategy following the independent care review early next year.

These important milestones will put in place a fairer and more sustainable framework for making sure every child and every learner has a chance to make the most of their abilities.

I would like to acknowledge the contribution of several non-executive directors who stood down this year. I wish Baroness McGregor-Smith, Dame Irene Lucas-Hays, Nick Timothy and Ian Ferguson the very best for the future.

I am also greatly indebted to my ministerial colleagues who are leading their briefs with such distinction and dedication. A big thank you too, to the Permanent Secretary, Susan Acland-Hood, for the vital contribution she makes to our Department, as well as those Education Secretaries who came before me and whose mission I take forward with real pride.

Nothing matters more to me than seeing excellence become an expectation in all our education settings and this goal is at the core of our vision. All of us at the Department are united by a common desire to put children and learners first – whether it's education, safety, wellbeing or mental health. Because education really is a life-changer. It can unleash potential and set people on a path to a fulfilling and rewarding life and the reforms we are making will give everyone the chance to take that path.

Rt Hon Gillian Keegan MP
Secretary of State for Education
6 December 2022

Permanent Secretary's overview

2021-22 continued to see high levels of uncertainty, alongside new pressures. Responding to and making progress in recovering from the COVID-19 pandemic has been a key theme throughout, with new challenges from conflict in Ukraine and rising inflation in the latter part of the year.

Despite these headwinds, the education system has made real progress in recovering from the pandemic and in laying the groundwork for further reform across skills, schools and families. We have set out ambitious plans for continued reform in the Schools White Paper and SEND and AP Green Paper, and we have more recently published the Independent Review of Children's Social Care. At the same time, the Group has continued to deliver on a wide range of core activity to support, fund and intervene effectively across the sector.

COVID-19 – response and recovery

COVID-19 was an unprecedented challenge for the education system and the Department. Throughout, our priority has been to support children and young people, as well as their parents and carers, through protecting their safety, minimising lost learning and supporting recovery.

In the early part of 2021, we prioritised supporting a full return to education, including through the roll out of large scale COVID-19 testing. This was vital in supporting as many children and young people as possible to maximise their learning, while also protecting safety. We worked closely with partners across the system – ensuring that lessons learned through the first stages of the pandemic were applied in practice.

In parallel, we progressively shifted our focus to supporting the recovery of lost learning. Building on the initial response in 2020-21, we announced a large-scale expansion of support in June 2021 – including £1 billion to support up to 6 million tutoring courses for school children and an expansion of the 16 to 19 Tuition Fund over the Spending Review period. This package also included £400 million to help give early years practitioners and school teachers across the country additional training and support. We have now delivered almost two million tuition packages.

A strong platform for continued reform

COVID-19 has raised unprecedented challenges for the system and the Department. However, it is a call to making further progress in improving outcomes for children and learners – not to reign in our ambition. This year saw a new Secretary of State for Education, who outlined a clear set of priorities across skills, schools and families.

These priorities run through the strong SR21 settlement that the Department secured this year for the period through to 2024-25. Overall annual policy funding will rise by around £10 billion to £80.6 billion in 2024-25. Capital investment will also rise significantly to a total of £19.4 billion over the coming three years. This builds on a strong settlement for schools in Spending Review 2019, and also raises investment across skills and families.

Throughout the year, we have taken forward the ambitious agenda on skills set out in the white paper, *Skills for jobs: lifelong learning for opportunity and growth* (Skills for Jobs White Paper), to transform post-16 education and training, boost skills and get more people into work. We have also concluded the response to the Augar review, publishing comprehensive proposals for continuing to raise quality across the higher education system, transform the flexibility for learners to invest in education throughout their lives and improve the fairness of the student finance system for students and taxpayers.

On schools, we published the first Schools White Paper in six years – setting out plans to make sure every child can reach their potential. The Schools White Paper outlines ambitious targets for improving attainment at both key stage 2 and GCSE.

And on families, we published the SEND and AP Green Paper in March 2022 – building on extensive work and engagement across the sector. While the Green Paper was significantly delayed in the context of COVID-19, it was right to take the time to develop substantive proposals that meet the challenge across the system to improve outcomes and reform a system that too often leaves parents facing difficulties and delays accessing the right support for their child.

Together, this represents a highly ambitious set of plans for continued reform and delivery in the years ahead.

Core delivery through 2021-22

Alongside all of this, the Group has continued to support and drive core delivery across the year.

We continued to deliver on the vital role of allocating and providing funding to education providers – with timely and accurate payment of funds to schools, colleges, universities and early years providers throughout the year. Across Regional School Commissioners and the Education and Skills Funding Agency (ESFA), we supported more schools to convert to academy status and secure the benefits of joining a strong MAT – alongside proportionate oversight and intervention across the sector.

The Department has also taken forward a restructure – aligning with the Secretary of State's key priorities of skills, schools and families and creating a new Strategy Group to provide a new strategic centre and Regions Group to bring together our interactions with LAs, schools and other stakeholders. We will continue to work to secure the benefits of this approach, including as we look to drive further efficiency in our operating model and headcount.

Looking to the future

I am looking forward to taking forward the government's agenda across skills, schools and families – supporting delivery on the ground and continuing to build stronger partnerships.

As part of that, I want to pay tribute to frontline professionals right across the sector – from teachers to social workers – for the dedication and commitment they continue to show in improving the lives of children, young people and learners. I also want to say how proud I am of our own staff – with the Group delivering across such a wide range of fronts, despite all of the challenges, disruption and uncertainty of the past year.

Together, this gives me real confidence on rising to the challenges and uncertainty we will continue to face as we build an education system that genuinely realises the potential of all.

Susan Acland-Hood
Permanent Secretary
6 December 2022

Lead non-executive's overview

Over the last twelve months the Department has continued to support the education and childcare sector during the ongoing response to COVID-19. Furthermore, the Department has taken critical steps towards an ambitious reform programme to support children and learners to lay foundations for an education and care system that helps realise everyone's potential. With the Secretary of State's priorities at the heart of our work, the Department continues to support children through our education recovery programmes, help vulnerable and disadvantaged young people gain the skills they need to secure employment, and promote the use of digital technology in our places of learning. Furthermore, the Department has continued to engage with other government departments and sectors to ensure that the needs of employers were reflected in and better aligned to the education and skills systems. The Departmental Board considered and supported upcoming legislation changes led by the Department and the delivery challenges presented by these, including the Skills Bill and the publication of the Schools White Paper.

The Department's governance structure has remained largely the same during the reporting year, and the committees have worked well, with input from non-executive and executive members alike. The effective operation of the Department's governance structure over the course of this year has been strongly supported by the sponsorship of our Permanent Secretary, Susan Acland-Hood.

Departmental Board

The Board's membership has changed significantly over the course of the year. I would like to extend my thanks to the former Secretary of State the Rt Hon Sir Gavin Williamson CBE MP for his leadership of the Board and secondly recognise the achievement of the Rt Hon Nick Gibb MP for his contribution to the work of the Board prior to their departures. In September 2021, the Rt Hon Nadhim Zahawi MP took up his position of Chair of the Board as the new Secretary of State for Education, and the Rt Hon Michelle Donelan as Minister for the Board, alongside a new Ministerial Team, whom the Department welcomed and inducted quickly and effectively.

There have also been changes to the Department's non-executive team, as both Dame Irene Lucas-Hays and Ruby McGregor-Smith stepped down. We welcomed the interim Chair of ESFA as the Department seeks to appoint three new non-executive directors in order to provide continuity and support to the Department by offering challenge, valuable expertise, and an independent voice across a range of key priorities.

Since writing this statement in Spring 2022, there have been several changes to the Department's Board and ministerial team. I would like to extend my thanks to those who took on the role of Secretary of State for Education from July 2022 and congratulate officials in the Department who welcomed and inducted new ministers over the summer and autumn period. I welcome the Rt Hon Gillian Keegan MP as our Secretary of State and Chair of the Board and look forward to working with her and our new ministerial team, alongside the Department's dedicated civil servants.

Committees

There have been changes, too, in the Department's senior leadership team at executive level, as described from page 121. Following the departure of Eileen Milner, the Board welcomed John Edwards as interim CEO of the ESFA.

The Board met six times during the reporting period and considered the action taken by the Department to safely re-open education settings and how to manage risks of the pandemic that had the potential to negatively impact vulnerable children and young people. The Board also supported the Department's response to SR21.

The Audit and Risk Committee (ARC) has been active and has met eight times throughout the reporting period. The ARC has provided independent challenge and scrutiny, helping improve the way that the Department approaches risk and provided assurance of the controls environment. The ARC has actively fostered links with the ARC communities across the Departmental Group of non-departmental public bodies (NDPBs) and the network for ARC chairs from the NDPBs met twice this year, allowing best practice to be shared.

Implementation Committee met six times this year. In May 2021, the committee updated its terms of reference to enable it to function as the Department's delivery board. The committee provides scrutiny and challenge to departmental performance via the quarterly performance report and progress against the ODP. Implementation Committee scrutinises those programmes that experienced delivery challenges to provide assurance, and to give the non-executive directors the opportunity to provide constructive challenge and advice.

Nominations Committee met four times during the year to support the Permanent Secretary in talent management and succession planning for the Department's most senior officials. The committee continued to provide assurance on the Department's public appointment process. Leadership Team and its sub-committees continued to meet regularly throughout the period.

Looking ahead I will continue to work with my fellow non-executive board members to ensure the Department's governance arrangements are effective and strengthened were appropriate. In future, the Board will meet eight times a year and its work will be aligned to the key priorities of the Department and to support its transformation goals. I am also keen to continue to work with Chairs and ARC Chairs across the Department's NDPBs to build a stronger working relationship and share best practice.

I look forward to working with the Permanent Secretary to ensure that the team of non-executive directors use their skills and experience effectively to support and challenge the Department as it begins to implement programmes of reforms across the education and childcare sector. As lead non-executive director I will champion, too, the delivery of the Department's sustainability strategy.

During the next reporting year, I welcome independent input into the Board Effectiveness Review, and look forward to reflecting on its findings with my fellow non-executive board members and the wider Department. The review will allow us to continue to promote effective support, challenge, guidance, and to continually work to improve our governance system.

Richard Pennycook
Lead non-executive board member
6 December 2022

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 policymaking and managing public funds.

Public sector bodies are classified based on the level of control the Department has over them. Executive agencies (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. In addition, the Department normally appoints the body's Chair and all non-executive members of their boards and is consulted on the appointment of the body's CEO.

Education and Skills Funding Agency (ESFA): responsible for improving education and skills; administering funding; rolling out the apprenticeship, technical education and qualification reform programmes. ESFA's role was re-defined after the year end following the completion of the ESFA Review.

Standards and Testing Agency (STA): responsible for assessment for children in education up to end of key stage 3, although presently focused on assessments for children between reception and the end of key stage 2. The Agency is also responsible for managing the general qualifications logistics service provided to exam centres and examiners.

Teaching Regulation Agency (TRA): responsible for the regulation of the teaching profession, including misconduct hearings, and maintaining the database of qualified teachers.

Construction Industry Training Board (CITB): responsible for helping the construction industry attract talent and to support skills development in Great Britain.

Engineering Construction Industry Training Board (ECITB): responsible for working with employers and training providers to give the Great British engineering construction industry workforce the skills it needs to meet the challenges of the future.

Film Industry Training Board (FITB): non-operational training board originally set up to manage a statutory levy in the film industry to develop training in the film industry. The statutory levy was never enacted, it remained a voluntary levy by Screenskills. The Department formally wound up FITB on 14 April 2021.

Institute for Apprenticeships and Technical Education (IFATE): responsible for developing, approving, reviewing and revising apprenticeships and technical qualifications with employers. This includes responsibility for T Levels delivery and implementing an approval process for higher technical qualifications.

Located Property Limited (LocatED): responsible for selecting and developing sites for new schools in England.

Office for Students (OfS): the independent regulator of higher education in England which also disburses government funding to the higher education sector.

Office of the Children's Commissioner (OCC): supports the Children's Commissioner who promotes and protects the rights of children, especially the most vulnerable, and stands up for their views and interests.

Social Work England (SWE): regulates social workers in England and is committed to raising standards through collaboration with everyone involved in social work.

Student Loans Company Limited (SLC): a non-profit making government-owned organisation that administers loans and grants to students in colleges and universities in the UK on behalf of the Department and Devolved Administrations.

School Teachers' Review Body (STRB): makes recommendations on the pay, professional duties and working time of school teachers in England, and reports to the Secretary of State and the Prime Minister.

Aggregator Vehicle PLC: acts as a single source of market funding to support the construction of new buildings for LA maintained schools and academies.

Office of the Schools Adjudicator: helps to clarify the legal position on admissions policies in schools.

As well as the Group bodies included in this ARA, the Department works alongside three other public sector bodies in the education sector: Ofqual, Ofsted and the Teachers' Pension Scheme (England and Wales) (TPS), to achieve our objectives.

These three bodies control their own policies and operational activities including Estimates processes, with their own Accounting Officers. Consequently, the three bodies are judged to be not controlled by either the Department or Secretary of State, and so are not consolidated into this Group ARA. ARAs for these bodies can be found on GOV.UK.

Teachers' Pension Scheme (England and Wales)[3]: is a statutory, unfunded multi-employer, defined benefit occupational pension scheme.

3 https://www.teacherspensions.co.uk/

Ofqual[4]**:** is a non-ministerial department separate to the Department, which regulates qualifications, examinations and assessments in England.

Ofsted[5]**:** is a non-ministerial department separate to the Department, which inspects services providing education and skills for learners of all ages as well as inspecting and regulating services that care for children and young people.

Operational structure

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

The operational groups presented in this ARA are those that applied during the 2021-22 financial year. Towards the end of 2021-22, the Department completed a thorough review of its operational structure through the Future DfE exercise and ESFA Review. More detail is provided on page 110.
The most significant change was the transfer of policy responsibility for apprenticeships from ESFA back to the Department after the year end.

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 and Agencies". The full consolidation ("Group") is the core Department and Agencies together with the NDPBs named above and in note 22.

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

Business group	Responsibilities	Contributing bodies
Children's Services, Communications and Strategy Group (CSCSG)	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 Secretary of State, ministers and the Permanent Secretary • management of the communications directorate including the ministerial and public communications division	OCC SWE

4 https://www.gov.uk/government/organisations/ofqual/about
5 https://www.gov.uk/government/organisations/ofsted/about

Business group	Responsibilities	Contributing bodies
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 policy, analysis and infrastructure • school strategy	Office of the Schools Adjudicator STA STRB TRA
Higher Education and Further Education Group (HEFE)	Overall responsibility for oversight of higher education, further education and international education, including: • student finance • funding for 6th forms and the adult education budget • careers advice • student choice • implementing HE primary legislation • the Post-18 Review • EU Exit and deal implementation • bilateral education partnerships and multilateral representation	CITB ECITB OfS SLC
Education and Skills Funding Agency (ESFA)	Responsibility for supporting education and skills through operational delivery, expert grant allocations and impactful market oversight, including: • funding of independent training providers • correct and timely allocation of block funding across education providers • provision of assurance around how Group funds are deployed • oversight and intervention in respect of financial and governance matters • delivery of technical and vocational education qualification reforms • to enable all employers in England to recruit and manage the apprentices they need to meet their skills needs • National Careers Service	IFATE

Business group	Responsibilities	Contributing bodies
COVID Response and Recovery Group (CRRG)	Overall responsibility for: • the co-ordination of the Department's COVID-19 approach, working closely with colleagues in CSCSG, EYSG and HEFE • leading the recovery response to COVID-19	None
Operations Group	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

Social Care, Mobility and Disadvantage Group (SCMD) changed its name to CSCSG at the start of the year.

Financial review of the year

Introduction

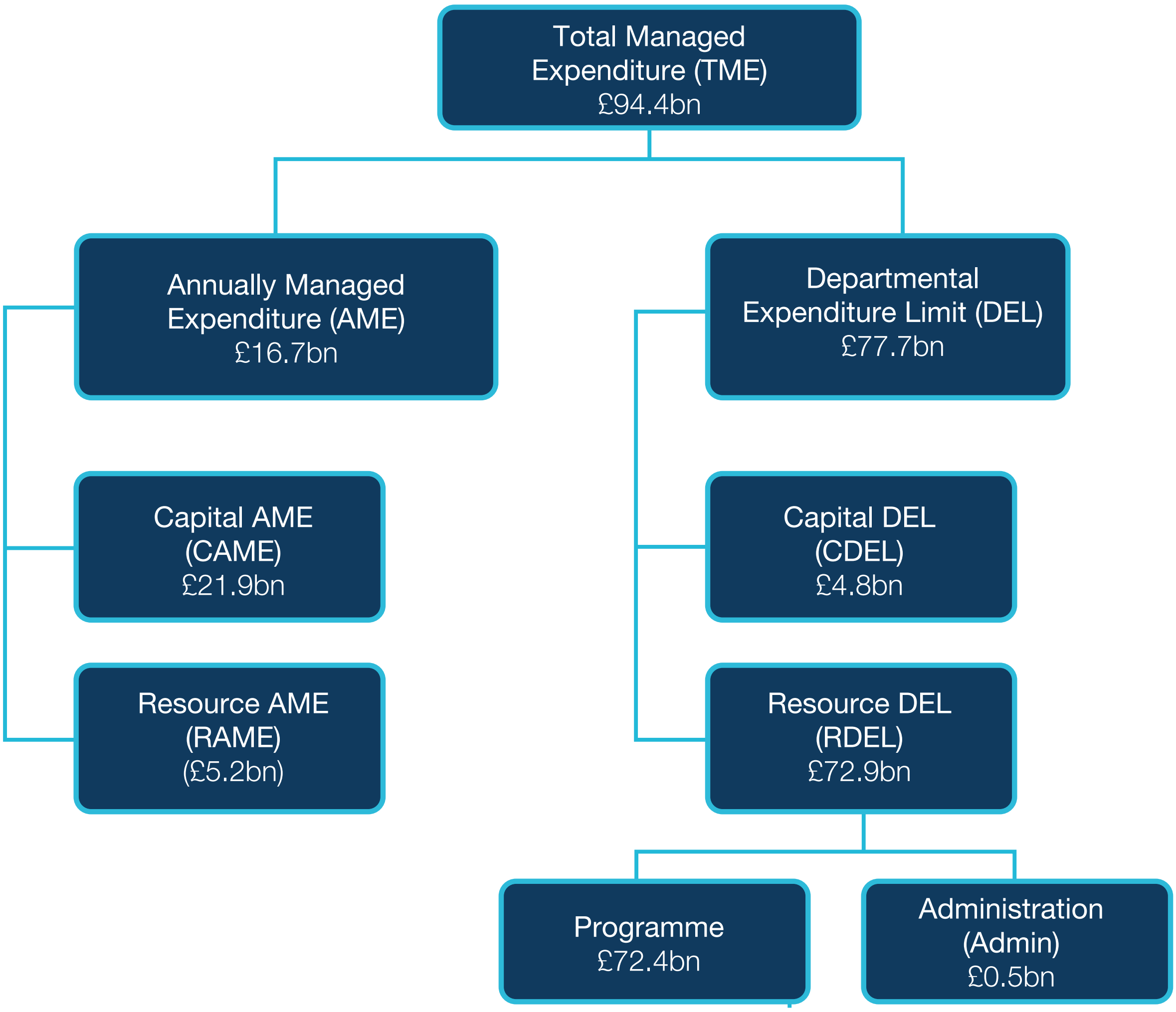
The priority for this year has been to ensure that we have a tight grip on Group finances in light of pressures due to COVID-19 and are able to demonstrate our ongoing commitment to delivering value for money in everything we do, whilst continuing to support education providers in these exceptional times.

This review will focus on the financial performance achieved by the Group in 2021-22 including a focus on:

- financial outturn
- significant events that occurred during the year

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 outturn for the year with figures in brackets representing income and/or gains. Summary explanations of the budget types are provided below. For more detailed explanations see HMT's *Consolidated Budgeting Guidance*.



Budget type	Summary description
TME	Total Managed Expenditure – the total amount that the Group spends within the budgetary framework. TME is split into two categories: DEL and AME, which in turn consist of resource and capital sub-divisions.
DEL	Departmental Expenditure Limit – captures spending that is subject to limits set in the Spending Review (SR), which departments may not exceed. DEL budgets are firm, planned annual budgets set for multi-year SR periods. DEL is the default budgetary category for spending and can be split into resource and capital budgets.
AME	Annually Managed Expenditure – captures spending that is subject to HMT control. AME budgets are volatile or demand-led in a way that departments cannot fully control and are split into resource and capital budgets. The majority of the Group's AME expenditure is derived from student loans.

Budget type	Summary description
Resource	Resource budgets capture current expenditure (including depreciation, which is the current cost associated with non-current assets). It is paramount for HMT to retain control over the level of current spending. Within the resource budget some transactions will have an immediate or near-immediate impact on fiscal aggregates, for example pay and procurement. Other transactions will only have an effect in future periods, for example the take up of provisions. Resource budgets are further split between programme and administration budgets.
Capital	Capital budgets capture new investment and financial transactions. It is important to control capital budgets alongside resource budgets because spending in this budget increases public sector net debt and government's borrowing requirements. Capital budgets are wholly programme.
Programme	Programme budgets capture expenditure on front-line services such as schools, colleges and social work.
Admin	Administration budgets comprise non-programme spending; which covers the running costs of the Group including back office staff, buildings, depreciation and information and communications technology.
RDEL	Resource DEL is current expenditure in DEL, which can be split between programme and admin.
CDEL	Capital DEL is spending on assets and investment such as colleges, universities and schools.
RAME	Resource AME budgets include effective interest on student loans, non-cash costs of provisions and for budgetary purposes only, costs of provisions and resource costs of levy bodies.
CAME	Capital AME budgets cover student loan origination, repayments and capitalised interest, plus the capital cost of levy bodies.
Non-budget	Amounts voted on by parliament through the Estimates process that do not refer to current year spending and so budgets.
Ringfence	An HMT stipulated restriction in the Department's ability to utilise budgetary underspends on other activities. Restrictions can be specific, such as student loan fair value movements, or wider across transaction types such as non-current asset depreciation and amortisation.

2021-22 financial outturn

In 2021-22 the Department's TME limit was £113.6 billion (2020-21: £115.5 billion) against which the Group spent a total of £94.4 billion (2020-21: £101.9 billion). The table below shows the Group's performance against its 2021-22 control totals as agreed by Parliament in the 2021-22 Supplementary Estimates.[6]

			2021-22			2020-21
Type of spend	Estimates	Outturn	Variance	Estimates	Outturn	Variance
	£m	£m	£m	£m	£m	£m
DEL	**86,348**	**77,744**	**8,604**	**92,626**	**83,109**	**9,517**
Resource	81,081	72,946	8,135	87,248	78,279	8,969
Programme	*80,526*	*72,406*	*8,120*	*86,720*	*77,770*	*8,950*
Admin	*555*	*540*	*15*	*528*	*509*	*19*
Capital	5,267	4,798	469	5,378	4,830	548
AME	**24,189**	**16,683**	**7,506**	**22,920**	**19,853**	**3,067**
Resource	607	(5,180)	5,787	4	(1,291)	1,295
Capital	23,582	21,863	1,719	22,916	21,144	1,772
Total budget	**110,537**	**94,427**	**16,110**	**115,546**	**102,962**	**12,584**
Non-budget	**3,068**	**–**	**3,068**	**–**	**(1,035)**	**1,035**
TME	**113,605**	**94,427**	**19,178**	**115,546**	**101,927**	**13,619**
Analysed as:						
Non-student loans	*78,627*	*76,105*	*2,522*	*74,420*	*73,432*	*988*
Student loans	*34,978*	*18,322*	*16,656*	*41,126*	*28,495*	*12,631*

The large underspend recognised by the Group is primarily driven by difficulties in forecasting expected student loan outturn as at the Supplementary Estimates process, in advance of the year end economic inputs for the valuation model being known. More detail on our approach to valuing student loans for the Estimates process is provided from page 38. Large year end Estimates to outturn variances are typically a product of over prudence and do not indicate a lack of control over the accounting values.

The table above is a summary of the more detailed analysis of outturn to Estimates presented in the audited Statement of Outturn against Parliamentary Supply (SOPS) and associated notes (see pages 184 to 197). The SOPS is the primary element of Parliamentary accountability by comparing actual performance (outturn) with expected activities (Estimates) authorised through the Parliamentary voted totals (controls totals) process.

As shown in the table, the Group underspent by £16.1 billion across both DEL and AME budget categories with additional non-budget underspend of £3.1 billion. The underspends were predominantly in Resource DEL programme – £8.1 billion and Resource AME – £5.8 billion. Across the next pages we provide more detail of in-year Estimates to outturn variances by budget category across the last five years.

6 https://www.gov.uk/government/publications/supplementary-estimates-2021-22

At Supplementary Estimates, the Department agreed a £3.9 billion reduction in authorised budget spending and recognised £3.1 billion of non-budget spending, with the main drivers as follows:

- a decrease of £8.1 billion in Resource DEL programme, split between:
  - £8.4 billion ringfenced for student loan fair value movements
  - £0.3 billion of uplift spread across other programmes
- an increase of £4.6 billion of the remaining uplift given to Resource AME
- a decrease of £348 million in Capital DEL
- non-budget costs of £3.1 billion to correctly budget for the 2020-21 student loan management charge, this had no impact on the financial statements it is purely a budgetary (outturn) adjustment

Non-student loan programme spend has risen every year across the last five years to support the educational and children's social care sectors.

The table above has not been restated for the prior year adjustment (PYA) recognised in 2021-22 arising from the student loan management charge levied in 2020-21.

Student loan management charge

The budgetary PYA was triggered by a re-evaluation by the Department and HMT of the appropriate budgetary treatment for the student loan management charge. The issue described here does not affect how student loans are accounted for, the annual movement in fair value continues to be fully recognised as a gain or loss in the SoCNE in the year to which it relates. Management charges have been levied in the last two years.

The charge is levied by HMT in any given year when fair value losses recognised at origination of student loans are higher than a limit set by HMT. Loan origination losses arise when the fair value of new student loans is significantly lower than the cash value of monies advanced. Under the Department's agreement with HMT, excess fair value losses are recognised in Resource AME rather than ringfenced Resource DEL for losses under the threshold. Following the initial RDEL-RAME switch, the value is unwound through non-ringfenced Resource DEL over the following thirty years, with the first annual instalment in the year the switch occurs. The unwinding of the excess losses does not have any overall effect on the Department's reported TME in any given year since the balances sum to zero, although there are effects on the separate RAME and RDEL outturn balances.

The table below sets out the agreed approach to budgeting for management charges and presents the budget cover that should have been claimed through the Estimates process for the last two years. The 2020-21 Estimates values below are based on actual excess fair value losses, whereas the 2021-22 Estimates values are based on forecast student loan losses used to support the Department's 2021-22 Supplementary Estimates bid.

Re-appraised expected budgetary treatment	2021-22 Estimates	2020-21 Estimates
	£000	**£000**
Excess fair value losses	4,063,410	3,163,608
Annual RAME to RDEL unwind (1/30th)	135,447	105,454
RAME	**3,822,509**	**3,058,154**
Initial switch (excess fair value losses)	4,063,410	3,163,608
In-year unwind – first year	(135,447)	(105,454)
In-year unwind – second year	(105,454)	–
RDEL – ringfenced	**(4,063,410)**	**(3,163,608)**
Initial switch (excess fair value losses)		
RDEL – non-ringfenced	**240,901**	**105,454**
In-year unwind – first year	135,447	105,454
In-year unwind – second year	105,454	–
Net Estimates impact	**–**	**–**

The table below presents the outturn recognised in both years based on the actual performance of student loans issued in either year.

Actual outturn recognised	2021-22 Outturn	2020-21 Outturn
	£000	**£000**
Excess fair value losses	4,276,997	3,163,608
Annual RAME to RDEL unwind (1/30th)	142,567	105,454
RAME	**4,028,976**	**–**
Initial switch (excess fair value losses)	4,276,997	–
In-year unwind – first year	(142,567)	–
In-year unwind – second year	(105,454)	–
RDEL – ringfenced	**(4,276,997)**	**–**
Initial switch (excess fair value losses)		
RDEL – non-ringfenced	**248,021**	**–**
In-year unwind – first year	142,567	–
In-year unwind – second year	105,454	–
Net outturn recognised	**–**	**–**

Discussion on in-year Estimates to outturn variances

Below we explain large pre-virement variances of Estimates to outturn highlighted in the SOPS (and associated notes from page 184) which are identified as those over £1 billion or over 10% of Estimates value and over £250 million, across the different budget types.

Impact of student loans

Calculating student loan valuations, for either year end accounting purposes (note 12) or to support the Estimates claim, is inherently difficult and different to commercial loan portfolios. Unlike commercial mortgage books (which are similar in duration) the student loan portfolios do not have stable monthly contractual repayments allowing for easily modelled repayment profiles. Instead, student loan repayments are sensitive to economic conditions such as employment levels, RPI and salary growth; all of which drive expected repayments. None of the year end valuation model inputs are known to the Department to support either Estimates process (Mains or Supplementary).

In addition, the very large size of the student loan portfolio (£178.5 billion face value, note 12.1) presents challenges. The student loan valuation models apply valuation inputs to student loan face value balances to calculate the carrying values. This means that minor movements of a valuation input can generate extremely large movements in the final student loan carrying value due to the size of the loan portfolios. Therefore, small differences between model inputs forecast at Supplementary Estimates and actual values at the year end can generate very large variances. See note 12.3 and annex C for more explanation on valuation model input sensitivities; and note 8 records the annual movement in fair value which this year is a gain. This year, there have been a number of significant changes that have had material impacts on the year end carrying value of student loans and so the Department's outturn. The changes include views of the macroeconomic climate, two new models forecasting long-term earnings and repayments, policy decisions, and a change in the HMT discount rate. These are explained in further in note 12.3.

Consequently, the Department is prudent when it prepares its Supplementary Estimates claim for budget cover for student loan balances across all budget categories.

Resource DEL programme

Every year the Department recognises a large DEL programme movement at Supplementary Estimates generated by student loans. The Department is unable to forecast the student loan year end position in time for inclusion at the Main Estimates.

Note S1.1 (from page 188) breaks down the overall RDEL underspend of £8.1 billion by Estimates lines which approximate operational areas. Almost all of the overall underspend, £7.7 billion (before and after virements), is held by the HE Estimates line which is driven by student loan fair value losses and other valuation movements. The underspend was generated by beneficial differences between model valuation inputs expected at Supplementary Estimates to those applied at year end, which together resulted in an annual fair value movement gain rather than the forecast fair value loss. The beneficial model inputs included a reduced HMT discount rate, the freeze of the Plan 2 repayment threshold for 2022-23 and favourable macroeconomic conditions for Plan 2 loans; which all increased the net present value of the expected future repayments and therefore the fair value of the loan book. The model input changes are explained in further detail in note 12.3.

Resource AME

As shown in note S1.1, the Group reported an overall underspend of £5.8 billion, of which £5.7 billion was found in the HE Estimates line. Student loans impact RAME through student loan effective interest and the large HE variance arose as a result of two factors. The first is because actual effective interest income exceeded the Estimates cover as a result of a higher year end RPI value compared to that forecast at Supplementary Estimates. The Estimates cover compensated for the risk of a reduction in RPI which would have led to lower income, the RPI in the final three months of the year continued to increase which led to increased income.

The effective interest is different to capitalised interest, which is a cost to CAME. Capitalised interest represents the interest added to students' loan balances in the year and is a cost to CAME because it is, in effect, additional borrowing. Effective interest represents part of the fair value budgetary treatment of student loans and is an adjustment for the fair value of interest receivable on student loans. This treatment reflects the fact that not all of the interest added to borrowers' accounts will be repaid.

Capital DEL

The underspend of £469 million is primarily due to slippage of school building programmes driven by challenging issues in the construction market. This was offset in part by approximately £190 million of spending through COVID-19 response measures (eg Get Help with Technology devices and CO_2 monitors).

Capital AME

The underspend of £1.7 billion (almost wholly within the HE Estimates line) is a result of unused budget cover secured at Supplementary Estimates to cover the difficulties in forecasting student loan principal movements (loan advances, capitalised interest and repayments). At the time of obtaining budget cover through the Supplementary Estimates process there are still some uncertainties related to the amounts of new loans issued (as a whole academic term remains at the time of the Estimate), repayments of student loans (which are dependent on how much borrowers earn) and capitalised interest (which is dependent on clarity over individuals' loan balances). The underspend is primarily a result of underspends on new loans issued in the year.

Non-budget

A non-budget variance of £3.1 billion arose from the prior year adjustment to receive parliamentary authority for the student loan management charge described above and from page 187. The variance is generated through a mismatch between what is required to be authorised through the Estimates process and what is included in outturn.

The prior year adjustment represents both increases and decreases in potential spending and only the increased spending needs to receive parliamentary approval, which totalled £3.1 billion. Whereas the management charge itself is a balanced RDEL-RAME switch and so has no net impact on outturn. Therefore, the underspend is simply the difference between the treatment of the management charge.

Trends in TME

The table and charts below present five-year summaries of the movements in the Group's outturn analysed by budget type. The table and charts are summarised versions of the detailed Core Tables presented in annex D, from page 327.

In recognition of the impact of student loans on specific budget types, the Group's financial performance presented below has been split between non-student loan activities and student loan activities. Student loan activities are judged to be the loans themselves and include loan advances, repayments and interest. Other costs incurred by the team managing student loans, such as payroll and debt sale liabilities, are included in non-student loan activities.

Some 2020-21 and 2019-20 outturn figures have been restated to reflect the prior year adjustments recognised in 2020-21 and 2021-22. The 2020-21 restated outturn recognises the transfer between RDEL and RAME in relation to student loan costs (£3,163 million initial switch and then annual unwind of £105 million leaving a net transfer of £3,058 million). See page 187 for more information.

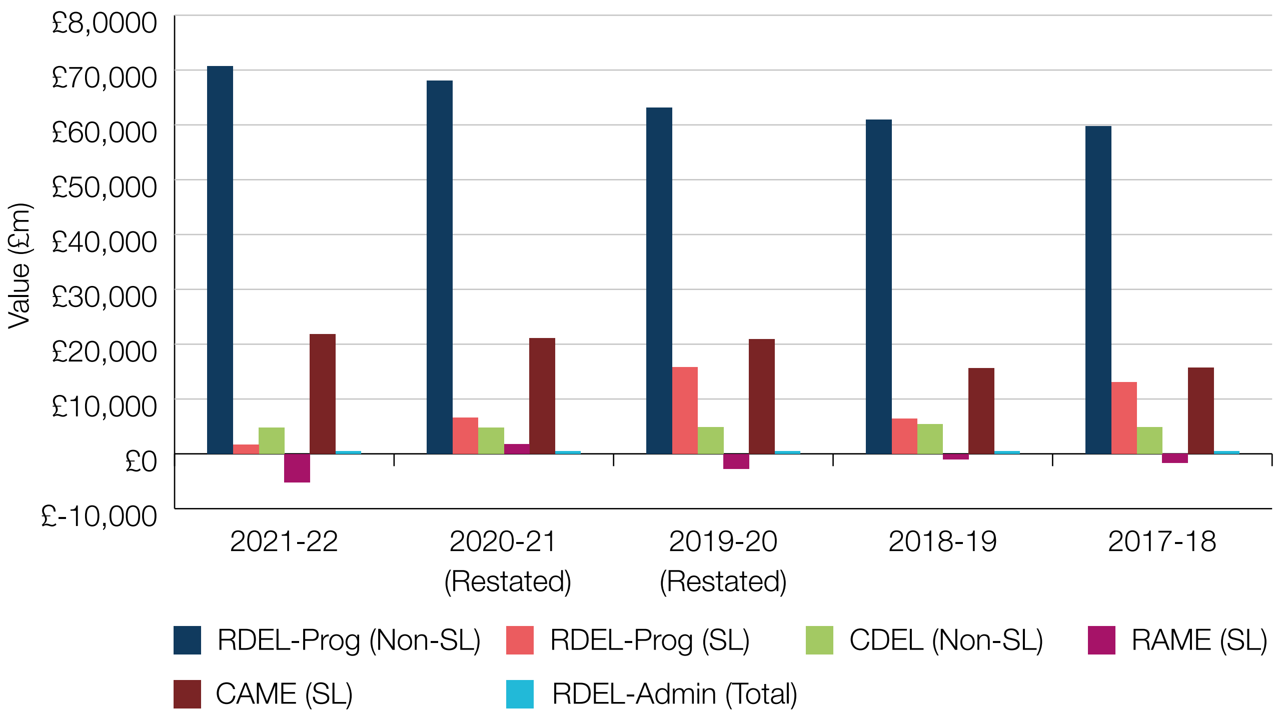
For 2019-20, additional CAME outturn income of £1 billion has been recognised from student loan capitalised interest income, reducing the reported total to £19.9 billion. This adjustment was reported as a prior year adjustment in 2020-21.

Type of spend	2021-22 Outturn	2020-21 Outturn (Restated)	2019-20 Outturn (Restated)	2018-19 Outturn	2017-18 Outturn
	£m	£m	£m	£m	£m
DEL					
Administration	**540**	**509**	**490**	**491**	**529**
non-student loan activities	*540*	*509*	*490*	*491*	*529*
student loan activities	–	–	–	–	–
Programme	**72,406**	**74,712**	**78,920**	**67,409**	**72,806**
non-student loan activities	*70,759*	*68,097*	*63,141*	*60,976*	*59,755*
student loan activities	*1,647*	*6,615*	*15,779*	*6,433*	*13,051*
Capital	**4,798**	**4,830**	**4,864**	**5,402**	**4,907**
non-student loan activities	*4,798*	*4,830*	*4,864*	*5,400*	*4,907*
student loan activities	–	–	–	*2*	–
Total DEL	**77,744**	**80,051**	**84,274**	**73,302**	**78,242**
non-student loan activities	*76,097*	*73,436*	*68,495*	*66,867*	*65,191*
student loan activities	*1,647*	*6,615*	*15,779*	*6,435*	*13,051*
AME					
Resource	**(5,180)**	**1,767**	**(1,739)**	**(1,029)**	**(1,589)**
non-student loan activities	*12*	*(3)*	*(41)*	*(53)*	*63*
student loan activities	*(5,192)*	*1,770*	*(1,698)*	*(976)*	*(1,652)*
Capital	**21,863**	**21,144**	**19,947**	**15,631**	**15,771**
non-student loan activities	*(4)*	*(1)*	*18*	*2*	–
student loan activities	*21,867*	*21,145*	*19,929*	*15,629*	*15,771*
Total AME	**16,683**	**22,911**	**18,208**	**14,602**	**14,182**
non-student loan activities	*8*	*(4)*	*(23)*	*(51)*	*63*
student loan activities	*16,675*	*22,915*	*18,231*	*14,653*	*14,119*
TME	**94,427**	**102,962**	**102,482**	**87,904**	**92,424**
non-student loan activities	*76,105*	*73,432*	*68,472*	*66,816*	*65,254*
student loan activities	*18,322*	*29,530*	*34,010*	*21,088*	*27,170*

Totals as originally presented in prior years:

Type of spend	2021-22 Outturn	2020-21 Outturn	2019-20 Outturn	2018-19 Outturn	2017-18 Outturn
	£m	**£m**	**£m**	**£m**	**£m**
DEL	**77,744**	**83,109**	**84,274**	**73,302**	**78,242**
Admin	540	509	490	491	529
Programme	72,406	77,770	78,920	67,409	72,806
Capital	4,798	4,830	4,864	5,402	4,907
AME	**16,683**	**19,853**	**19,243**	**14,602**	**14,182**
Resource	(5,180)	(1,291)	(1,739)	(1,029)	(1,589)
Capital	21,863	21,144	20,982	15,631	15,771
Non-budget	-	(1,035)	-	-	-
TME	**94,427**	**101,927**	**103,517**	**87,904**	**92,424**
non-student loan activities	76,105	73,432	68,472	66,816	65,254
student loan activities	18,322	28,495	35,045	21,088	27,170

TME for the last five years analysed between non-student loan and student loan activities



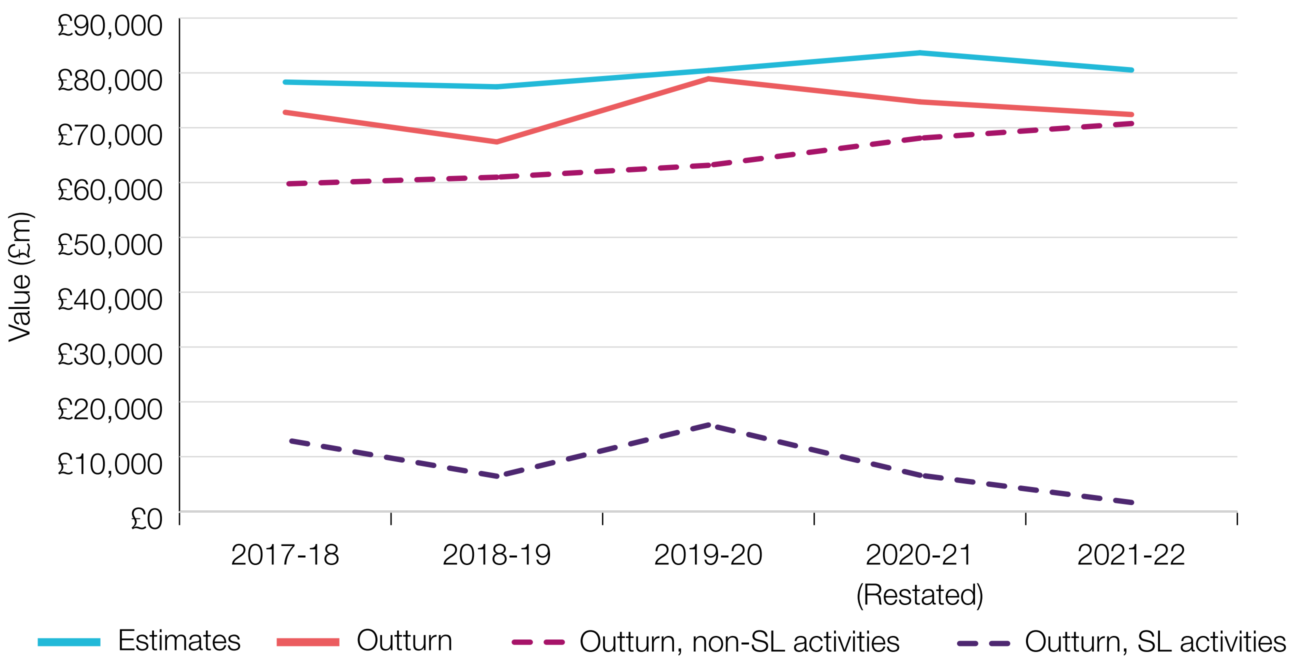
After removing the budget types with insignificant spending (such as non-student loan CAME and RAME) the chart above illustrates that the main driver of the peak TME in 2019-20 was student loan RDEL.

The next section provides an analysis of each of the main budget types across the last five years; with outturn split by non-student loan and student loan activities. Where one outturn type is negligible it has been removed from the graphs and commentary for simplification. Reporting units used on the graph axis vary across the graphs due to the range of spending across the budget types.

Resource DEL programme

The graph below presents a comparison of Estimates to outturn for RDEL programme across the last five years. Outturn values are split between non-student loan activities and student loan activities. Both the 2020-21 Estimates and student loan outturn lines below include the £3 billion transfer of outturn from RDEL to RAME completed through the 2021-22 voted non-budget Estimates claim.

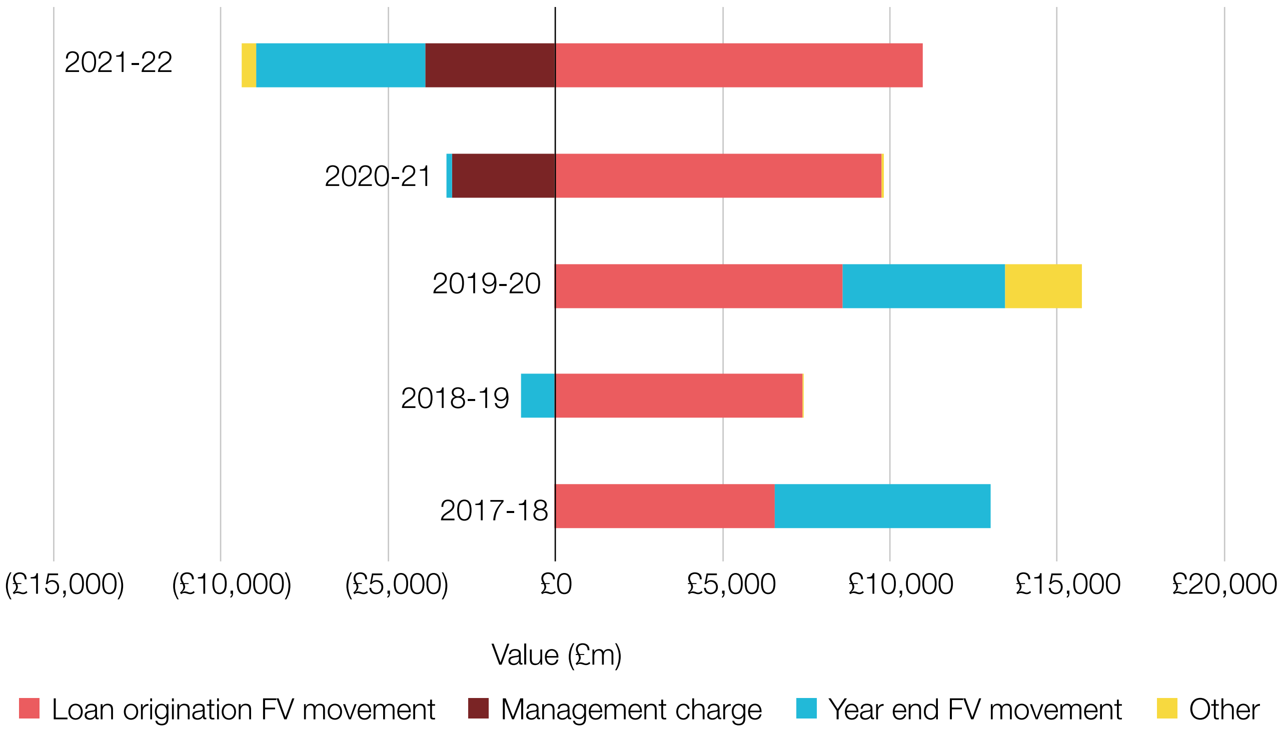
Estimates to Outturn, 5-year comparison



Programme spend represents the majority of the Group's spending to support its policy responsibilities across the education and children's social care sectors. Programme costs cover both cash grants and contractual payments to third parties and non-cash entries such as fair value losses and both student and non-student loan interest income.

The variability in total outturn arises from the greater volatility in student loan outturn, which is driven by student loan fair value movements. The graph below presents a five-year analysis of student loan RDEL outturn split into the two main drivers: the initial fair value loss on loan origination and the year end fair value loss/gain for all loans. Where the loan origination fair value loss crosses a threshold set by HMT, HMT are able to trigger the reclassification of the excess outturn from RDEL to RAME as a management charge. This reclassification does not impact the accounting, the values continue to be accounted for as fair value movement. We discuss the student loan management charge in more detail above from page 36 and in SOPS from page 187.

Analysis of student loan RDEL outturn



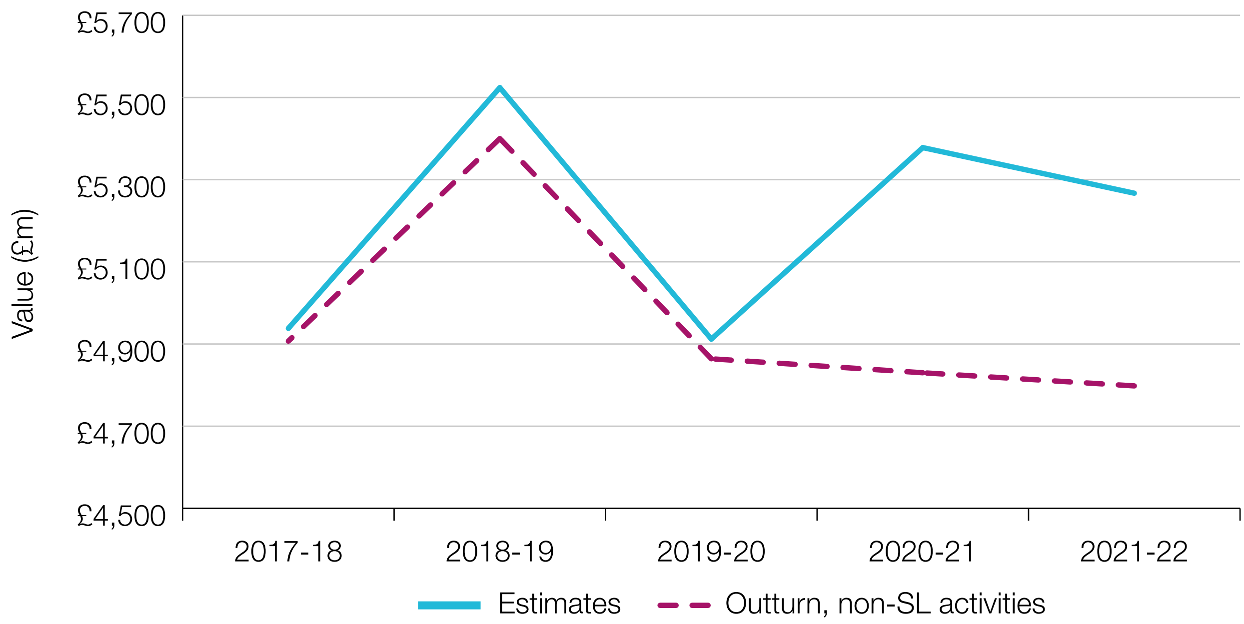
The graph above includes the 2020-21 and 2021-22 management charges to highlight how the loan origination fair value movement has increased over the period shown. However, once the management charge is acted on, the initial fair value movement falls back to a more stable trend. The main driver of the overall RDEL movement is the year end fair value movement.

The year end fair value movement is impacted by the modelling inputs (described in more detail in note 12.3) especially the discount rate and RPI.

Capital DEL

The graph below presents a comparison of Estimates to outturn for CDEL across the last five years. Since there is no material CDEL spend on student loan activities, the graph below only presents non-student loan activities.

Estimates to Outturn, 5-year comparison



The majority of our capital investment (in a budgetary context) is spent on the school estate, including creating new school places and to fund maintenance of buildings. It also includes major programmes, delivered directly by the Group, to build new schools and rebuild existing school buildings. Other investments are in skills, including funding for T Levels roll out, and in children's social care policy.

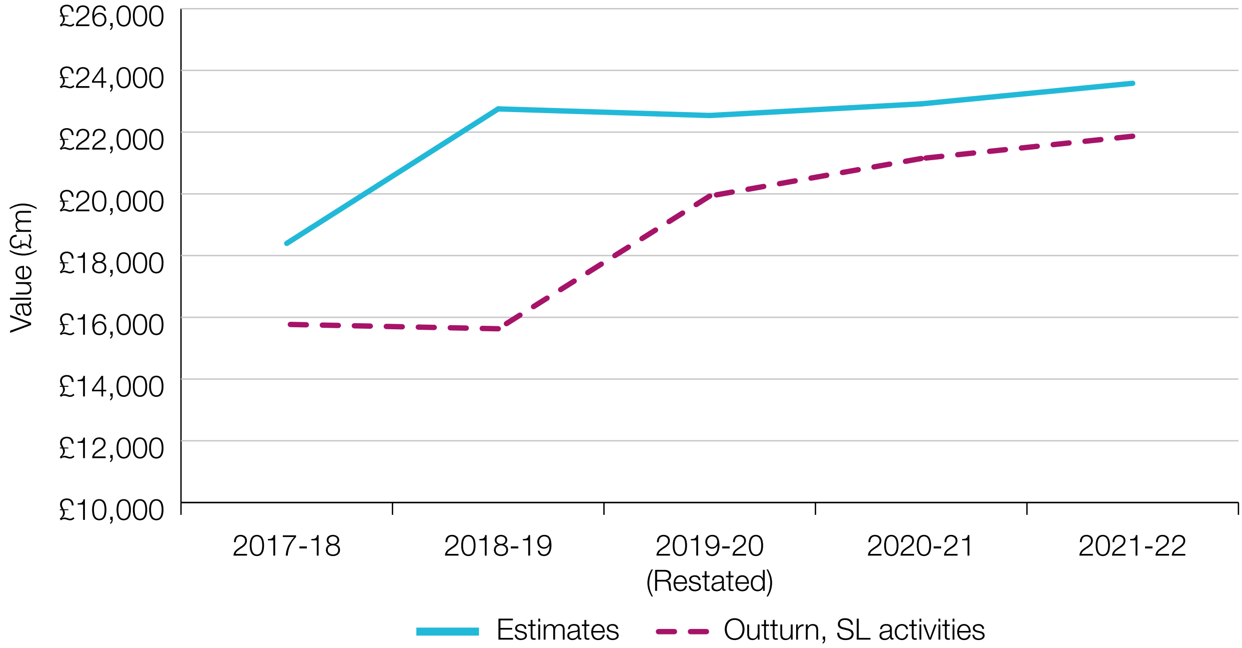
Estimates were impacted by COVID-19 from 2020-21 onwards. The peak in 2018-19 was a result of the previous school estate programmes approaching completion and starting to wind down. The planned reduction was scheduled to continue into 2020-21 but funding was made available to address the weakness in the economy arising from COVID-19. Additional spending was not classified as COVID-19 specific spending, it was viewed as part of the government's general response to weakening economy. The 2021-22 Estimates was largely stable from 2020-21 covering schools condition funding and capital investment to support T Levels.

The underspend across the last two years has predominantly been COVID-19 driven as projects have slipped from a lack of resources, both manpower and materials. The recent uplift in inflation has added to delays as projects are re-appraised for costs and contractors.

Capital AME

The graph below presents a comparison of Estimates to outturn for CAME across the last five years. There is no material CAME spend on non-student loan activities. Consequently, the graph below only presents student loan activities. The 2019-20 CAME balance has been restated to reflect the 2020-21 prior year adjustment of £1 billion to correct a student loan capitalised interest error.

Estimates to Outturn, 5-year comparison

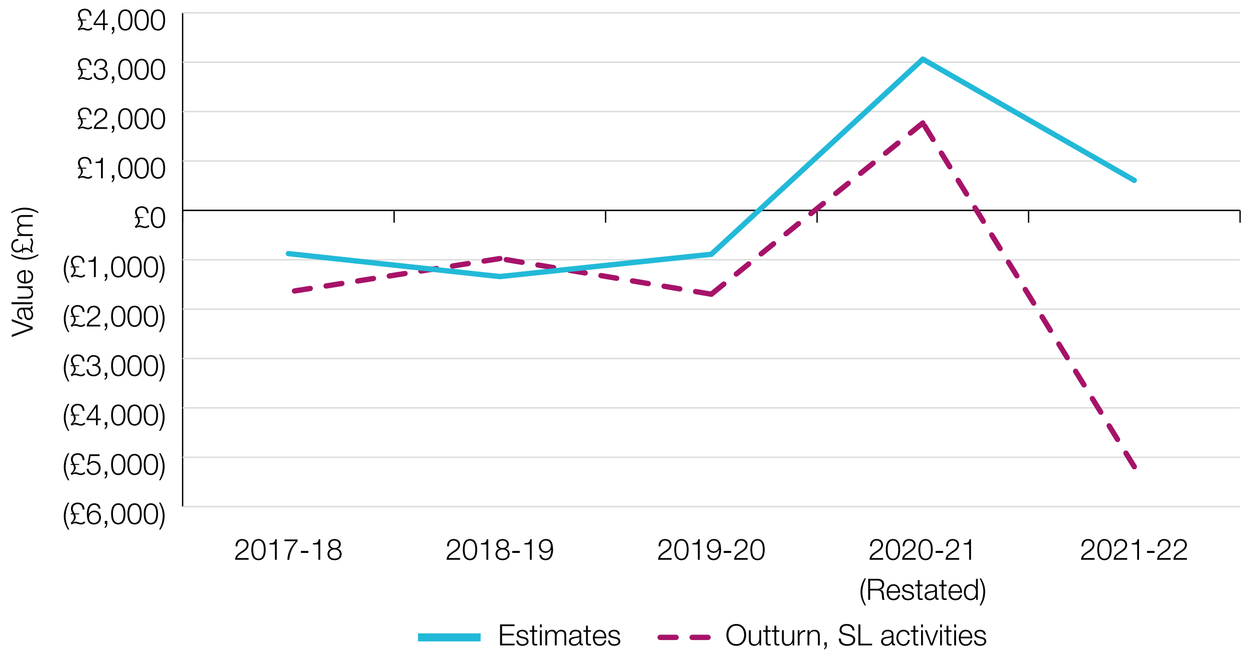


The main driver of CAME is the creation of new student loans through either loan advances or capitalised interest. Both of these balances are predictable based on expected student numbers, and so do not have the same volatility as RDEL (driven by loan performance).

Resource AME

The graph below presents a comparison of Estimates to outturn for RAME across the last five years. Since there is no material RAME spend on non-student loan activities only student loan outturn is presented below. In the graph below both the 2020-21 Estimates and student loan outturn values have been amended to reflect the £3 billion RDEL to RAME transfer completed through the 2021-22 voted non-budget Estimates claim.

Estimates to Outturn, 5-year comparison



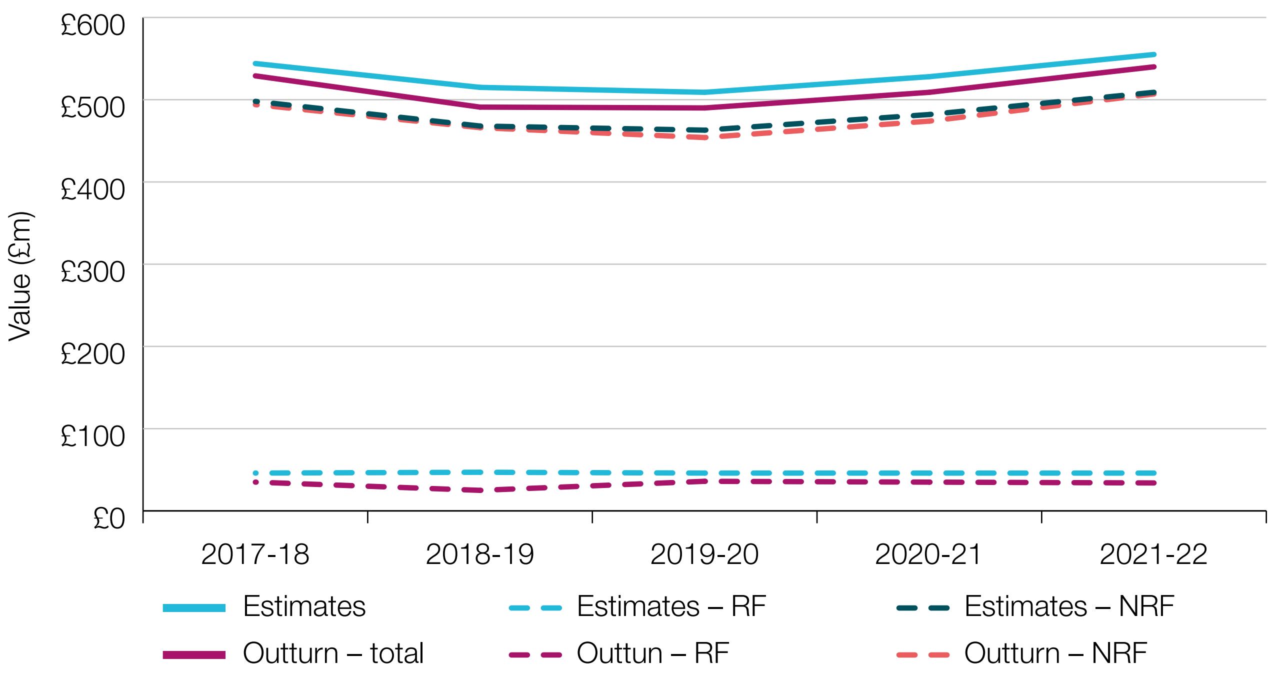
The overall negative RAME balances (income) reported above are driven by student loan interest income which is significantly larger than the Group's levy-funded bodies (CITB and ECITB) which report all of their activities as AME.

The increase in 2020-21 from the prior year trend was caused by the £3 billion student loan management charge levied by HMT. The 2021-22 management charge was broadly stable compared to 2020-21 at £4 billion. The significant downward movement to £5.2 billion was driven by an increase in student loan interest income caused by the movement in RPI from 1.5% to 9.0% across the two years. This movement was more than expected at Supplementary Estimates, where we planned for a smaller fall in RPI, hence the increased difference between Estimates and outturn in 2021-22.

Resource DEL Admin

The graph below presents a comparison of Estimates to outturn for RDEL Admin across the last five years. Since there is no Admin spend on student loan activities, the graph below presents the Group's admin activities split between ringfenced (RF) and non-ringfenced (NRF) activities. The majority of ringfenced spend refers to non-cash balances such as depreciation, amortisation and non-student loan fair value losses. Non-ringfenced spending refers to more cash-based operational costs.

Estimates to Outturn, 5-year comparison



The Admin budget supports the cost of running the Group and is strictly controlled by both the Department and HMT. It is by far the smallest budget allocation provided to the Group. The budget has remained broadly stable across the last five years from a high of £540 million (2021-22) to the low of £490 million (2019-20).

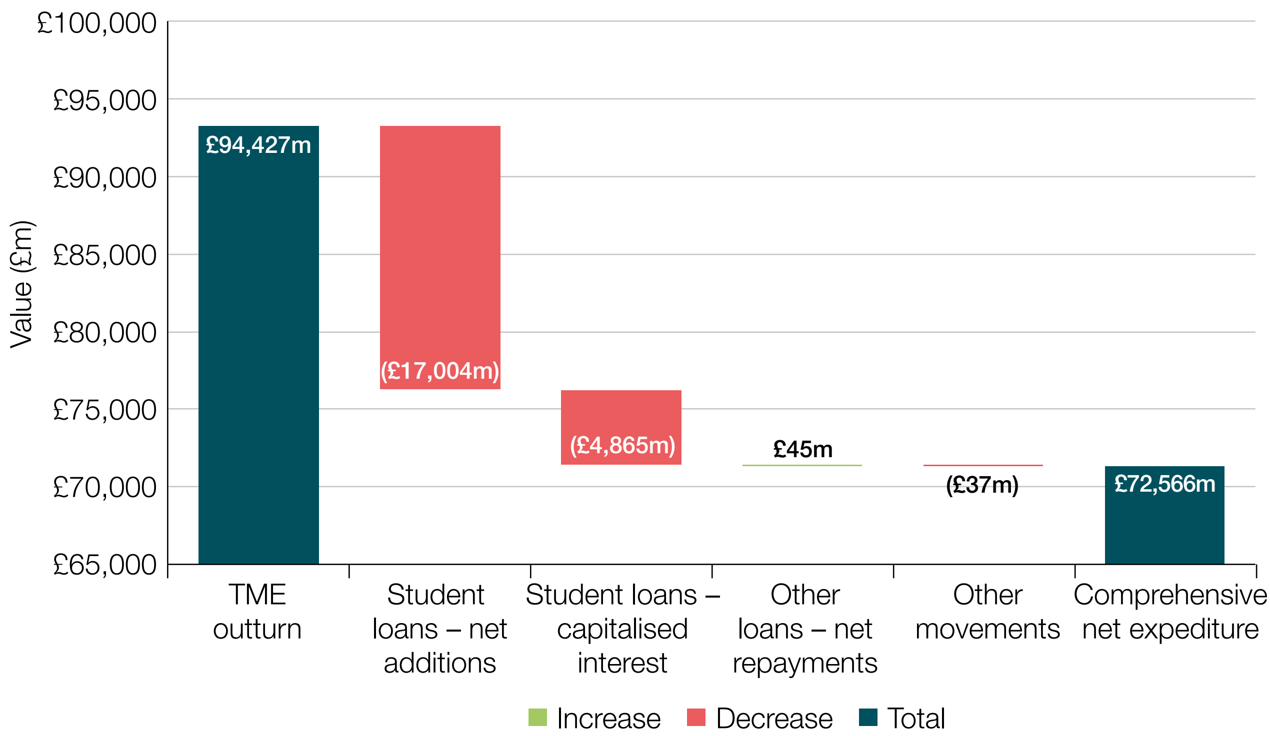
As the above chart shows the Group has successfully managed its Admin spending for both ringfenced and non-ringfenced activities.

Reconciliation to financial statements

The table below presents a high-level reconciliation between TME (Estimates/budgeting framework) and net expenditure for the year (accounting framework). TME includes all areas of spend that are reported against budgets, which will include spending that is posted to just SoFP, or both the SoCNE and SoFP. Owing to the size of the student loan portfolio, the most significant part of the reconciliation is student loan movements. There are two separate types of reconciling items here:

- the first is spend that is only recognised on SoFP so needs to be removed from TME to align to SoCNE; which covers student loan additions and repayments
- the second is to partially remove spend that is double counted in TME to allow for the single recognition in SoCNE; which includes fair value movements that are reported against both their SoCNE (cost) and SoFP (reduce asset values) entries

2021-22 reconciliation of TME outturn to comprehensive net expenditure



Significant events

COVID-19

The Group actively supported the education and children's social care sectors through COVID-19. COVID-19 continued to have a significant impact on the economy during the year.

The table below presents an analysis by business group of our spending in the year alongside how the spending was funded, through existing Group budgets (Main Estimates) or additional funding secured at Supplementary Estimates. In contrast to last year, the bulk of the funding was secured at Main Estimates since the Group's response to COVID-19 pre-dated the annual budget cycle.

				2021-22
	Estimates budget cover secured at			Outturn
Business group	Main Estimates	Supplementary Estimates	Total	Total
	£m	£m	£m	£m
Resource funding				
CSCSG	–	–	–	1
EYSG	38	7	45	241
HEFE	210	–	210	194
ESFA	54	–	54	212
CRRG	568	299	867	775
Operations	7	–	7	–
	877	**306**	**1,183**	**1,423**
Capital funding				
CSCSG	–	–	–	–
EYSG	–	–	–	–
HEFE	1	–	1	1
ESFA	–	–	–	–
CRRG	–	–	–	35
Operations	155	–	155	155
	156	**–**	**156**	**191**
Total	**1,033**	**306**	**1,339**	**1,614**
2020-21 totals				
Resource funding	499	1,651	2,150	1,673
Capital funding	384	360	744	384
	883	**2,011**	**2,894**	**2,057**

COVID-19 response and recovery activity across all education and care sectors was overseen by CRRG.

Covid Response Unit

The emergency response team continued to plan and respond to COVID-19 through 2021-22. This unit led on:

- co-ordinating cross-departmental COVID-19 response activity
- COVID-19 planning and performance
- provider COVID-19 communications and guidance
- COVID-19 insight and intelligence
- departmental preparation for the COVID-19 inquiry

Towards the end of the financial year, these teams took on responsibility for non-COVID-19 emergencies and crises such as Ukraine.

Coordinating cross-departmental COVID-19 response activity

This division provided a rapid response function to ensure we were able to respond at pace and co-ordinate activity and inputs across the Department. The team also supported ministers and senior civil servants to ensure they were briefed on the Department's response ahead of key meetings, committees and other parliamentary activity. This included coordinating Government announcements and roadmap steps through 2021, leading up to the "Living with COVID" announcement.

Near the end of 2021-22, the team widened into a departmental resilience team and set up the Department's response to the ongoing situation in Ukraine, using their experience on rapid COVID-19 response for another cross-government, cross-sector issue.

COVID-19 planning and performance

A core part of the unit's work was central governance, planning, risk, and performance oversight for the Department on the COVID-19 response.

The unit continued to develop and test the response framework for variants of concern, which was effectively deployed in autumn and winter 2021 in response to Omicron. This enabled quick, effective decision-making and response across the Department as the pandemic developed.

Provider COVID-19 communications and guidance

Provider communications remained top of the Department's priorities for the COVID-19 response. Our service included three main channels: the coronavirus helpline, the sector email and published guidance.

We developed and published guidance to support all major changes for education settings, including the education settings contingency framework and sector-specific guidance to support schools, FE, apprenticeships, SEND, HE and early years. We continued to make improvements to guidance through the year by listening to feedback from the sector and increased stakeholder engagement, reflected in the speed and accuracy of guidance following several critical COVID-19 announcements through 2021-22.

COVID-19 intelligence and evidence

To support the Department, the unit coordinated key intelligence and evidence, drawing together the data, analysis and research on COVID-19 from across the Department and government. Following the progress of the virus and the public health interventions, the team communicated the evidence to support effective planning, boost sector confidence and inform decision making throughout this period.

Covid Response Measures Directorate

This directorate developed a strong multi-disciplinary team to respond to complex and rapidly changing policy and delivery across asymptomatic testing, vaccinations, ventilation, COVID-19 measures (such as face coverings) and outbreak management in all education settings. The team responded promptly to the unprecedented challenges of the pandemic, swiftly developing policy and guidance to support the government's overall approach to dealing with COVID-19, helping to break the chains of transmission whilst maintaining high levels of face-to-face education.

Asymptomatic testing

Following the phased return to school in March 2021, the directorate worked closely with UK Health and Security Agency (UKHSA) to ensure that the necessary infrastructure was in place to support staff and students to test regularly at school and home. This included operational guidance, webinars, test kit deliveries, funding and assurance.

Between March 2021 and March 2022, over 69.1 million tests were completed in education settings (on site and at home) excluding HE.

Whilst UKHSA retained responsibility and received direct funding for the programme, which is recognised in their ARA, the directorate have continued to support UKHSA. The directorate provided both administrative support (allocating and distributing programme funds across multiple providers) and assurance support (ensuring funds are spent as intended by parliament). The Department's well-established payments processes were used to distribute funding to education settings accurately and efficiently.

Vaccinations

We worked with NHS England (NHSE) and UKHSA to roll out the vaccination programme for 12 to 15-year-olds in schools. In January 2022, we announced £8 million of NHSE funding to support schools in hosting vaccinations, ensuring that the COVID-19 vaccine is accessible to all pupils. Eligible secondary schools were provided with a one-off payment of £1,000 by NHSE, with an additional uplift for larger schools based on pupil numbers. These grants are not an expense of the Group and appear in DHSC's consolidated ARA.

Ventilation

Working in partnership with commercial and capital teams from across the Department, we provided state-funded education and childcare settings with CO_2 monitors to support them in being able to assess ventilation in their settings. Over 99% of eligible settings received their CO_2 monitor allocation. By March 2022, we had delivered on our public commitment of delivering 300,000 CO_2 monitors to education settings. In January, the government committed to fulfil all eligible applications for air cleaning units to state-funded education settings for poorly ventilated teaching spaces where quick fixes to improve ventilation are not possible. All eligible applications received have been fulfilled with over 8,000 delivered.

Schools COVID-19 response

Starting the financial year, the directorate had four core objectives:

- planning and risk management
- policy development
- engagement with stakeholders
- communications and briefing

These align under the vision to:

- develop and enable effective delivery of policies to ensure that schools are able to provide full-time on-site education where possible and shift effectively to remote education where required during the pandemic
- that barriers to pupils accessing education are effectively managed
- to ensure coherence with the different components of schools policy and alignment with other sectors

Planning and risk management

The team ensured a clear and robust strategy was in place for schools during COVID-19, working closely with policy directorates across the Group and regional colleagues responsible for delivery.

They focused on forward planning to prepare for different scenarios, working across departments where necessary, helping the Department to mount a quick response to situations that continued to evolve rapidly including the emergence of variants of concern.

In January 2022, the team expanded its focus to encompass the growing work to improve school attendance, supporting one of the Secretary of State's priorities.

Policy development

A continued focus was the development of clear and timely operational guidance to schools to support them with continued educational provision to pupils, whether face-to-face or remotely. Working closely with partners in central government, the most disadvantaged and vulnerable were supported to continue their learning through periods of national restriction, as well as enabling children who could not access face-to-face education to continue to learn remotely. This helped the Department to deliver on its ambition of providing all children with the best start in life. The team consolidated guidance and improved accessibility.

In addition, the directorate led activity to support school attendance. They established a successful and action focused attendance stakeholder group (attendance action alliance) on behalf of the Secretary of State. The group brings together charities, the Children's Commissioner, the Chief Social Worker, Ofsted's Chief Inspector, union representatives, and senior leaders in health and the police.

Engagement with stakeholders

Stakeholder engagement was more important than ever given the continuing disruption in education settings due to COVID-19. The team maintained high-levels of engagement, including through COVID-19/recovery-specific groups such as the Recovery Advisory Group, Stakeholder Advisory Group and Permanent Secretary's Stakeholder Group. The Department also continued longer-standing policy engagement through forums such as the Programme of Talks with unions and Teacher and Headteacher Reference Groups. This was particularly important in engaging stakeholders in policy development prior to publication of the Schools White Paper and SEND and AP Green Paper.

Communications and briefing

We ensured that ministers, senior officials and the wider Department were able to effectively present the schools COVID-19 response strategy in key meetings, committees and parliamentary activity and that department of state business obligations were met. The volume of department of state business was elevated, with a particular focus required from this directorate on correspondence of all types. This included responding to a range of specialist campaign groups on topics such as face coverings, vaccination status and attendance at schools. Managing these both sensitively and centrally ensured a coordinated response to these groups, sending one clear message and mitigating against large volumes of correspondence. In line with the COVID-19 inquiry, the team performed a filing exercise to review the almost 70,000 emails that had passed through the mailbox.

Qualifications Directorate

Following the response to joint consultations to seek views on alternative arrangements for the awarding of GCSEs, A levels and vocational technical qualifications in summer 2021, the Department, working with Ofqual, and the exam boards delivered a package of alternative arrangements to summer exams which saw students receive their GCSE results on 12 August 2021 and AS and A level results on 10 August 2021.

To support this package of new assessment arrangements, the Department provided financial support for schools, colleges, exam centres and awarding organisations, in the form of specific grants for:

- private candidate support, to meet costs associated with the additional demand of assessment for private candidates
- funding for appeals and exceptionally for teachers processing priority appeals over the summer period
- an extensive support package to help with essential additional costs associated with running exams in the autumn

For 2022, exams and formal assessments for GCSEs, AS and A levels (as well as for vocational and technical qualifications) went ahead. Recognising that students in the 2022 cohort have had their education disrupted, in September 2021 the Department published its response to a joint consultation with Ofqual on assessment arrangements for summer 2022, which proposed a range of adaptations to exams and assessments, including exam boards providing advance information about the focus of the content of the exams.

Education Recovery Unit

Information on the work performed within the Education Recovery Unit to support children and young people to catch up on lost learning, can be found within the detailed analysis of Priority Outcome 2, from page 65.

Risks of fraud and error in COVID-19 funding

Following a requirement and guidance from the Cabinet Office, the Department developed a post-event assuance plan summarising the main funding schemes that were in scope. There were four main schemes included requiring a full fraud risk assessment approved by Cabinet Office. The response to COVID-19 impacted the Department in two ways; by rapid deployment of funding for new priorities or emergency schemes and redeployment of pre-approved funding by reprofiling payments to bring forward funding to meet the immediate COVID-19 need.

Four grants were identified as requiring fraud risk assessments, these were included in the Department's post-event assurance plan which was approved by the Cabinet Office. The grants identified in scope were:

- Get Help with Technology
- National Tutoring Programme
- schools exceptional costs
- National Free School Meals Voucher scheme

Each scheme was closely monitored and audited, and the error rate was captured as part of consolidated data returns. The values for each scheme for 2021-22 are:

- Get Help with Technology: £74,729
- schools exceptional costs: £107,647
- National Free School Meals Voucher scheme: £101,178

Total detected: £283,554

Total recovered: £208,825

Error rate: 0.02% of overall grant spend

There is no comparative data for COVID-19 related fraud and error for 2020-21. There was no Cabinet Office mandatory requirement to provide returns for 2020-21.

As noted above, any debt created in relation to these schemes was fully recovered where appropriate. All debt was also recovered in 2020-21.

Performance analysis

The Performance Analysis section of the ARA sets out in greater detail than the previous overview the Group's performance against its objectives. We report performance against our four Priority Outcomes, and the associated key performance indicators (KPIs), described in our Outcome Delivery Plan[1] from below to page 88. KPIs and the accompanying narrative can be financial or non-financial (such as attendance) and cover financial years or academic years depending upon what is suitable for the issue being described. Unless otherwise stated all financial disclosures refer to financial years.

As well as performance against our ODP, we also provide:

- additional analysis of TME by budget type and business group, from page 89
- a summary of strategic enablers, from page 98
- non-financial performance reporting, from page 101

Our vision

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

Performance against our Priority Outcomes

In order to manage our Priority Outcomes (POs) we have divided each PO into several lower-level outcome strategies (OSs) which are assigned to named senior management to deliver against.

As well as reporting on our Priority Outcomes, we also map the POs to the UN Sustainable Development Goals (UN SDGs).

United Nations Sustainable Development Goals

The government is committed to mainstreaming sustainable development, in the way policy is made, buildings are run, and goods and services are purchased, to maximise the positive impacts on the economy, society and the environment. It relies on the successful delivery of some high-profile commitments including action to tackle climate change and address its impacts, protecting and enhancing the natural environment, building a green economy, and improving estates' operations and procurement. This will include ensuring rural proofing, climate change and environmental considerations are built into policy. Departments are required to report against the impact operations have on the environment as part of wider sustainability reporting.

The UN Sustainable Development Goals (UN SDGs) are part of the 2030 Agenda, a package of goals aimed at securing an end to poverty and promoting peace and prosperity globally. The UK played a leading role in the negotiations, and UN members signed up to the UN SDGs in September 2015. The UK presented a *Voluntary National Review* in July 2019 to the UN High-Level Panel Forum, demonstrating progress towards the UN SDGs.

The UK government is delivering and monitoring the UN SDGs through each department's ODPs. Departments are responsible for delivering the UN SDGs as relevant to the policy areas for which they are accountable. Within their ODPs, departments are expected to set out how their planned activity will support the delivery of relevant goals (and international targets). There are 17 goals, under which there are a series of 169 targets. UN SDGs map to ODP priority outcomes as follows:

How our work contributes to the UN SDGs

UN SDG	PO1	PO2	PO3	PO4
UN SDG 1 – End poverty in all its forms everywhere[7]			•	
UN SDG 3 – Ensure healthy lives and promote wellbeing for all at all ages[8]	•	•	•	•
UN SDG 4 – Ensure inclusive targets and equitable quality education and promote lifelong learning opportunities for all[9]	•	•	•	•
UN SDG 8 – Decent work and economic growth[10]	•			
UN SDG 10 – Reduce inequality within and among countries[11]	•	•	•	•
UN SDG 16 – Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels[12]			•	

More information about the goals and targets can be found at the links provided.

PO1: Drive economic growth through improving the skills pipeline, levelling up productivity and supporting people to work

As we recover from the pandemic, embrace the new global opportunities that exiting the European Union brings, and look ahead to meeting our Net Zero ambitions, improving the skills of people across the country will be critical to our future success.

We want the post-16 skills system to give people the skills they need to get great jobs in sectors the economy needs. Our reforms will create a coherent system of high-quality and

7 https://sdgs.un.org/goals/goal1
8 https://sdgs.un.org/goals/goal3
9 https://sdgs.un.org/goals/goal4
10 https://sdgs.un.org/goals/goal8
11 https://sdgs.un.org/goals/goal10
12 https://sdgs.un.org/goals/goal16

high-value provision across the skills system – both FE and HE. We are strengthening higher technical training, giving more people the opportunity to take high-quality Level 4 and 5 qualifications that lead to strong career outcomes.

We will support employers by building a pipeline of skilled employees, access to which will be essential to their growth. To do this, we are putting employers at the heart of post-16 skills, ensuring that education and training lead to great job opportunities and enable people to fill the skills gaps employers have identified. Our support for bootcamps and apprenticeships will help businesses to recruit the right people and develop the skills they need to recover and grow – both now and in the long-term.

Our HE reform agenda will ensure a sustainable student finance system, drive up the quality of higher education provision and promote genuine social mobility.

PO1-OS1 – Expand and raise the profile of technical and higher technical education

Levelling up & skills

Through the Levelling Up White Paper issued by the Department for Levelling up, Housing and Communities (DLUHC), *Levelling Up the United Kingdom*, we have committed to a new skills mission: "By 2030, the number of people successfully completing high-quality skills training will have significantly increased in every area of the UK". This will help make sure that skill levels rise particularly in the places where they are the weakest, so that more people have the skills they need to get good jobs.

Skills accelerator

We provided strategic development funding totalling £40 million in 2021-22 to 18 pilot areas to support reshaping provision in order to address local priorities that have been agreed with local employers. We also gave employers, via employer representative bodies, a key role in working with colleges and other providers to develop new local skills improvement plans (LSIPs) in eight 'trailblazer' areas.

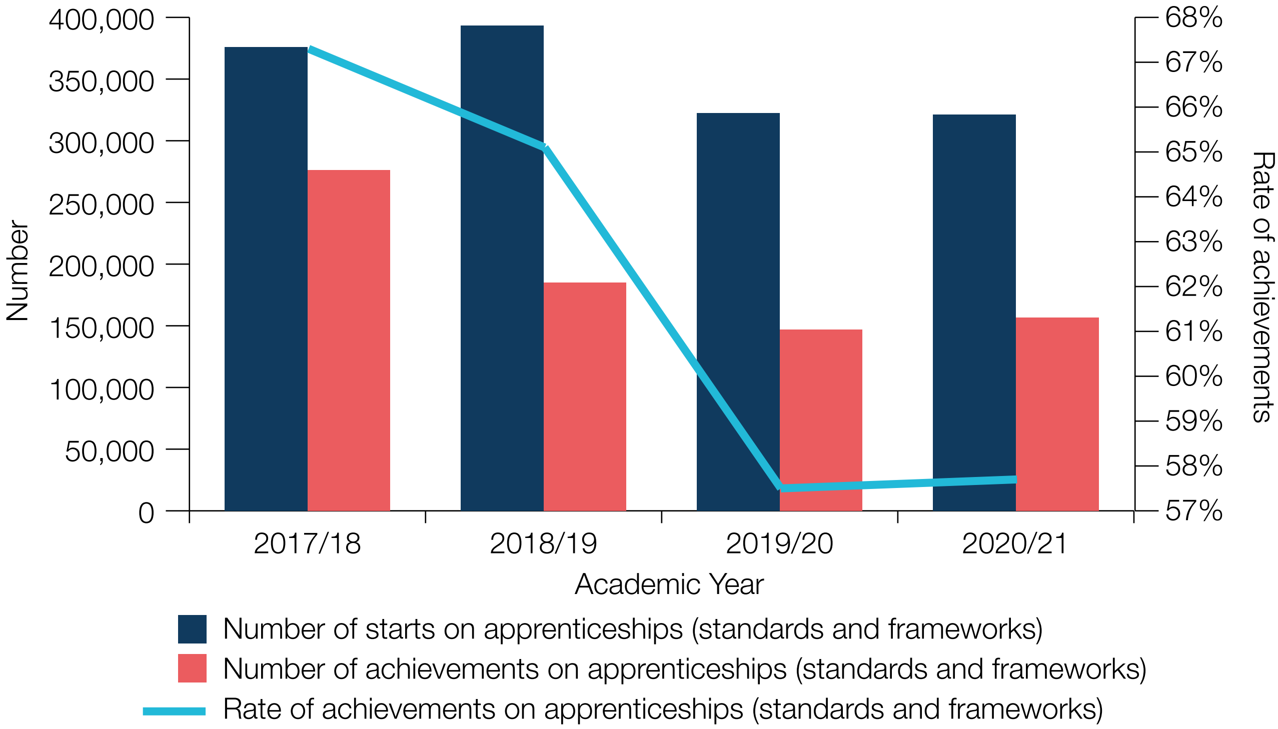
An evaluation of the strategic development funding pilots and LSIP trailblazers is ongoing, and findings are informing the national rollout of the programmes.

PO1-OS2 – Boost skills of those at risk of unemployment due to the pandemic and drive growth in apprenticeships careers

During COVID-19, the National Careers Service introduced a range of initiatives to continue to support all customers; working with partners to offer careers guidance activities designed to support furloughed workers, students, those who had recently lost their jobs and people whose career path was negatively impacted by COVID-19.

As part of the skills recovery package, £21 million was provided to the National Careers Service. The funding provided personal advice for 269,000 adults in priority groups whose jobs or learning were affected by COVID-19. We will continue to support people to develop the skills they need, and the skills employers want as we build back better from the pandemic.

Total number of apprenticeship starts, and total number and rate of achievements on apprenticeships



Apprenticeships are a core part of the government's skills agenda, helping to drive economic growth by improving the skills pipeline. We have been working to drive up the number of starts and the quality of apprenticeships, to give learners the best opportunity to achieve their goals, and to offer further flexibilities to employers.

The 2019/20 and 2020/21 academic years were affected by varying COVID-19 restrictions, which impacted on apprenticeship learning and employers' recruitment decisions, alongside a more challenging economic operating environment.

To support employers to build back better from the pandemic and support new starts, the government introduced incentive payments of up to £3,000 for new apprentice hires between August 2020 and January 2022. Employers submitted claims for over 195,000 apprentices between August 2020 and May 2022.

To encourage employers across all sectors to offer apprenticeships, we are supporting more flexible training models, such as new flexi-job apprenticeships, and making it easier for employers to transfer their levy funds. The Register of Flexi Job Agencies was set up and launched in January 2021, laying the groundwork to make it easier for employers and learners to access flexible delivery models for apprenticeships, particularly in sectors where short term employment is the norm. We launched the Levy Transfer pledging service in September 2021, making it easier for levy paying employers to transfer levy funding to other businesses.

Apprenticeship achievement rates have been lower as the more rigorous apprenticeship standards become embedded, gradually replacing frameworks. We are taking a range of actions to further improve the quality of apprenticeships and raise achievement rates, including providing targeted support to employers and apprentices and introducing a new provider accountability framework.

PO1-OS3 – Encourage world-class high-quality provision and streamlining funding and accountability

We have continued to support post-16 institutions to deliver the high-quality provision that leads to good outcomes for individuals, employers and local areas. We are also supporting key initiatives in the communities that need it most.

Reform of funding

The *Skills for Jobs White Paper* committed to consulting on reforms to the funding and accountability system for adults skills funding. We are proposing to make funding simpler and fairer for providers and refocus accountability on outcomes, with stronger levers within the inspection, support and intervention regime. This will help make sure provision is high quality, delivers the skills employers need and leads to good jobs for learners.

FE college improvements

Through the FE Capital Transformation programme, we are investing £1.5 billion over six years to improve the condition of the FE college estate and, as part of this, are working in partnership with 16 colleges that are most in need of support to upgrade their estates.

FE teacher recruitment

We have supported providers to recruit, retain and develop the teaching staff they need to deliver the best possible education to young people and adults, particularly in priority programmes and sectors. We launched the Teach in Further Education recruitment campaign and digital platform in January 2022, complemented by a bursaries programme for FE initial teacher education.

We have invested in a number of workforce development programmes, including provision of FE professional development grants, mentoring and a tailored support programme for those teachers delivering high quality technical courses like T Levels.

UK Community Renewal Fund

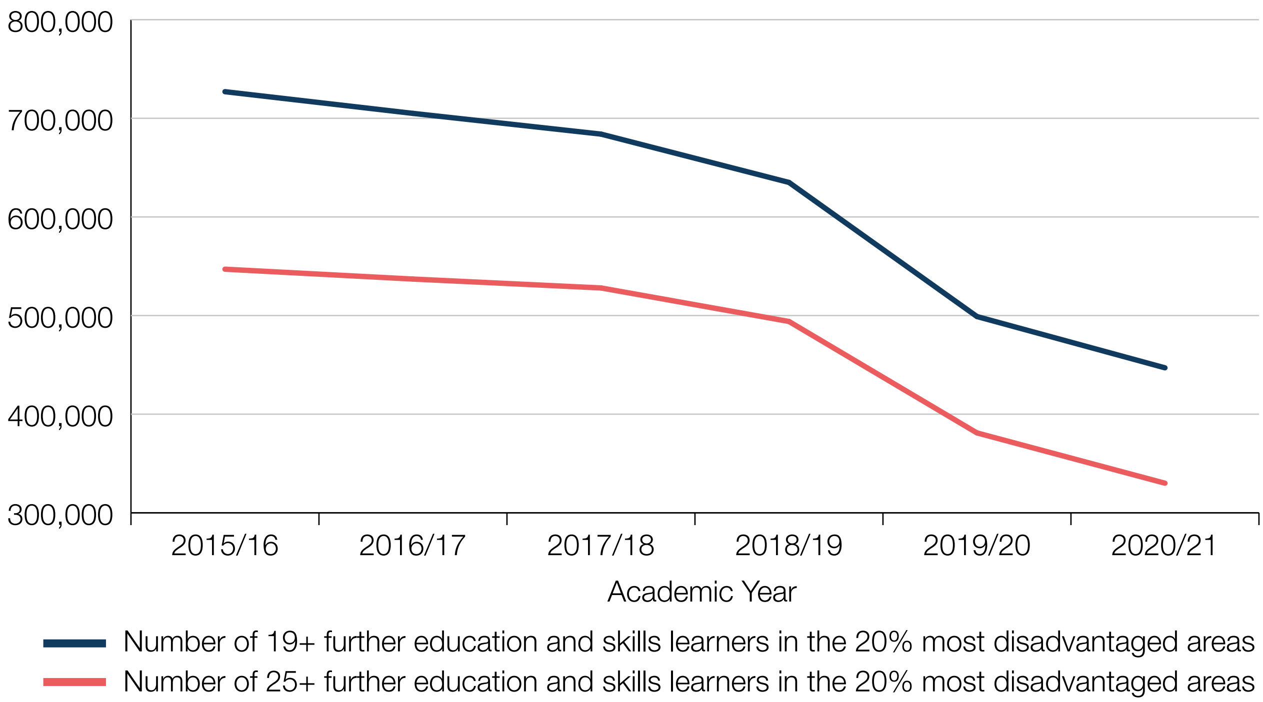
The government has provided £220 million of funding through the cross-government UK Community Renewal Fund to help local areas prepare for the UK Shared Prosperity Fund. This fund aims to support communities most in need across the UK to pilot programmes to invest in skills, community and supporting people into employment. The Department's role was to assist the lead department, DLUHC, in bid assessments. The spending when made will not be the Group's policy funding so will not be recognised in this ARA.

PO1-OS4 – Increase the opportunities adults and young people have to access FE and HE

We have supported our young people to study and train wherever they live, including by minimising the disruption to learning caused by COVID-19. We are committed to supporting more people to train, retrain and upskill on high quality courses throughout their lives.

Not in Education, Employment or Training rates have continued to fall for 18 to 24-year-olds but will continue to be monitored carefully to determine the effects of COVID-19.

Number of 19+ and 25+ further education and skills learners in the 20% most disadvantaged areas



Lifetime skills guarantee

We have commenced our commitment to a lifetime skills guarantee which supports people to train, retrain and upskill throughout their lives and includes a range of policies such as Free Courses for Jobs, which provides free Level 3[13] qualifications for eligible adults, and Skills Bootcamps.

Skills Bootcamps are short, flexible training programmes in England typically lasting up to 16 weeks, which are developed in partnership with employers, colleges, training providers and LAs. They help adults (19+ year-olds) in England develop the skills that are in demand in their local area and get a job or better job. Skills Bootcamps are focused on skills which are needed by the economy, to help improve national productivity. Skills Bootcamps are currently available across the country, offering training in digital, technical, construction, logistics (HGV driving) and green skills. In December 2021, we published data[14] showing 2,800 starts in the initial offering in 2020-21. Building on this, up to 16,000 people will have participated in Skills Bootcamps in 2021-22.

We launched the Free Courses for Jobs offer in April 2021. The initial offer provided full funding for adults aged 24+ looking to achieve their first Level 3 qualification from a list of over 400 fully funded Level 3 qualifications, with good wage outcomes and/or strong alignment with key skills priorities. There were 19,720 enrolments on the offer during 2021-22, with enrolments among eligible learners without an existing Level 3 qualification 56% higher than equivalent enrolments for the same months in 2018-19, by adults who would

13 What education qualification levels mean: England, Wales and Northern Ireland
14 https://explore-education-statistics.service.gov.uk/find-statistics/skills-bootcamps-outcomes#releaseHeadlines-tables

have been able to access the offer had it existed then. This enrolment figure will continue to grow as providers deliver to more learners throughout the year and update their uptake figures. Recently published research[15] shows that Free Courses for Jobs has increased uptake of these key qualifications.

Lifelong loan entitlement

We have taken steps towards introducing a Lifelong Loan Entitlement by stimulating the provision of high-quality higher technical education, introducing pilots to incentivise more flexible and modular provision and consulting on the detail and scope of the entitlement. This will provide individuals with an entitlement to the equivalent of four years of post-18 education (£37,000 in today's fees) to use over their lifetime. It will be available for both modules and full years of study at higher technical and degree levels (Levels 4 to 6), regardless of whether they are provided in colleges or universities.

16 to 19 Tuition Fund

The 16 to 19 Tuition Fund for schools, colleges and all other 16 to 19 providers helped mitigate the impact of disruption to learning arising from COVID-19. This supported small group tuition for 16 to 19 students in English, mathematics and other courses where learning had been disrupted.

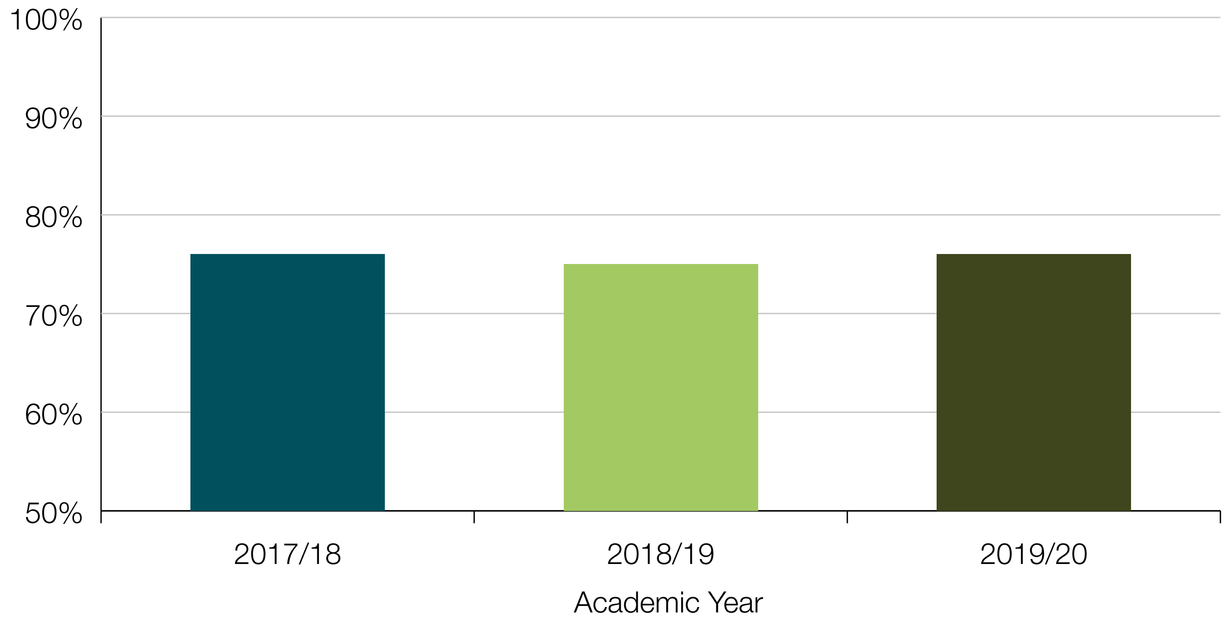
PO1-OS 5 – Ensure HE and technical education support the UK's economic need and improve outcomes for the individual

We are ensuring that higher and technical education supports the economic needs of the UK and individuals by reforming the skills system, and through our work to leverage international evidence, including to support COVID-19 response and recovery, develop international partnerships and support education trade and exports.

The Department has also established a Unit for Future Skills which will further help the skills system to respond to skills needs.

15 https://www.gov.uk/government/publications/evaluation-of-the-level-3-free-courses-for-jobs-offer

Percentage of recent HE graduates in high-skilled employment



Recent HE graduates in high-skilled employment

Of the graduates in 2019/20 who were in UK work by the time of the graduate outcomes survey in winter 2021 (fifteen months after graduation), 76% were in high-skilled employment. This is a slight increase from 75% for graduates in 2018/19. Graduates who were in UK work that had studied science subjects were more likely to be in highly skilled occupations (82%) than graduates of non-science subjects (71%).

International Education Strategy (IES) and education exports

The IES sets out two key ambitions to increase the value of our education exports to £35 billion per year, and to sustainably increase the number of international higher education students hosted in the UK to at least 600,000 per year by 2030. The 2022 update summarised progress against outstanding actions and against the two main ambitions.

Latest data shows positive progress towards the two IES 2030 ambitions:

- 600,000 international students hosted in the UK per year: this ambition was met for the first time in 2020/21 with 605,130 international students studying in the UK an increase of 9% in 2020/21, compared with 556,625 for the previous academic year. This means we met the government's international students' ambition around 10 years early.
- £35 billion education exports per year: total UK revenue from education related exports and transnational education activity was estimated to be £25.2 billion in 2019, an increase of 8.1% since 2018 in current prices.

The latest data indicates that we remain on track to meet both ambitions by 2030 in spite of the pandemic. However, the medium-term effect of the pandemic on both international student recruitment and education exports is not yet apparent. The Department continues to work across government and closely with the devolved administrations and education sector to review progress and support education export growth and pandemic recovery.

We have continued to work with the Department for International Trade to ensure we make the most of the UK's new and independent trade policy and promoting education in free trade agreements, providing opportunities to improve market access, which in turn lays the groundwork for increasing exports. The UK's education exports have a global reach and can support building skills and capacity building in local economies.

Turing Scheme

We have delivered the Turing Scheme (the UK's alternative to the EU's Erasmus+ programme) which is a global mobility programme for students, with a focus on widening access to opportunities to students, learners and pupils from disadvantaged backgrounds. The scheme provides funding for students to undertake study or work placements around the world. The scheme supports the government's Global Britain objectives by enabling UK and British Overseas Territory educational organisations to offer life-changing experiences across the globe.

We have provided £98.5 million of funding across 2021/22 for 41,024 study and work placements across the world. However, the impact of COVID-19 has affected the delivery of planned uptake due to travel restrictions in place in both the UK and the intended destination. As a result, some grant recipients have opted to delay travel to later in the academic year or change destination. We introduced additional measures to support the uptake in placements, including funding for certain COVID-19 related costs and a reduction in the permitted minimum durations for some options, and so we expect final reporting to show the uptake in travel to have increased throughout the remainder of the academic year.

PO2: Level up education standards so that children and young people in every part of the country are prepared with the knowledge, skills and qualifications they need

Our vision is to improve the opportunities available to children and young people across the entire country – particularly in areas outside London and the South East. Raising educational standards, especially in areas of historical underperformance, is the best way to deliver on this agenda and, within this, our most effective lever is improving weak schools.

Furthermore, this outcome also considers how we begin to address the impact of the pandemic on the disruption to pupils' education.

PO2-OS1 – Support children and young people to catch up on lost learning due to COVID-19 disruption

Disruption in schools resulting from the pandemic has had a negative impact on academic outcomes for a great many pupils. Early evidence suggests that disadvantaged pupils and those with less time left in education were particularly affected.

We supported children and young people to catch up on lost learning due to the COVID-19 disruption by delivering:

- increased access to tuition through the NTP, local tutoring provision led by schools and a 16 to 19 Tuition Fund
- infrastructure, connectivity and training in schools and colleges to improve digital capability and cyber security, so they can deliver high-quality remote education, and use technology efficiently and effectively to improve outcomes for all learners
- £302 million recovery premium for schools to further support those who need it most, in the 2021/22 academic year, of which £152 million was spent in 2021-22
- further investment in teacher quality to boost delivery of our reforms to teacher training and development
- the opportunity for students in year 13 to repeat a year (or part of a year) during 2021/22 if they have been particularly severely affected by the pandemic

National Tutoring Programme (NTP)

Since the start of the programme, up to June 2022, the Department estimates over 2 million starts had been made by pupils on courses of tuition provided through the NTP. The programme remains on track to deliver the ambitious target of up to two million starts overall for the 2021/22 academic year.

Evidence suggests that small group tuition can boost progress by an average of two months in secondary schools and four months in primary schools. Independent evaluations of NTP will be exploring the impact of tutoring on pupil attainment outcomes. Tutoring can also help pupils to build resilience. Research shows that individual tuition builds pupils' confidence.

Many pupils find that tutoring offers a safe space to talk about concepts they have struggled with in the classroom, and it provides opportunities for staff to notice areas requiring specialist support.

Remote education

We renewed the temporary continuity direction for 2021/22 until 24 March 2022, ensuring the legal duty on schools to provide remote education continued, mitigating the effect of lost classroom time and ensuring a robust and consistent approach to the provision of remote education. Alongside these expectations we provided a range of support to the system to help deliver them, both in terms of equipment and training.

We then updated remote education guidance, now non-statutory, to apply more broadly than COVID-19, to the range of scenarios of pupil absence.

We continued to fund Oak National Academy (Oak), the online classroom serving millions of children through the pandemic, enabling Oak to continue to be available to schools throughout 2021/22, providing support in developing the ability to switch from classroom teaching to remote provision immediately in case of self-isolation or disruption due to COVID-19. Building on the success of Oak's work in the pandemic, we established a new arm's length curriculum body with the name Oak National Academy on 1 September 2022, with assets transferred from the Reach Foundation which had incubated Oak. The new NDPB will work with teachers across the country, giving them and their pupils access to high-quality digital curriculum resources which are free, optional, and adaptable. These optional resources will be available across the UK, helping teachers deliver a high-quality curriculum.

Get Help with Technology

We delivered over 1.9 million laptops and tablets to schools, academy trusts, LAs and FE providers for disadvantaged children and young people as part of a £520 million government investment across the last two years to support access to remote education and online social care services.

We provided support for over 130,000 families to get online through uplifts in mobile data and 4G wireless routers. This included partnering with the UK's leading mobile operators to provide free data to help over 33,000 disadvantaged children get online and delivering over 100,000 4G wireless routers for pupils without connection at home.

We also provided funding to support schools and FE providers in providing internet access for disadvantaged pupils whose face-to-face education was disrupted due to COVID-19.

Recovery premium

The recovery premium provided over £152 million for state-funded schools in 2021-22, with £302 million budgeted for the 2021/22 academic year. Building on the pupil premium, this funding helped schools to deliver evidence-based practices to support the most disadvantaged pupils.

Mainstream schools received £145 for each eligible pupil while special schools and special units within mainstream schools received £290 for each eligible pupil.

We included a 'floor' to ensure that no eligible primary school would receive less than £2,000 and no secondary, all-through special, pupil referral unit or hospital school would receive less than £6,000.

As part of SR21, an additional £1 billion was awarded for a recovery premium over the next two academic years (2022/23 and 2023/24).

The indicative rates for 2022/23 were published on 20 May 2022, with primary schools continuing to benefit from an additional £145 per eligible pupil. The indicative rates for secondary schools are almost doubled to £276 per eligible pupil to reflect evidence showing greater learning loss for older pupils, who also have less time left in education.

We extended recovery premium eligibility to all registered pupils in special and alternative provision settings for 2022/23. As with recovery premium in 2021/22, the indicative per pupil rates for special and alternative provision settings will be double that of mainstream schools for 2022/23. This means that schools will receive £290 per pupil in primary education and £552 per pupil in secondary education. This extra support is in recognition of evidence showing the disproportionate impact the pandemic has had on estimated average learning loss for those pupils and of the additional costs faced by special settings.

Accelerator fund

For mathematics, participating schools receive fully funded training to deliver focused sessions. The sessions (covering Reception, Year 1, Year 2 and Year 7) will help children to have a strong grasp of numbers by the end of key stage 1, while the Year 7 programme will focus on supporting a secure start to secondary school mathematics. For English, eligible primary schools receive up to £6,000 each for validated phonics programmes, along with additional training and support days for teachers to support the delivery of these programmes. This will boost literacy and numeracy skills and help pupils catch-up on core skills.

Schools with high proportions of children from disadvantaged backgrounds will be prioritised for the schemes to support those most impacted by the disruption to education.

Teacher quality

We are investing over £250 million of additional funding across three academic years (2021/22 to 2023/24) to help provide 500,000 teacher training opportunities for teachers, at whatever point they are in their careers, from new teachers to headteachers. This represents a significant overhaul of teacher training and development in this country and will ensure children are supported by world leading teachers.

As a result, we have been able to expand the reach of the Early Career Framework (ECF) and National Professional Qualifications (NPQs) programmes by:

- **Increasing the number of Early Career Teachers (ECTs) accessing new, world-leading induction training.** We successfully raised our aspirations on the ECF, achieving over 97% coverage of ECTs accessing our full induction programme from September 2021.

- **Increasing support for teachers early in their career who have faced the most disruption from the pandemic.** In 2021-22, £13.9 million funded 5% off timetable for approximately 25,000 ECTs beginning their second year of teaching, enabling them to access our ECF training materials.
- **Significantly increasing the availability of funded NPQ scholarships**, to deliver 150,000 training places over the next three years.

We know that the biggest contributor to the improvement of pupil outcomes is high quality teaching. By expanding the ECF and NPQ programmes we are ensuring that more early career teachers and existing and aspiring school leaders have access to high quality professional development throughout their careers. This additional investment in quality support, training and development is vital in improving the quality of teaching and ultimately improving pupil outcomes.

Year 13 repeats

We gave 16 to 19 education providers the option of offering students in Year 13 (or equivalent in FE settings) the opportunity of repeating up to one more year if they have been particularly severely affected by COVID-19. Students with EHCPs are already able to receive more time to complete and consolidate their learning where necessary and any decision to repeat a year would have been agreed by the LA, as part of the EHCP review.

Individualised learner record and school census data shows that a total of 1,459 students are undertaking a repeat year during 2021/22. This low take up of the programme shows that the repeat year has operated as we intended, being used by a small number of the most affected students.

PO2-OS2 – Raise the quality of teaching and leadership in all areas of the country

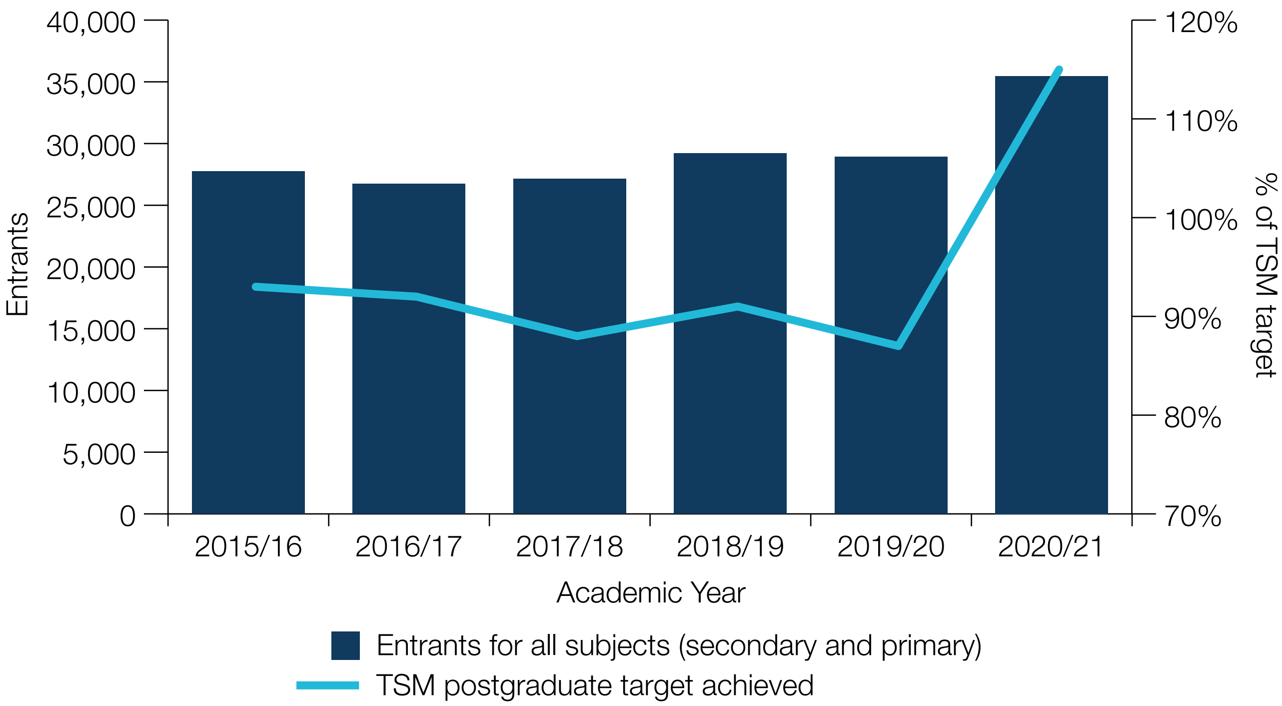
Teacher quality is the most important in-school factor in improving teaching outcomes. Teaching quality is raised by boosting recruitment and retention alongside delivering world-class teacher training and development opportunities. There are 453,000 teachers working in our schools – over 12,000 more than in 2010.

Funding of £406.2 million was secured for 2021-22 as part of the previous Spending Review settlement to deliver teacher recruitment, retention and therefore quality.

Postgraduate initial teacher training (PGITT) applications compared to previous year

Date	Applications	Difference compared to previous year
March 2022	61,755	(18,035)
March 2021	79,790	15,970
March 2020	63,820	250
March 2019	63,570	(1,310)
March 2018	64,880	N/A

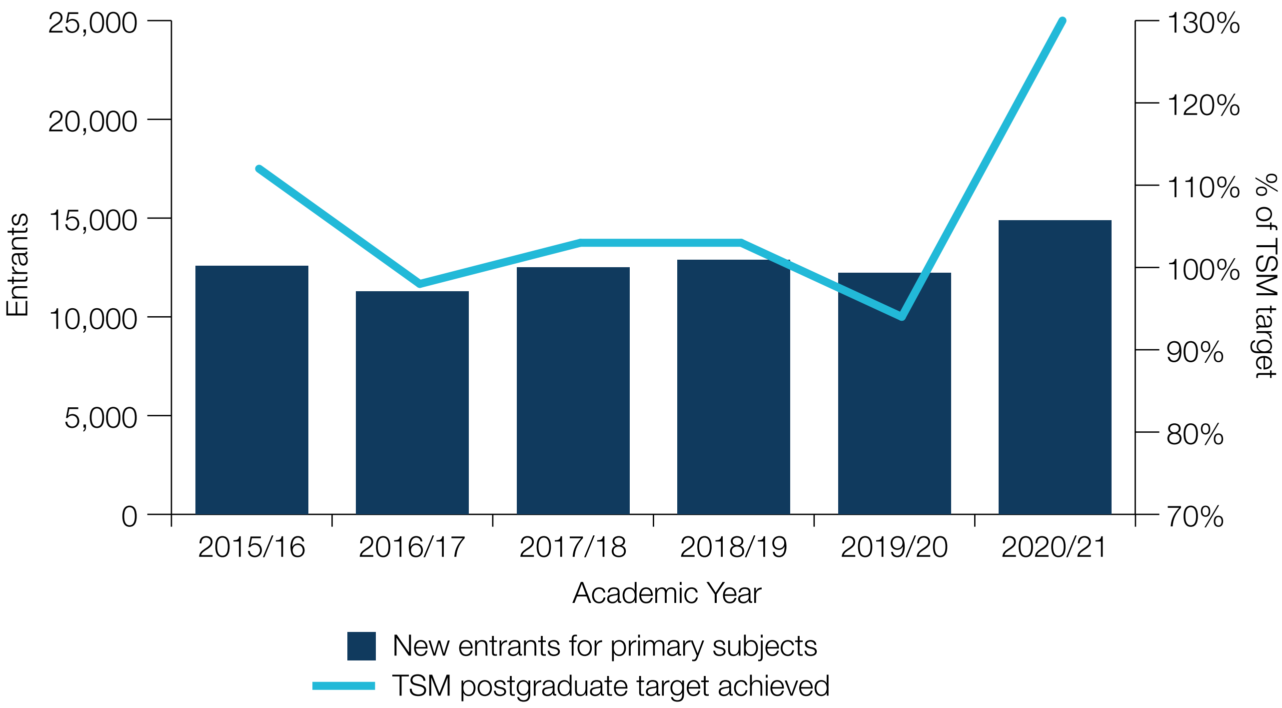
PGITT starts by secondary and primary subjects compared to the target set using the teacher supply model (TSM)



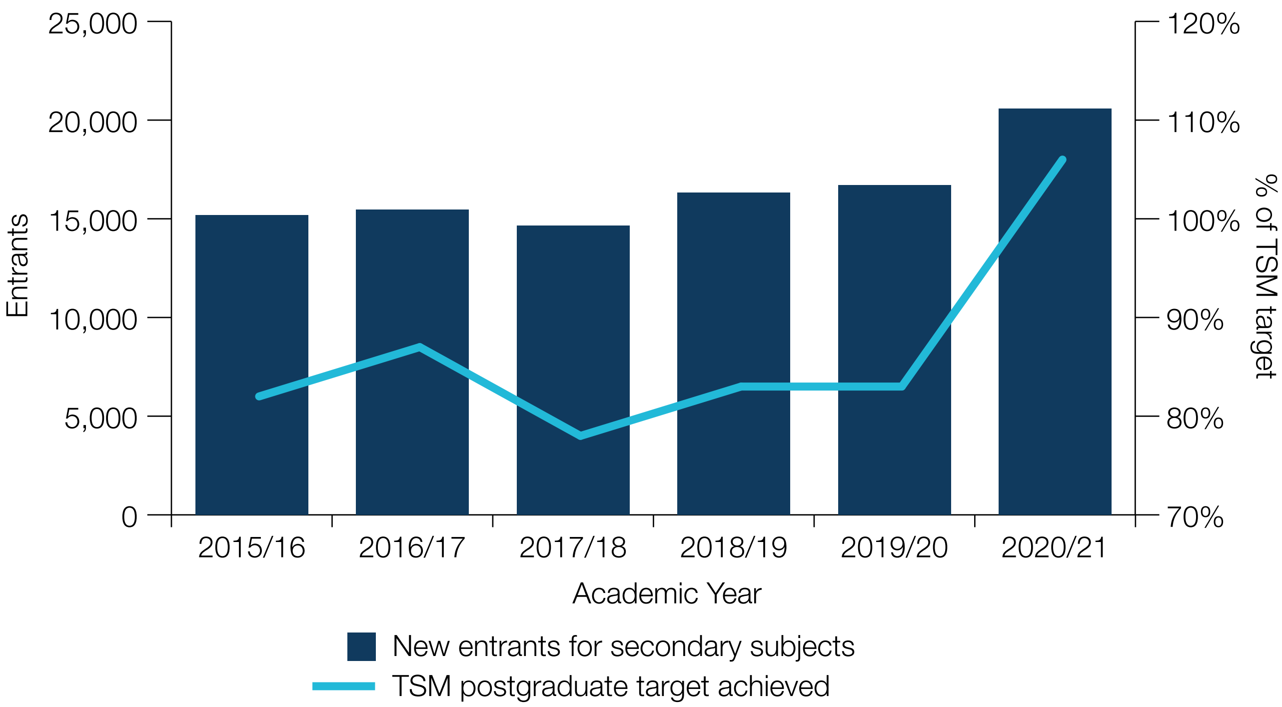
In 2020-21, we saw an unprecedented increase in new entrants to ITT compared to the previous year. This is likely to be a direct result of COVID-19, so comparisons should be made to set the latest data in the pre-pandemic context.

We have provisionally recruited 31,233 new trainee teachers, who hold a degree, to PGITT in 2021/22. This is a decrease of 4,234 (12%) compared to 2020/21, but an increase of 2,316 (8%) compared to 2019/20. We exceeded the PGITT target, with the percentage achieved for all subjects (secondary and primary) being 115%.

PGITT starts by primary subjects compared to the target set using the TSM



PGITT starts by secondary subjects compared to the target set using the TSM



In December 2021, the government published its response to the ITT Market Review, announcing £35.7 million of funding for both providers and schools between August 2022 and September 2025 to enable them to implement reforms that will help to drive up the quality and consistency of ITT provision across the country. The reforms, which are applicable to all ITT courses, introduce a new set of 'quality requirements', which were developed using the best available evidence of good practice in ITT. The reforms help to complete the 'golden thread' of teacher training from ITT through early career development to leadership.

The Department has put in place a range of measures to attract and retain the best teachers and leaders including:

- In 2020/21, on average teachers were awarded a 3.1% pay award, which included a 5.5% uplift to starting pay. This has already made a substantial difference to the competitiveness of the early career pay offer and marked progress towards achieving the £30,000 starting salary manifesto commitment. Further detail is included on this below.
- Bursaries worth up to £24,000 and scholarships worth up to £26,000, to encourage talented trainees into key subjects such as chemistry, computing, mathematics and physics.
- Rolled out our end-to-end recruitment journey, overhauling the process of becoming a teacher, from stimulating initial interest through marketing to the start of training. In October 2021 our new digital service, Apply for Teacher Training, was rolled out. This is a key milestone in the delivery of a more streamlined, user-friendly application route.
- Programmes such as the High Potential ITT programme run by Teach First helped us recruit just over 1,500 high quality graduates and career changers as trainee teachers in 2021/22.
- To build a shared commitment to promoting staff wellbeing, we launched the Education Staff Wellbeing Charter for schools and colleges. It sets out commitments from the Department, Ofsted and schools and colleges on actions to help protect and improve the wellbeing and mental health of staff. Since November 2021, over 1,500 schools and colleges have signed up to the charter.

From 2021-22, the majority of funding for teachers pay has been paid through the schools National Funding Formula, therefore teacher pay awards have been funded from within schools' core budgets. The 2020/21 pay award was affordable for schools, on average, nationally, thanks to the government's investment in core school funding announced at the 2019 Spending Round which delivered a £7.1 billion increase to school funding by 2022-23, compared to 2019-20. No additional funding was provided by HMT to deliver the 2020/21 pay award.

Alongside this, the Department is investing over £250 million to deliver 500,000 teacher training and development opportunities by 2024, giving all teachers and school leaders access to world-class, evidence-based training and professional development at every stage of their career. This represents a significant overhaul of teacher training and development and will ensure children are supported by world-leading teachers.

This investment includes £184 million to support increased delivery of NPQs. A new suite of NPQs is being delivered that are designed to help the teaching profession hone and develop their skills, supporting them to become more effective teachers and leaders inside and outside the classroom. NPQs provide training and support for teachers and school leaders at all levels and deliver improved outcomes for young people. The suite includes three leadership qualifications and three specialist qualifications for teachers and leaders who want to develop their expertise in specialist areas of teaching practice.

In September 2021, ECF reforms were rolled out nationally, the biggest teaching reform in a generation – backed by over £130 million a year in funding of which £36 million was spent in the year. These reforms provide a high-quality evidence-based two year induction programme for early career teachers. Produced with sector experts and validated by the Education Endowment Foundation, the framework sets out what all early career teachers should learn during the first two years of their careers and provides the solid foundations for a successful career in teaching.

All early career teachers are entitled to funded time off timetable to complete their training as well as having access to a high-quality mentor in the first two years of their career.

The Department dramatically expanded the reach of the ECF and NPQ programmes, securing £18.3 million across three academic years (2021/22 to 2023/24) as part of the Department's Education Recovery package, announced in June 2021, and detailed in PO2-OS1 above.

The national network of 87 teaching school hubs became fully operational in September 2021, ensuring every school has access to a school-based centre of excellence for teacher professional development. Teaching school hubs deliver the 'golden thread' reforms of the ECF-based induction training, NPQs, and ITT.

PO2-OS3 – Support schools to deliver brilliant lessons for every child and provide support on discipline and behaviour

Our main levers to support schools are our Curriculum Hub programmes (music, computing, languages, English and mathematics), the Behaviour Hubs programme and our model curricula guidance (music, English, primary mathematics and key stage 3 mathematics), which champion important strands of the curriculum and share the best teaching practices from experts, such as Ofsted and high performing schools.

Humanities, English, Arts and Languages (HEAL) – cultural and music education

All schools are required to provide a broad and balanced curriculum, and academy trusts are expected to provide a curriculum which is as broad and ambitious as the national curriculum, as set out in the Ofsted inspection framework (2019). Many schools will also offer a range of extra-curricular arts offers but these vary significantly from school to school based on the school ethos, priorities, leadership focus and school's resources.

The cultural and musical education programmes support access to, and teaching of, the arts. The programmes help pupils progress, and support wellbeing and career choices in our vibrant cultural and creative industries. The music education programmes widen access for disadvantaged pupils and provide pathways for talented young musicians.

HEAL – languages education

High quality teaching informed by strong knowledge of languages pedagogy is key for strong pupil take up and achievement. There is evidence to show that the current quality of language teaching in schools across England is inconsistent. Ofsted's 2015 report, *Key stage 3: the wasted years*, found that, in just under half of languages lessons observed, teaching was not good enough and pupils were not being sufficiently engaged or challenged.

Implementing a more effective modern foreign language pedagogy in schools is a necessary step towards more pupils being prepared to study GCSE from age 14.

Mandarin Excellence programme

We firmly believe that learning other languages is important for a broad and balanced curriculum as well as helping pupils to prepare for life in modern Britain. The programme complements other key language programmes whilst supporting international relations, economic needs and key educational objectives of the Department as well as individual pupils.

Latin Excellence programme

Latin and other classical subjects are predominantly studied in London and the South East with opportunities to study these subjects in state schools, particularly in non-selective state schools, outside of these areas being rare. The programme will incentivise the contractor to recruit schools which fall outside these brackets as a principal step towards counteracting this geographical inequality and contributing to the levelling up agenda.

HEAL – English

The English Hubs programme is dedicated to improving the teaching of reading, with a focus on supporting children making the slowest progress, many of whom come from disadvantaged backgrounds. The English Hubs are currently delivering intensive support on phonics to over 1,000 partner schools, reaching approximately 50,000 pupils in Reception and Year 1, with supported schools containing an above average proportion of FSM pupils.

By ensuring high quality phonics teaching, the English Hubs programmes will help to improve literacy levels to give all children a solid base upon which to build as they progress through school and help children to develop the habit of reading widely and often, for both pleasure and information.

HEAL – humanities education

The Lessons from Auschwitz programme offers an experiential approach to educating pupils about the Holocaust based around visits to Auschwitz. The Centre for Holocaust Education provides expert high-quality training and resources for teachers to help them teach the Holocaust knowledgeably and sensitively.

HEAL – music education hubs (MEHs)

MEHs work with around 90% of all schools supporting them to deliver brilliant music lessons for every child by working on school music education plans, providing whole class ensemble tuition and ensuring every school has a singing strategy. The Department funds around 40%

of MEHs income, with other income being generated from school and parental contributions, fundraising and other avenues. MEHs work with schools to deliver continuous professional development in music to raise the quality of teaching for this National Curriculum subject. They ensure that pupils can access an instrument loan service and peripatetic music teachers so that all pupils are able to access musical instrument lessons, and funding is targeted to ensure that the most disadvantaged pupils can access instruments and tuition for free. The wraparound offer of MEHs means that schools across the country, in particular primary schools where subject knowledge is not high, are supported to improve their music education provision in a compulsory subject (key stages 1 to 3).

HEAL – music and dance scheme (MDS)

MDS works with eight independent schools and 21 Centres for Advanced Training covering most of England. The scheme provides means tested bursaries for exceptionally talented students to receive specialist music or dance education to enable them to move into a career in the arts if they so choose. Many of the families receiving support are on low incomes, and without the bursary would otherwise be unable to afford the fees, ensuring the arts are not preserved for the elite and that those exceptionally talented are given the same opportunity as the wealthy.

The centres provide specialist music or dance education in the evenings and weekends. They provide this outside of a student's education setting, further helping to enrich their time outside of their school environment.

The schools also provide a broad and balanced curriculum alongside their specialist fields, ensuring the students receive a high standard of education to maximise their potential.

Science, technology, engineering and mathematics (STEM) – computing and technology

The Department has funded the National Centre for Computing Education programme since November 2018. This programme aims to improve the quality of computing teaching in England. This is achieved through a network of 34 hubs providing national reach, to ensure that computing teachers in all state-funded primary and secondary schools in England can access CPD opportunities through face-to-face, remote-live and online provision; a central repository comprising free curriculum-linked teaching resources; and through online GCSE and A level support for both teachers and pupils.

STEM – mathematics

There are two mathematics delivery programmes under this banner: the Advanced Mathematics Support programme and the Mathematics Hub programme which consists of 40 Mathematics Hub grants.

The Mathematics Hub programme aims to improve the teaching of mathematics from ages 4 to 18 through sustained teacher development, the largest of which is the Teaching for Mastery programme. Other support includes training for Local Leaders of Mathematics Education to build expertise in mathematics in the school sector, subject knowledge training for a range of classroom practitioners and support for mathematics leadership in schools. In 2021/22 alone, Mathematics Hubs worked with 44% of all primary and 46% of all secondary schools. All training and support on offer in Mathematics Hubs is rooted in mastery, a pedagogy based on techniques used in high performing East Asian jurisdictions which focus on depth of understanding and the expectation that every pupil can succeed.

The support programme delivers high quality teacher professional development. It also provides focused support and enrichment for students and institutions across AS/A level mathematics, further mathematics and core mathematics to improve participation and provision in Level 3 mathematics and increase the number of students studying STEM degrees.

Mental health schools model

The Department has invested over £9.5 million to fund training for senior mental health leads in education settings, as part of our commitment to fund training for leads in all schools and colleges by 2025. As of January 2022, 6,650 eligible schools and colleges had completed their application for a senior mental health lead training grant.

Senior mental health lead training supports education staff to implement an effective whole school or college approach to mental health and wellbeing in their setting. Research indicates that taking a coordinated and evidence-informed approach to mental health and wellbeing leads to improved emotional health and wellbeing in children and young people, and greater readiness to learn. Schools and colleges which have taken this approach often report improved attendance, attention, behaviour and attainment.

Our work in this area has been through strengthening schools' approaches to safeguarding and wellbeing, improving statutory guidance, introducing compulsory relationships, sex and health education and strengthening the role of Designated Safeguarding Leads.

Independent schools and safeguarding in schools

Inspection and regulation of over 2,300 independent schools in England has ensured that appropriate action has been taken where schools are failing to provide safe and sufficiently broad education. In many cases, schools have been required to provide action plans to address failings, and improvements have been tested through further inspections. In some cases, failings have been significant or long running and enforcement action has either placed restrictions on schools to further encourage improvement, or deregistered schools (causing them to close) in the most serious cases.

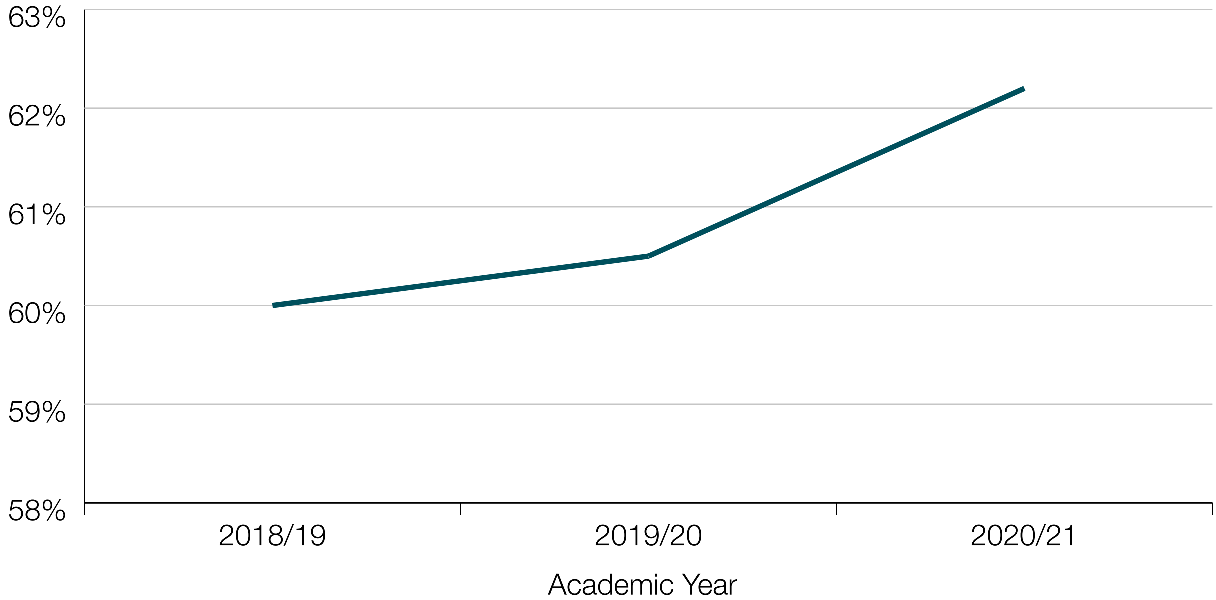
Investigation and prosecution of illegal schools has led many settings operating outside regulation to close or change their operation to enable children to attend registered schools which are safe and provide a broad education.

Development of school safeguarding policy has improved safeguarding at schools and inspection practice to better ensure children are educated in safe environments.

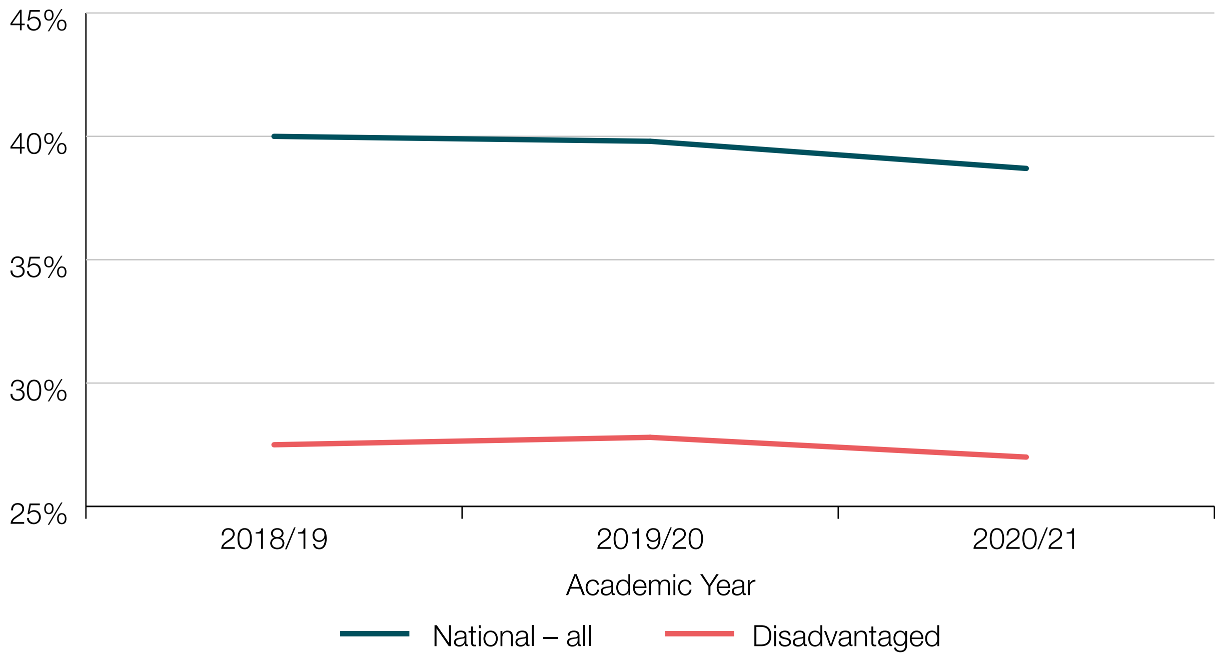
Behaviour Hubs

Behaviour Hubs is a £10 million programme to improve pupil behaviour in schools that enables schools with exemplary positive behaviour cultures to work closely with schools that want and need to turn around their behaviour, alongside a central offer of support and a taskforce of advisers. The aim is for participating schools to improve their behaviour culture and for the Department to disseminate good practice across the country. The first hubs launched in April 2021 and the programme will run for an initial period of three years, aiming to support up to 700 schools in this period. As of March 2022, there were 50 lead schools and 10 lead MATs. The programme is fully funded by the Department and is open to primary, secondary, alternative provision, special schools and MATs.

Percentage of young people achieving GCSEs in English and mathematics by age 19

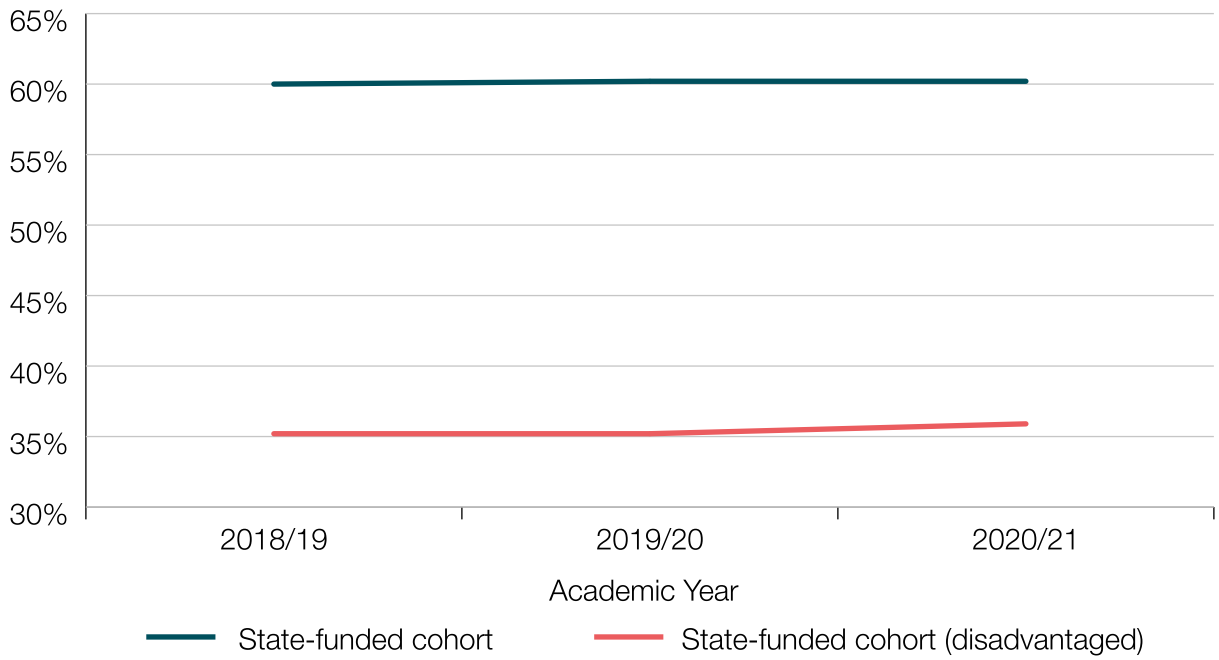


Percentage of pupils entered for the EBacc suite of qualifications (national – all and for disadvantaged pupils)



National – all includes state-funded schools, independent schools, independent special schools, non-maintained special schools, hospital schools, pupil referral units and alternative provision. Alternative provision includes academy and free school alternative provision.

Percentage of young people attaining Level 3 by age 19



Disadvantage gap index (key stage 4) – national

Academic year	Index
2020/21	3.79
2019/20	3.66
2018/19	3.70

PO2-OS4 – Raise school standards right across the country and support every school to join a strong family of schools, especially in areas where standards are weak

The Department continued to offer support to LA maintained schools, single academy trusts and MATs through the Trust and School Improvement offer. The offer matched eligible schools with system leaders from schools and trusts. These system leaders helped identify short-term improvement actions and priorities, and ensured there was sustainable improvement capacity in the long-term, including through joining a MAT. For MATs, the system leader worked to drive improvement at the trust level and ensured school-level actions aligned with the trust's improvement approach.

The Department's Trust Capacity Fund offered just over £18.6 million to 142 MATs to develop central trust capacity (new HR, IT, staffing, or training processes that benefited all of a trust's academies) and supported these trusts in taking on additional schools. The scheme prioritised supporting trusts to take on challenging schools in under-performing areas of the country.

The number of free schools continued to grow over the last financial year. During 2021-22 57 free schools were opened across 46 LAs. At capacity, these schools will provide over 29,700 places.

The Department continued work to make its services for schools more user-centred and productive, taking advantage of digital solutions via GOV.UK where appropriate.

At the end of March 2022 there were:

- over 9,200 academies
- over 600 free schools
- in total, 9,887 academies, free schools, UTCs and studio schools

In the year to 31 March 2022 we opened:

- 293 converter academies
- 53 sponsored academies – typically these replaced underperforming LA maintained schools
- 57 free schools

More than 7 out of 10 sponsored academies are now rated Good or Outstanding, compared to around 1 in 10 of the LA maintained schools they replaced.

Percentage of schools, further education and skills providers rated good or outstanding by Ofsted

Date	State-funded schools	Non-association independent schools	Further education and skills providers
August 2021	86%	78%	83%
August 2020	86%	77%	80%
August 2019	86%	75%	81%
August 2018	86%	69%	80%
August 2017	87%	68%	79%
August 2016	86%	72%	81%
August 2015	82%		
August 2014	79%		
August 2013	77%		
August 2012	69%		
August 2011	69%		
August 2010	68%		

White Paper: *Opportunity for all: strong schools with great teachers for your child*

The Schools White Paper was published in March 2022. This set out the Department's long-term vision for a school system that helps every child to fulfil their potential by ensuring that they receive the right support, in the right place, at the right time.

This rests on four pillars of delivery:

- an excellent teacher for every child
- high standards of curriculum, behaviour and attendance
- targeted support for every child who needs it
- a stronger and fairer school system

The White Paper sets out the Department's priorities for system reform. This will enable a fully trust led system with a single regulatory approach, through the growth of strong trusts and the establishment of new ones, including trusts established by LAs.

Furthermore, the White Paper commits that the percentage of children meeting the expected standard will improve by a third in the worst performing areas. This is to support the Levelling Up ambition of 90% of children meeting expected standards at key stage 2 in reading, writing and mathematics. It also announced investment in the early years workforce, including training for early years practitioners to support literacy and numeracy teaching.

PO2-OS5 – Help schools drive the best value from school funding

We have continued to improve fairness and consistency of schools' funding with a goal of progressing over time to a 'hard' national funding formula, so that a single, national formula will determine every school's funding.

Our investment in the school resource management programme will support schools to maximise the value of every pound, and we continue to ensure that schools are safe, well maintained and fit for a world-class education. We have also committed to rebuilding 500 schools in England over the next decade, giving long-term stability and certainty both to schools and the construction sector.

PO3: Support the most disadvantaged and vulnerable children and young people through high-quality local services so that no one is left behind

We are committed to ensuring that vulnerable and disadvantaged children get the support they need and that we continue to increase system capacity and capability. The strong SR21 settlement for 2022–2025 that we secured will help us to do this. We also published the SEND and AP Green Paper this year (29 March 2022) which sets out ambitious proposals to ensure that every child and young person with SEND can access the right support, in the right place, at the right time including from health and care.

Furthermore, we are considering our response to the Independent Review of Children's Social Care, which called for a reset of the CSC system so that it acts decisively in response to abuse; provides more help to families in crisis; and ensures those in care have lifelong loving relationships and homes. We are seeking to create a coherent education, health and care system that works in the interest of all children in England and levels up opportunities; including through a more inclusive education system with excellent local mainstream provision to improve the experience and outcomes for children and young people with SEND and those who need alternative provision.

However, COVID-19 further exacerbated disadvantages and placed additional pressures on already stretched services. Despite this, LAs were able to continue operating at safe levels with 9 in 10 below a 10% social worker absence threshold during January 2022 and leaders across the system making enormous efforts to maintain effective services.

In the context of the pandemic, it was difficult to track progress against published metrics – either because data collection or inspection was paused, or the metric was impacted by the pandemic. However, we know that COVID-19 impacted on the attendance of children, especially those with an EHPC and who attend specialist settings, as well as staff availability in special/alternative provision/pupil referral unit settings. In response, we wrote to local safeguarding partnerships asking them to review their plans to keep children safe. To help increase attendance in special schools, where attendance dropped to 78%, compared to 85% in secondary and 89% in primary, we prioritised these settings for CO_2 monitors and air filtration units, extended the Workforce Fund for eligible schools to meet costs of staff cover, and ensured continued access to government-funded personal protective equipment and workplace/at-home testing. We also provided £24 million through the CSC Covid Regional Recovery Fund to support LAs to work collaboratively to stabilise and build back CSC services (including improving on technological innovations and learning from working practices during the pandemic).

Absence, persistent absence and absence for FSM and EHCP

Academic year	Overall absence rate	Overall persistent absence rate	Absence rate for FSM pupils	Absence rate for EHCP pupils
2020/21	4.6%	12.1%	7.8%	13.1%
2019/20*	N/A	N/A	N/A	N/A
2018/19	4.7%	10.9%	7.5%	8.7%
2017/18	4.8%	11.2%	7.6%	8.7%
2016/17	4.7%	10.8%	7.3%	8.2%
2015/16	4.6%	10.5%	7.0%	7.7%
2014/15	4.6%	11.0%	7.0%	7.7%
2013/14	4.5%	10.7%	6.7%	7.5%
2012/13	5.3%	13.6%	7.6%	8.2%
2011/12	5.1%	13.5%	N/A	N/A
2010/11	5.8%	16.3%	N/A	N/A

Absence for 'children in need'

Financial year	Absence rate
2020-21	13.4%
2019-20*	N/A
2018-19	11.4%
2017-18	11.0%
2016-17	10.4%
2015-16	9.8%
2014-15	9.6%
2013-14	9.4%
2012-13	10.4%

*COVID-19 interrupted reporting on absences in 2019/20.

In response to the tragic and horrific cases of Arthur Labinjo-Hughes and Star Hobson, the Department announced that services would transfer to a new children's trust and the appointment of a commissioner in Bradford and an adviser in Solihull to support improvements in the services children and families receive in these areas. As a direct result of Arthur's case, we updated our definition of vulnerable children and young people to encourage schools to monitor a greater number of children whilst COVID-19 related absences were high. The Department will respond to the lessons learnt identified in the national Child Safeguarding Practice Review Panel report which was published in May 2022.

Despite these challenges, the Department has made real progress with delivery against three outcome strategies.

PO3-OS1 – Programmes to ensure safe and loving homes to improve the experiences of children and their families

We launched a new £160 million national adoption strategy in July 2021 for the duration of SR21 (2022-2025) to ensure families get better support to adopt children, and over 17,000 children have been supported through the Adoption Support Fund.

We took action to improve placement quality and stability through banning the use of unregulated accommodation for children under 16 in September 2021. We also launched a new capital funding programme in July 2021 of £19.5 million (matched funding with LAs) over two years to establish new children's homes provision.

We continued to provide support for care leavers including through investing £33 million for local implementation of the Staying Put programme, piloting the linked Staying Close programme and giving funding to around 60 LAs to support care leavers at the highest risk of rough sleeping.

Provided £27.3 million to support over 63,000 families raising children and young people with disabilities or serious illnesses.

PO3-OS2 – Programmes to promote engagement and participation in education and training through helping to address the barriers facing vulnerable and disadvantaged children and young people

We invested £16.5 million for LA advocates for children with a social worker through extending the virtual school head role to promote and support the education of all children with a social worker.

We provided a further £18 million for Opportunity Areas, bringing total investment to £108 million, to share learning with other areas facing entrenched social mobility issues.

We continued to deliver the Holiday Activities and Food programme funding £220 million to LAs who spent £175 million in the year allowing over 600,000 children to attend a summer holiday club in person.

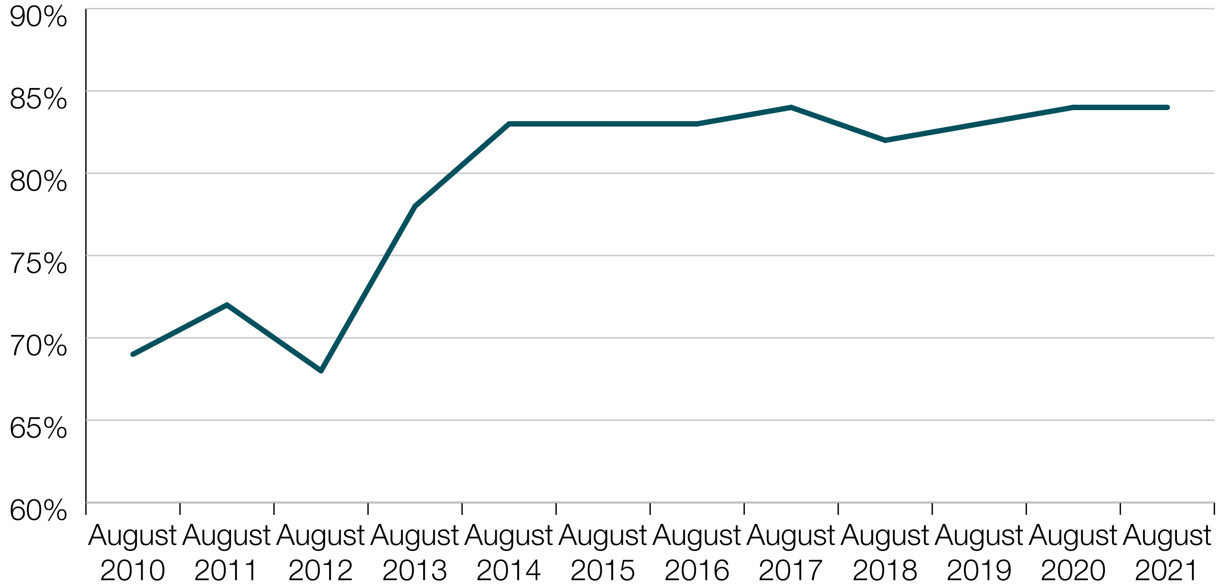
In December 2021, leading experts came together to establish the Attendance Action Alliance to supercharge efforts to improve school attendance. Work is ongoing but outcomes and activities so far include over 240 children's social workers attending seminars on best practice in supporting children in need to attend schools; and over 9,500 staff from schools and LAs attending webinars on attendance best practice.

PO3-OS3 – Programmes to drive improvement in efficiency and effectiveness of local public services

We continued improvement and intervention programmes to support LAs to enable them to support each other to improve. We intervened in 64 local areas to improve their SEND services and 27 LAs to improve CSC services. As of 31 March 2022, 53% of LA CSC services are now rated good or outstanding. Of the 16 local areas re-inspected in 2021-22 all made some improvements in addressing areas of significant weakness in their written statement of action, with just four making sufficient progress in all areas of weakness.

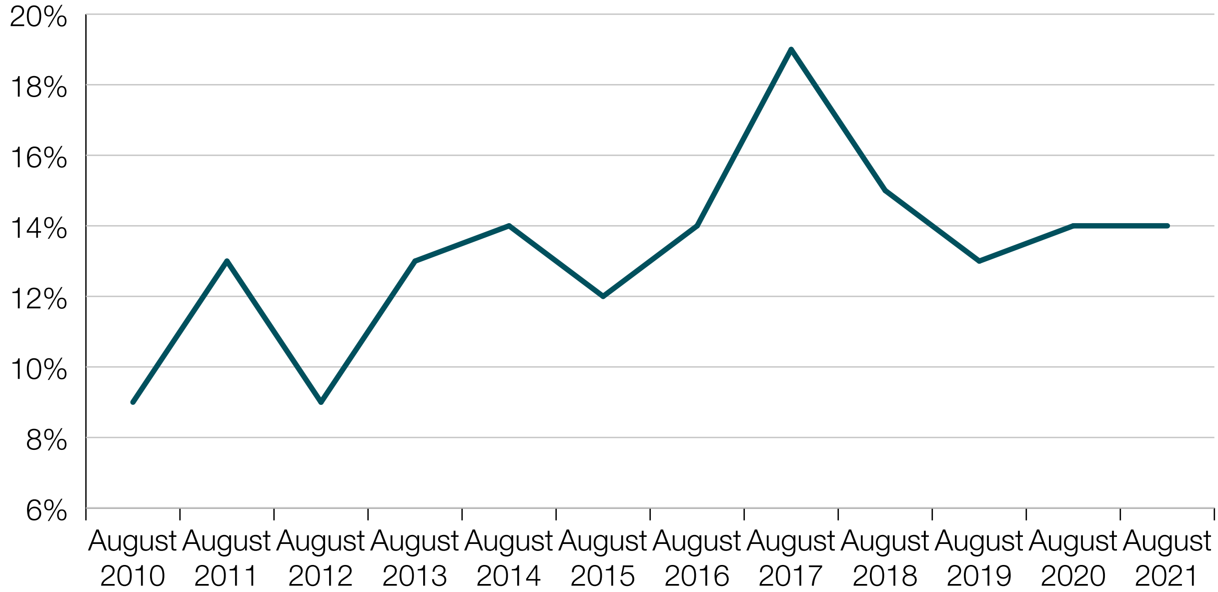
We supported the social work workforce including accrediting over 1,500 social workers through the National Assessment and Accreditation System, and 2,195 completing the Assessed and Supported Year in Employment.

Percentage of alternative provision schools rated good or outstanding by Ofsted



Pauses in data collection and Ofsted activity continues to impact on gauging the quality of LA practice and whether it is improving, deteriorating or staying the same.

Percentage of LAs rated inadequate for children's social care services



Percentage of LAs with a written statement of actions (or equivalent) for SEND services issued by Ofsted

Date	Percentage of LAs	Number of areas inspected (since May 2016)
December 2021	55%	132
March 2020	51%	116
August 2019	50%	100
July 2019	44%	68

Percentage of LA SEND services with a written statement of actions (or equivalent) that are revisited and have made significant progress (or equivalent judgement)

Date	Revisited areas that were deemed to be making sufficient progress when revisited	Number of areas revisited (since December 2018)
December 2021	39%	33
March 2020	43%	21
August 2019	55%	11

PO4: Provide the best start in life through high-quality early education and childcare to raise standards and help parents to work

A child's early years are a crucial time for their development, and families across the country rely on locally available childcare to help them balance their home and work commitments. We want high-quality early education and childcare provision everywhere – to help reduce the outcomes gap for disadvantaged children, helping prepare children for school and supporting parents in or into employment.

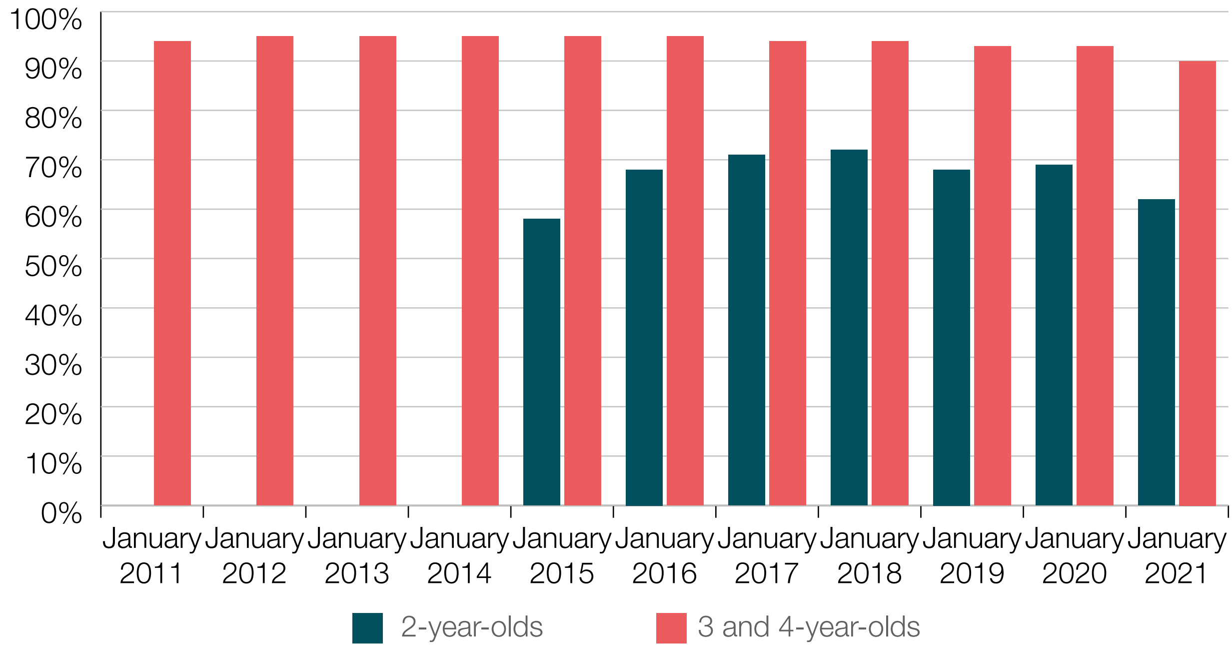
We know that long-term positive outcomes resulting from investment in childcare include higher lifetime earnings, better health, greater productivity in the UK economy, increased tax revenue and lower unemployment.

Throughout 2021-22, we have sought to deliver high-quality early years provision that raises outcomes for young children, maximising take up of the early education entitlements and minimising any barriers to access to support for the most disadvantaged children, setting up every child for future life success.

We have established connections with Department of Health and Social Care (including setting up a joint board to deliver the Family Hub and Start for Life programmes), HMRC and Department for Work and Pensions (DWP) supporting each other to deliver our shared objectives.

PO4-OS1 – Maintaining sufficient local supply on the childcare market and maximising the take up of the early education entitlement

Percentage of eligible children taking up the early education entitlements (15 hours for disadvantaged 2-year-olds, universal entitlement for 3 and 4-year-olds), including by region



The above data shows that the take up in early education entitlements is lower for the period to January 2021. The main factor behind this is that the 2021 data collection (the early years census) took place at a time when parental anxiety was high because of COVID-19. As a result, take up of the early education entitlements decreased.

Take up of the 2-year-old entitlement targeted at disadvantaged households dropped from 69% in January 2020 to 62% in January 2021. While it is disappointing to see take up of the 2-year-old entitlement decline we recognise that providers and LAs made a strong effort to promote the entitlement during the pandemic. As a result, over 124,000 2-year-olds are accessing the entitlement and benefitting from early education.

Every 3 and 4-year-old is eligible for 15 hours of free childcare a week. Take up of the universal 15-hour entitlement remains high with 90% of 3 and 4-year-old children registered to receive it in 2021, but this is a slight decrease compared to 2020.

In addition to the universal 15-hour entitlement, all 3 and 4-year-olds from working families are entitled to extended hours and can receive 30 hours of free childcare a week. This is a positive choice for children and families; the increase in free childcare provision supports parents, including mothers, in making choices about going back to work and/or increasing their hours at work, and there are potential positive impacts on family relationships and functioning via the improvements in children's outcomes.

Prior to 2021, more children had registered to receive the 30-hour childcare offer each year since its introduction. The 2021 data collection saw the first decrease with a similar number registered as in 2019.

PO4-OS2 – Set up every child for success by ensuring high-quality, safe education and childcare throughout the COVID-19 pandemic and beyond for all children

The Early Years Foundation Stage (EYFS) reforms were introduced in September 2021 as planned, which included strengthening the curriculum, teaching practice and assessment in reception and pre-school settings. These reforms will help ensure all children in early years settings benefit from a holistic and inclusive curriculum, with a strong focus on early language and communication skills as elements that matter most for children's development and later attainment. We have provided a range of implementation support to settings, including a new online service called Help for Early Years Providers and ongoing work through our EYFS engagement contract organisation, which has been the National Children's Bureau.

Percentage of registered early years settings rated as good or outstanding by Ofsted

Date	Registered early years settings rated as good or outstanding by Ofsted
August 2021	97%
August 2020	96%
August 2019	96%
August 2018	95%
August 2017	93%
August 2016	91%
August 2015	85%

Education recovery

Early Years Education Recovery programmes are beginning to provide evidenced based training opportunities to develop a skilled workforce, ensuring children in settings receive high quality early education and care. Programmes include:

- online child development training to all early years practitioners in England
- supporting 1,300 practitioners in 51 LAs to work with children at risk of falling behind due to COVID-19. In addition to early language and early mathematics, this programme covers personal, social and emotional development and workforce mental health and wellbeing
- recruiting 2,000 practitioners in early years settings, reaching around 32,000 children
- more funding for early years initial teacher training (EYITT): 400 additional EYITT graduates trained annually over the next two years, on top of a baseline of 600 graduates annually
- Nuffield Early Language Intervention (NELI) where we estimate 90,000 reception age children will be supported with their speech

Cost and availability of childcare

We have begun a programme of cross-government work to address the costs and availability of childcare from the early years through to school age provision. This work is being conducted jointly across government.

Family Hubs

We have launched a Family Hubs fund to support at least 12 LAs in England to move to a family hub model of service delivery by March 2024.

The National Centre for Family Hubs opened in May 2021 and provides expert advice, guidance, and advocacy, working with LAs to champion the family hub approach.

Holiday activities and food programme

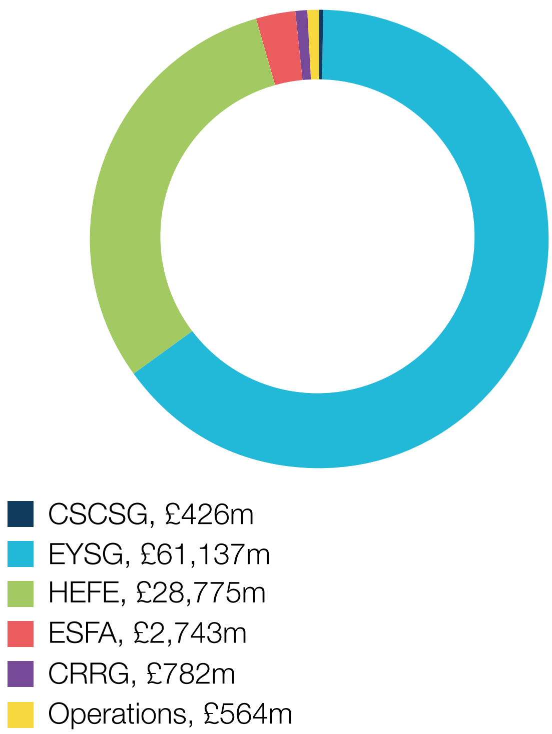
The Department expanded this programme to reach all LAs in 2021 and who claimed £175 million for its provision. The programme provides free holiday club places to children and young people, with healthy meals and enriching activities. It is primarily targeted at children on benefits-related FSM, and takes place in the summer, Easter and Christmas holidays. Based on reporting from LAs, over 600,000 children and young people attended the programme in the 2021 summer holidays. Over 495,000 of these participating children were receiving benefits-related FSM, and the remainder were considered by the LA to be otherwise in need of this holiday provision.

Additional analysis of performance across business groups

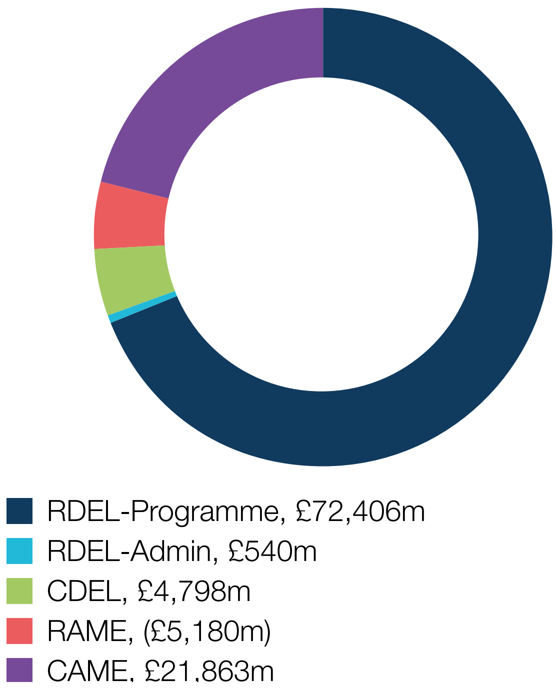
Outturn by business group and budget type

The figures across the next pages present the current and previous year's TME analysed across business groups and budget types for the Group as a whole and then for each business group. The prior year figures have been restated to reflect two student loan prior year adjustments which improves comparability to 2021-22 balances and match the outturn balances tabulated on page 41. The 2020-21 £1 billion CAME adjustment has been removed since it related to 2019-20 and 2020-21 RDEL and RAME outturns have been adjusted for the management charge.

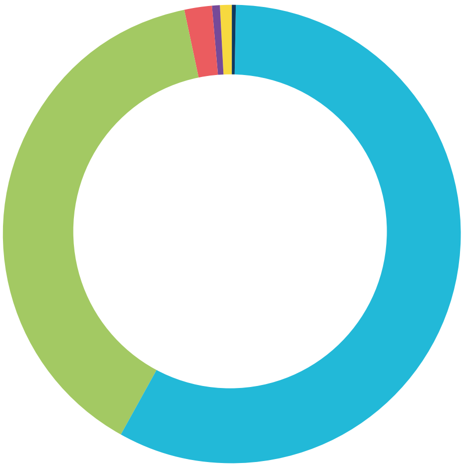
2021-22 £94,427m TME analysed by business group



2021-22 £94,427m TME analysed by budget type

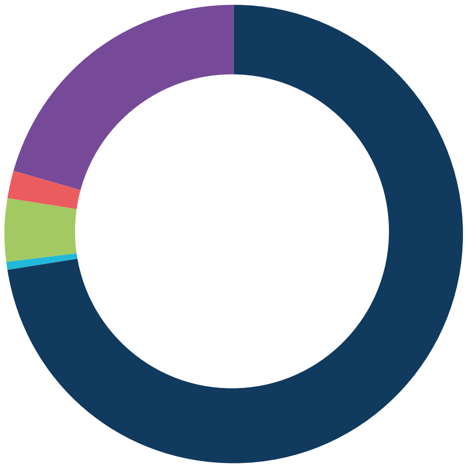


2020-21 £102,962m TME analysed by business group, restated



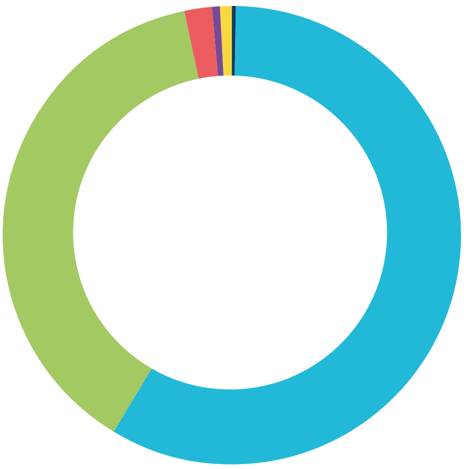
- CSCSG, £445m
- EYSG, £59,431m
- HEFE, £39,772m
- ESFA, £2,064m
- CRRG, £478m
- Operations, £772m

2020-21 £102,962m TME analysed by budget type, restated



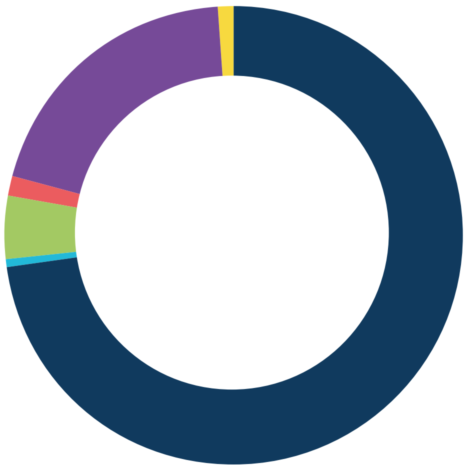
- RDEL-Programme, £74,712m
- RDEL-Admin, £509m
- CDEL, £4,830m
- RAME, £1,767m
- CAME, £21,144m

2020-21 £101,927m TME analysed by business group, as presented last year



- CSCSG, £445m
- EYSG, £59,431m
- HEFE, £38,737m
- ESFA, £2,064m
- CRRG, £478m
- Operations, £772m

2020-21 £101,927m TME analysed by budget type, as presented last year



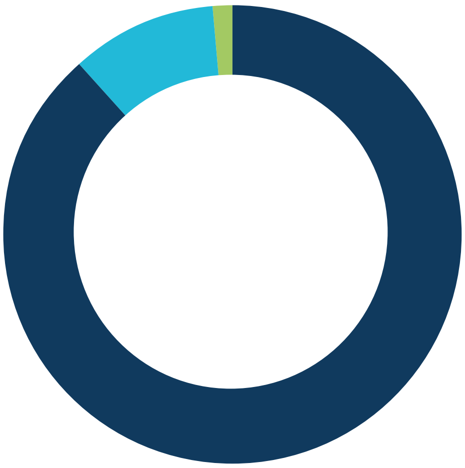
- RDEL-Programme, £77,770m
- RDEL-Admin, £509m
- CDEL, £4,830m
- RAME, (£1,291m)
- CAME, £21,144m
- CAME – PYA, (£1,035m)

Children's Services, Communications and Strategy Group

Director General – **Indra Morris**

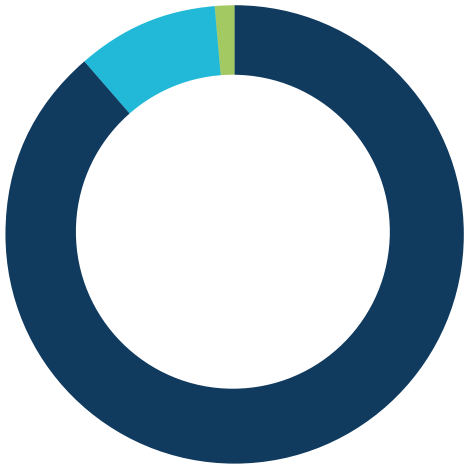
Analysis of CSCSG outturn

2021-22 outturn – £426m



- RDEL-Programme, £377m
- RDEL-Admin, £44m
- CDEL, £5m

2020-21 outturn – £445m



- RDEL-Programme, £397m
- RDEL-Admin, £43m
- CDEL, £5m

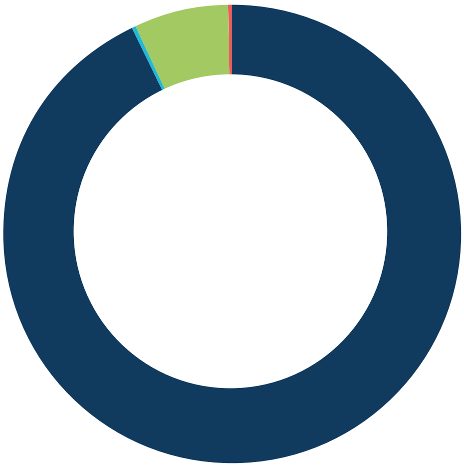
No significant assets or liabilities are managed by this business segment.

Early Years and Schools Group

Director General – **Andrew McCulley**

Analysis of EYSG outturn

2021-22 outturn – £61,137m



- RDEL-Programme, £56,881m
- RDEL-Admin, £73m
- CDEL, £4,171m
- RAME, £12m

2020-21 outturn – £59,431m

- RDEL-Programme, £55,477m
- RDEL-Admin, £79m
- CDEL, £3,871m
- RAME, £4m

In addition to the outturn presented above, EYSG is also responsible for the following significant assets and liabilities:

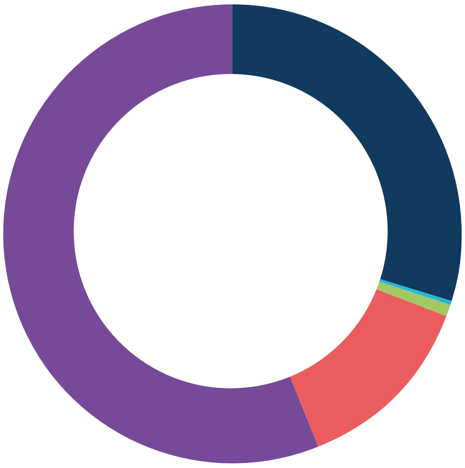
SoFP caption	Specific item	2021-22	2020-21
		£m	£m
Property, plant and equipment	Free school Assets under Construction (AuC) assets	273	425
Non-student loans	Academy trust loans	134	132
Payables	PFI imputed lease liabilities	(598)	(613)
Provisions	Early departure provisions	(114)	(126)

Higher Education and Further Education Group

Director General – **Paul Kett**

Analysis of HEFE outturn

2021-22 outturn – £28,775m

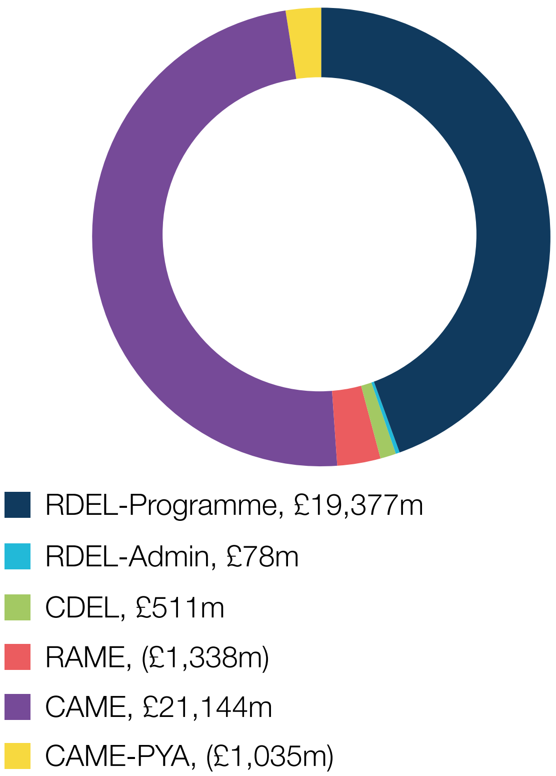


- RDEL-Programme, £11,735m
- RDEL-Admin, £92m
- CDEL, £263m
- RAME, (£5,178m)
- CAME, £21,863m

2020-21 outturn – £39,772m, restated

- RDEL-Programme, £16,319m
- RDEL-Admin, £78m
- CDEL, £511m
- RAME, £1,720m
- CAME, £21,144m

2020-21 outturn - £38,737m, as reported last year



In addition to the outturn presented above, HEFE is also responsible for the following significant assets and liabilities:

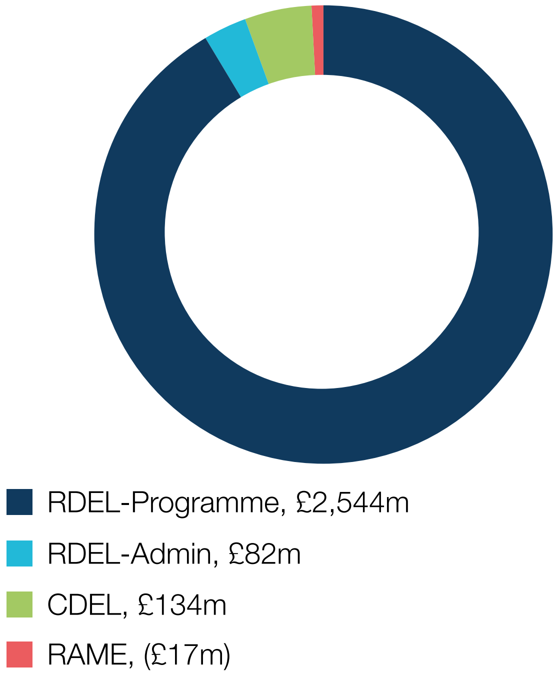
SoFP caption	Specific item	2021-22	2020-21
		£m	£m
Student loans	Student loan book	97,942	77,395
Receivables	Student loan receivables	314	498
Provisions	Inherited staff liabilities	(130)	(153)
Financial guarantees	Student debt sale subsidy financial guarantee	(83)	(116)

Education and Skills Funding Agency

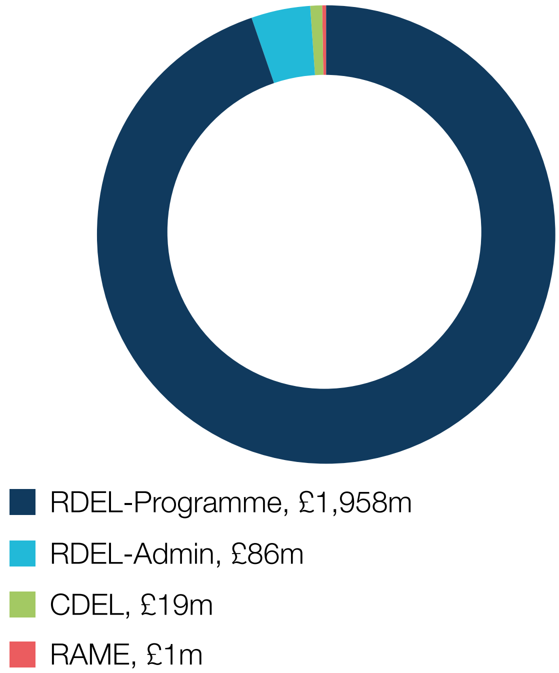
Director General – **John Edwards**

Analysis of ESFA outturn

2021-22 outturn – £2,743m



2020-21 outturn – £2,064m



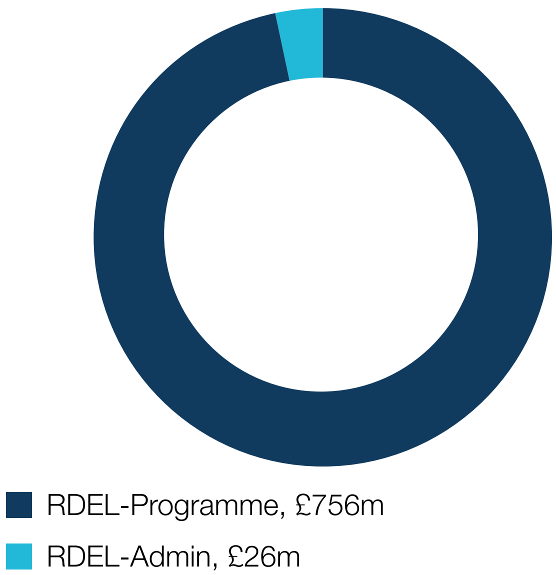
No significant assets or liabilities are managed by this business segment.

Covid Response and Recovery Group

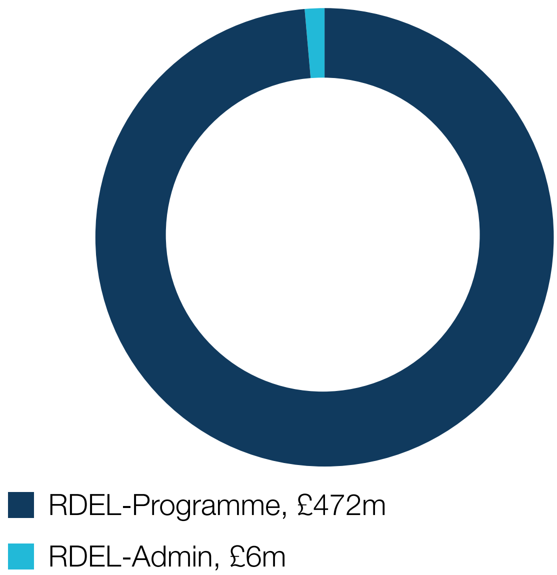
Director General – **Julia Kinniburgh**

Analysis of CRRG outturn

2021-22 outturn – £782m



2020-21 outturn – £478m



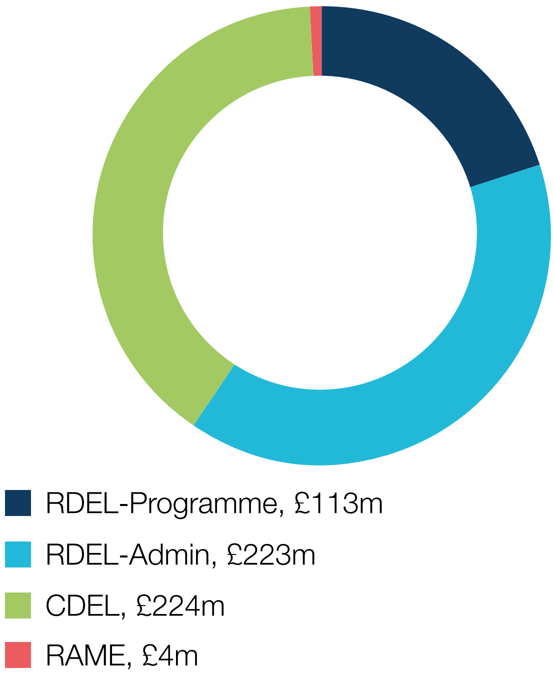
This business group existed for only the final half of the 2020-21 financial year. No significant assets or liabilities are managed by this business segment.

Operations Group

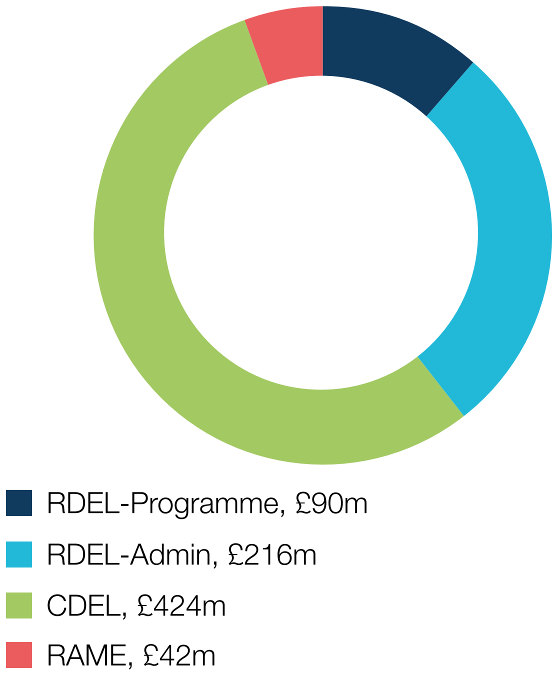
Director General – **Mike Green**

Analysis of Operations Group outturn

2021-22 outturn – £564m



2020-21 outturn – £772m



In addition to the outturn presented above, Operations Group is also responsible for the following significant assets and liabilities:

SoFP caption	Specific item	2021-22	2020-21
		£m	**£m**
Non-student loans	PFI loan assets	515	533
Payables	PFI loan liabilities	(524)	(549)

Strategic enablers

Workforce, skills and location

The Department's strategic workforce plan supports the delivery of its strategic priorities by ensuring we have the right people in the right roles, with the best possible skills and capabilities, working in the most effective and productive ways from the most appropriate locations.

HR supports delivery of all the Department's priority outcomes, ensuring our people have the knowledge and skills required to perform to a high standard, for example, developing and delivering policy, engaging productively with stakeholders, and building deep knowledge and expertise of their business areas.

During 2021-22, implementation of improved talent and performance management systems, along with work to deliver an exemplary learning and development offer, has allowed us to expand the skills of our staff, and ensure these skills are deployed where they are needed. This includes building our in-house skills, to make efficiency savings by reducing our reliance on contractors and contingent labour.

Furthermore, work in 2021-22 has involved further planning to build a workforce that is flexible and can be deployed quickly, to priority areas, building on the experiences of the pandemic, and that is less focused on London, with a good geographical spread across the country. Diversity continues to be a key focus, ensuring our workforce is genuinely reflective of society.

Innovation, technology and data

The Department has digital, data and technology (DDaT) specialists who focus on user-centred design, delivery, data and technology. These specialists partner with teams across the Department to deliver world-class services that improve the outcomes of children and learners in education and care. They also work closely with the education sector and industry to deliver a strategy for a digitally mature education system.

During the year, we have run the core Department's IT systems and continued live service delivery to support hybrid/remote/office working in line with government guidance, including the onboarding and offboarding of 1,732 staff and maintaining security and availability of core systems and services. This has ensured that the base capability required to support core business operations is in place and operational, allowing colleagues to effectively deliver from anywhere, at any time.

We have also agreed the strategy and model in place for managing legacy IT, mitigating the risk to our estate and improving our ability to deliver digital by default services out to citizens and the education sector.

To improve our departmental outcomes, DDaT colleagues have partnered with policy colleagues and programme teams to deliver digital by default services across our sectors. These include lateral flow device testing in schools, ECF, NTP and Family Hubs.

Furthermore, to respond to the needs of our internal and external users, we have announced a number of commitments in the Schools White Paper to raise technology standards and level up access, including:

- launching new minimum technology standards for schools and investing up to £150 million to upgrade schools who are furthest from meeting our standards in priority areas
- accelerating gigabit capable broadband rollout to schools, to enable all schools to have access to a high-speed connection by 2025
- streamlining and personalising digital services provided by the Department for schools and academy trusts to improve user experience and efficiency

We have secure data sharing processes in place and are looking to improve on these by building a platform which provide us with a single interface and dataset to analyse.

Sustainability

The Department acknowledges the impact climate change has, and will have, on the education and CSC sectors. We also recognise the contribution the Department can make to help create a sustainable future through education, developing the skills needed for a green economy, supporting our sectors reach Net Zero targets and furthering our work in sustainable development in our school building programmes.

We aspire to lead our sectors towards a more sustainable future, as well as being active contributors to cross-government priority outcomes, strategies and programmes.

In 2021-22 we commit to continuing our reporting against mandatory sustainability metrics, whilst working to develop our approach to social and environmental sustainability and climate risk for the first time.

Greening Government Commitments

We continue to report against the metrics to meet our Greening Government Commitments (GGC), and we have effectively reduced utilities usage and waste across the whole estate.

We have developed an operational estates sustainability management plan, which outlines our values and intended interventions needed to reach our GGC targets.

We have also developed our estates sustainability strategy which is due to be finalised in 2022-23. This will set out our core areas to demonstrate our Net Zero road map for the next five years and how we will meet our GGCs.

Sustainable estate, activities and policies

We started to develop a corporate sustainability strategy which will demonstrate how we will embed sustainability across everything we do – from how we maintain and use our office estate, to our decision-making and business processes. For example, reducing building energy consumption via plant interventions or using sustainably sourced materials, through to people and investment policies.

We have recruited sustainability expertise and an Estates Sustainability Manager to bring focus to ensure our estate, operations, and policies support resilience and adaptation.

We have continued to develop the UK's first 'biophilic' primary school, which supports school users to connect with nature through the built environment. We have developed a university partnership to gather evidence on how this impacts the health and wellbeing and sustainable literacy of children and young people.

We showcased the new Gen Zero Platform at COP26 in November 2021, demonstrating our ultra-low carbon education buildings which will begin to be the standard to which we build school buildings over time, after more testing between now and 2025.

Commencing in 2021-22 and ongoing into 2022-23, we have been working with schools at highest flood risk to adapt through raising awareness and flood planning including material for pupils; delivering flood risk reduction measures through partnerships with the Environment Agency, water companies and lead local flood authorities; and, carrying out a detailed assessment of climate change impacts on flood risk across the school estate.

Sustainability strategy

The Sustainability and Climate Change Unit was set up in April 2021 to embed sustainability into the Department's operations and policies.

In November 2021, we successfully launched a draft strategy for sustainability and climate change for the education and children's services systems at COP26. Since then, we have worked with a wide range of stakeholders, sector representatives and sustainability and climate change experts, including young people, to further develop the strategy, which was published on 22 April 2022. Its objective is to bring about change in the education and care system as well as within the Department.

Non-financial matters

Social matters

In 2022, the Department will be launching a new Diversity and Inclusion Strategy and Action Plan that builds on the success of the 2018 DfE Diversity and Inclusion Strategy. The new strategy aligns to the 2022 Civil Service Diversity and Inclusion Strategy. We have the ambition of making the Department the most inclusive Civil Service department and focus on creating an environment where everyone can bring their whole self to work and where honesty, challenge and innovation are encouraged and valued.

In 2021, the Department achieved the highest Disability Confident Leader award and featured in the Social Mobility Employer Index. The Department has numerous active diversity and inclusion employee networks involved in the development of the new strategy. Employees are also 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 2010* 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 25 November 2021 the Department published its inaugural Modern Slavery Statement[16] which sets out the Department's approach and implementation of the goals set by government. The statement detailed key performance indicators to be achieved in 2021-22. The Department is committed to meeting these indicators and is taking measures to identify, mitigate and manage modern slavery risks in its supply chains. The Chief Commercial Officer has been appointed as the Department's Anti-slavery Advocate to provide senior level oversight on progress and collaborate across government to share best practice.

The Department has 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 those directly involved in commercial activity will undertake annual Chartered Institute of Procurement & Supply ethical training and modern slavery e-learning.

16 https://www.gov.uk/government/organisations/department-for-education/about/modern-slavery-statement

The Department's second statement will be published by the current deadline set by Home Office of 30 September 2022 and will include detail on how the Department has met its targets during the 2021-22 reporting period.

Anti-corruption and anti-bribery matters

The Department 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, which covers bribery, fraud and theft.

We have adopted a Raising a Concern approach to dispute resolution which makes clear the processes that employees need to follow if they have an issue they want to be heard. This encourages employees to report any suspicions of wrongdoings in cases of bribery, fraud and theft in the knowledge that they will be fully investigated using this robust and transparent approach.

Support for whistleblowing has remained a high priority in the Department. Nine cases have been raised in the past 12 months (a reduction from 17 last year), seven of which are still being investigated. Annex B has more information on whistleblowing.

Intergovernmental relations and devolution

The Department is committed to open and constructive engagement with the Devolved Administrations. There has been extensive and mutually beneficial engagement on a wide range of issues, including the response to COVID-19.

At Ministerial level, the UK Education Ministers Council (UKEMC) was established, implementing an action under the Review of Intergovernmental Relations for the governments of the UK to engage formally at portfolio level. The then Secretary of State hosted the first UKEMC meeting, virtually, in January 2022.

Key risks 2021-22

Our principal risks are those that, if materialised, would have significant impact on our departmental objectives. When deciding which risks to report we have taken into consideration both the likelihood and impact of the risks materialising. Each individual principal 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 146.

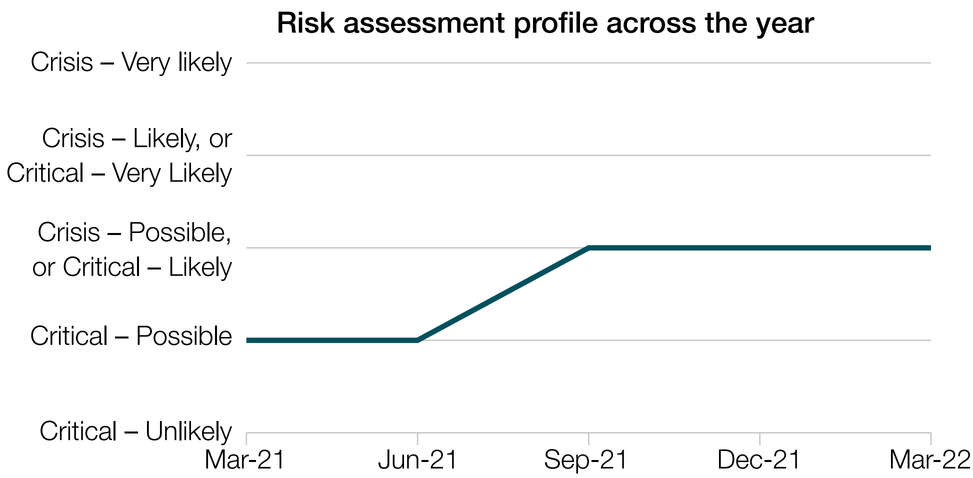
The overall number of top tier risks was 21 as of 31 March 2021 and 24 on 31 March 2022.

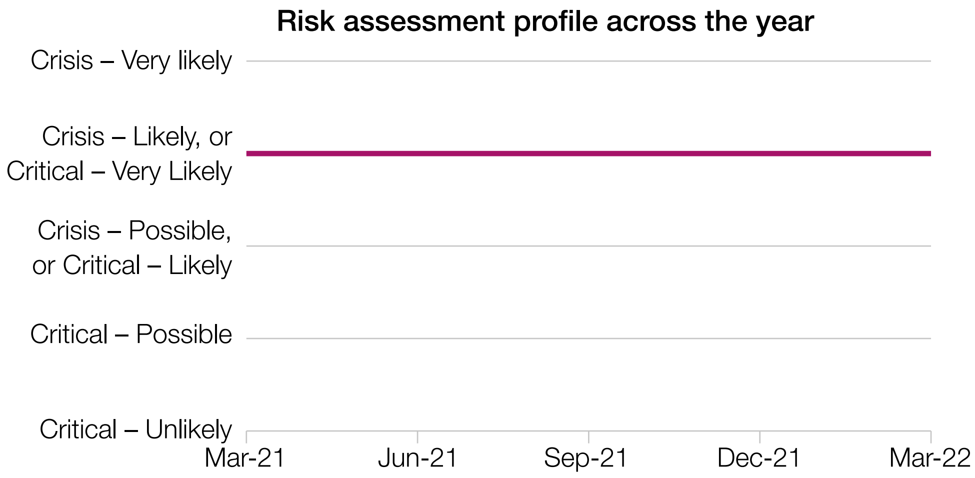
Of those risks highlighted in last year's ARA, and not highlighted in this year's report, teacher's workforce delivery has remained stable, early years sufficiency has remained stable and both HE and FE financial risks have been de-escalated. These continue to be discussed at both Performance and Risk Committee and Leadership Team on a regular basis.

The table and content below report on the six principal risks that were reported for 2021-22. Risk ratings combine impact (critical and crisis) and probability of happening (likely, possible, etc). High Needs direction is rated as stable, it did increase to very likely in July 2021 and reduced back to likely in March 2022.

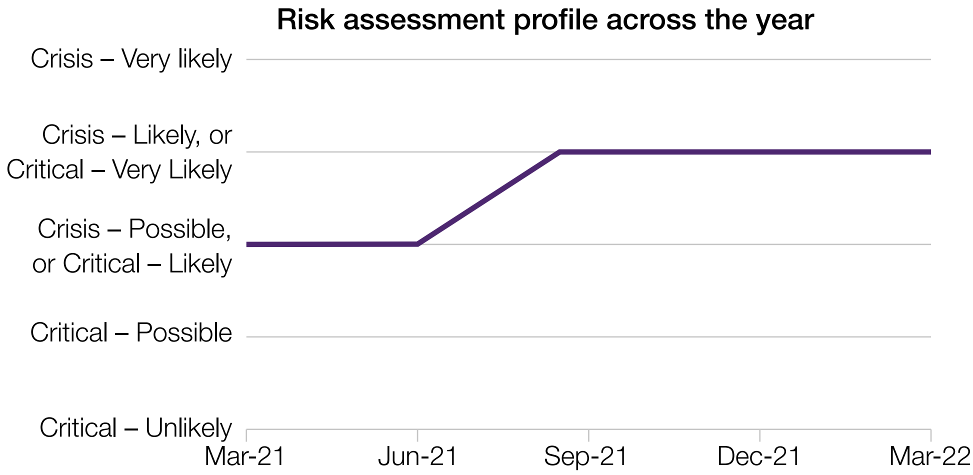
Significant risks which have been managed during 2021-22 include the following:

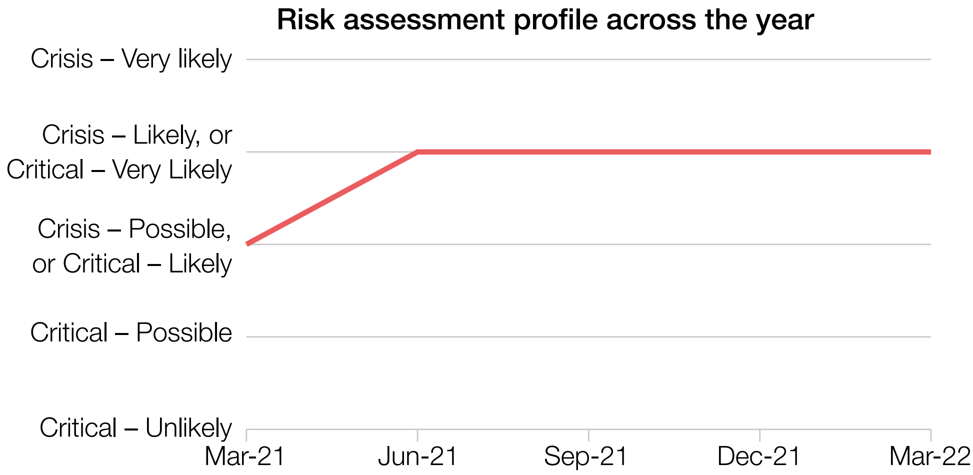
No	Risk	April 2021 Rating	March 2022 Rating	Direction
1	Loss of public confidence in the fairness of exams	Critical – Possible	Crisis – Possible	Worsening
2	Education recovery	Critical – Very likely	Critical – Very likely	Stable
3	School buildings	Critical – Likely (escalated July 2021)	Critical – Very likely	Worsening
4	Vulnerable children attendance and attainment	Critical – Likely	Critical – Very likely	Worsening
5	High needs cost pressure	Critical – Likely	Critical – Likely	Stable
6	Cyber security	Crisis – Likely	Critical – Likely	Improving

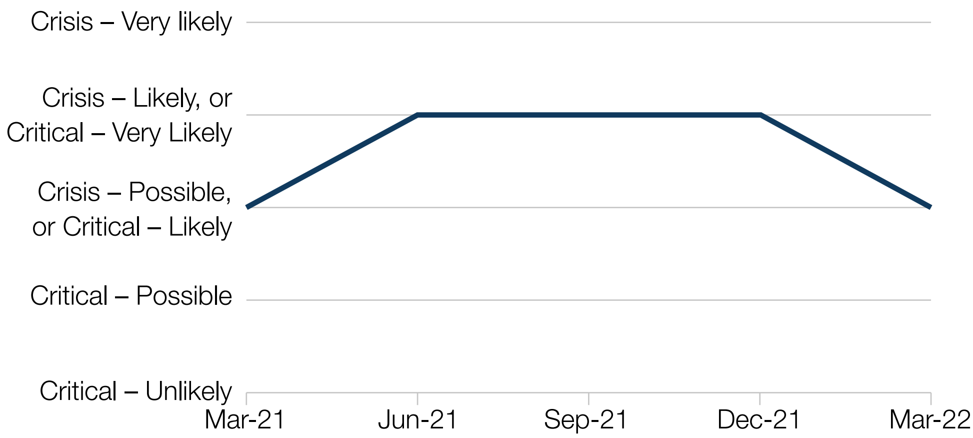
Risk	**1. Qualifications** – a loss in public confidence in the fairness of exams, creating calls for government to: cancel exams, broaden the scope of existing adaptations, or implement a differential approach to grading. This risk could be caused by national, regional, localised, or individual level disruption to education. Widening gaps in attendance for examination cohorts. Reduced student and workforce attendance affecting exam years. Decision to cancel exams or implement additional measures in one or more of the devolved authorities.
Risk rating	
In-year direction	Worsening
Business group	CRRG (Strategy Group from April 2022)
Mitigating factors	The risk impact increased from critical to crisis in October 2021 reflecting the critical impact of failures to deliver confidence in examinations. The likelihood remained as possible due to the fact that exams in 2022 were well planned and expected to go ahead, and the following mitigations were implemented: • Following consultation, an announcement was agreed for a package of adaptations for GCSE and A level exams, which support students and mitigate against future disruption. For example, Ofqual confirmed that 2022 would be a transition year to reflect that we were in a pandemic recovery period and students' education was disrupted. In 2022 the aim was for grades to reflect a midway point between 2021 and 2019. • There was close co-operation with Joint Council for Qualifications and Ofqual in developing cancellation scenario timelines, including scenarios with cancellations ranging from shortly after Easter to immediately before the exam period. Plans for the scenario of cancellation during the exam period were shared with Ministers. The risk is continually reviewed and will be re-assessed after the 2022 exams.

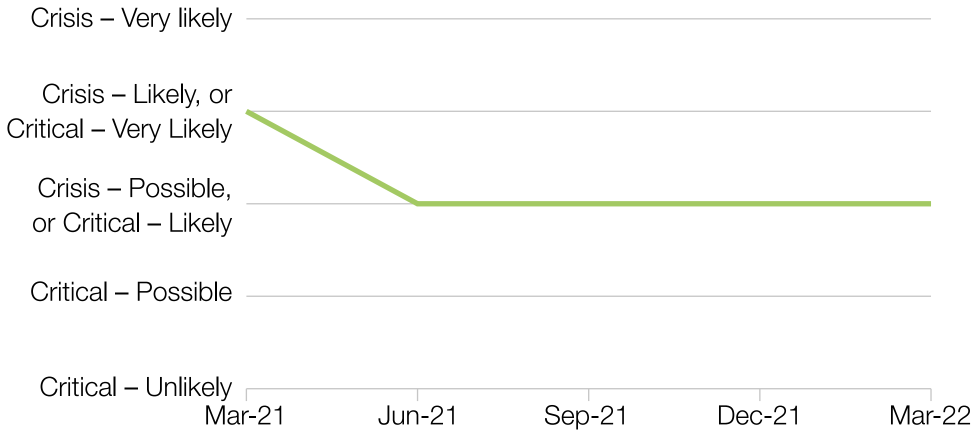
<table>
<tr><td>Risk</td><td>2. Education recovery – children and young people do not recover from the impact of the pandemic, leading to widened attainment gaps between pupils (linked to socio-economic disadvantage, SEND and place).</td></tr>
<tr><td>Risk rating</td><td>
</td></tr>
<tr><td>In-year direction</td><td>Stable</td></tr>
<tr><td>Business group</td><td>CRRG (Strategy Group from April 2022)</td></tr>
<tr><td>Mitigating factors</td><td>Between June 2020 and October 2021, £4.9 billion was announced to support education recovery and improve the wellbeing and outcomes of children and young people.

The following education recovery interventions and mitigations were in place:
NELI to help young children with early language development.
Early years practitioners to benefit from additional evidence-based professional development.
The NTP and 16 to 19 Tuition Fund to deliver tutoring for children and young people (by 2024, up to 6 million tutoring starts will be delivered to 5 to 16-year-olds who need help and 16 to 19 students will receive up to 32 million hours of small group tuition).
Up to 500,000 training opportunities in world-leading approaches for schoolteachers and leaders by 2024.
Additional funding directed to schools through the recovery premium to help children catch up on lost learning (plus additional funding to scale up evidence-based approaches) for 2021/22. Recovery premium expanded and extended to 2023/24.
40 hours of extra teaching for all those aged 16 to 19 from September 2022.
Support for the sector to implement measures to keep children and young people in face-to-face education in the face of COVID-19 challenges, alongside wider delivery activity to improve attendance including in establishing the Attendance Action Alliance which brings together education, children’s, social and health services to raise school attendance, deploying attendance advisors to LAs and academy trusts, and rolling out a pilot for attendance mentoring.
</td></tr>
</table>

Risk	**3. School buildings** – the collapse of one or more blocks in some schools which are at or approaching the end of their designed life-expectancy and structural integrity is impaired. The risk predominantly exists in those buildings built in the years 1945 to 1970 which used 'system build' light frame techniques. At the publication there are no open schools or college buildings where we know of an imminent risk to life.
Risk rating	
In-year direction	Worsening
Business group	Operations (Operations and Infrastructure Group from April 2022)
Mitigating factors	The effective life expectancy of buildings can be extended by careful monitoring and maintenance. This is principally the responsibility of the academy trusts, LAs and voluntary aided school bodies which have responsibility for the school estate. The Department provides annual condition funding to schools and those responsible for school buildings to improve and maintain the school estate. We have also opened the next round of our School Rebuilding Programme, which will rebuild buildings at 500 schools over the next decade and will prioritise those schools for selection where there is clear evidence this risk is present. The Department's Condition Data Collection 2 programme is surveying all schools over a 5-year period. Where surveyors find evidence suggesting a concern these are reported to the school/responsible body. The Department also provides extensive guidance on effective estate management. The *Good Estate Management for Schools* guide will be updated as our understanding of how the risk presents and is best mitigated in these post-war system buildings increases.

Risk	**4. Vulnerable Children and Young People (VCYP)** – attendance at education settings is lower than business as usual rates and this attendance 'gap' cannot be explained by directly permissible COVID-19 related absences. The attainment gap between VCYP and their peers continues to grow, and the education recovery package is insufficiently targeted to meet the needs of VCYP particularly those in special/alternative provision settings.
Risk rating	
In-year direction	Worsening
Business group	CSCSG (Families Group from April 2022)
Mitigating factors	The likelihood of the risk occurring increased from likely to very likely in July 2021. Throughout the pandemic, the attendance of VCYP has been closely monitored. At its peak, monitoring took place daily but has now moved to weekly. Vulnerable children and young people include those on an EHCP and those with a social worker. As part of the Attendance Action Alliance, a range of measures have now been agreed to boost attendance in the longer term and tackle persistent absence (including drivers, school-level factors, and local disparities). These include: • Using MAT reviews to support schools with challenges of high persistent absence. • A small team of attendance advisors working with LAs and MATs to improve attendance systems and practice. • The Attendance Action Alliance Stakeholder Group chaired by the Secretary of State including representatives supporting VCYP including the Chief Social Worker. • To address attainment and to support education recovery for VCYP, guidance has been published on how the recovery premium can be used to support VCYP. There is also a payment uplift for VCYP in specialist settings. School-led tutoring (part of the NTP) provides the flexibility for schools to take on local tutors or existing staff. This especially benefits VCYP with SEND in all settings including alternative provision where tutors familiar to these children can support them to realise the benefits of tuition.

Risk	**5. High needs cost pressure** – notwithstanding the additional high needs funding allocated in 2020-21, 2021-22 and 2022-23, in the medium term (2-5 years) high needs costs continue to increase significantly more than available funding, making the future SEND and alternative provision (AP) system unsustainable and threatening the overall financial stability of LAs when DLUHC's accounting override comes to an end.
Risk rating	**Risk assessment profile across the year** 
In-year direction	Stable
Business group	CSCSG (Families Group from April 2022)
Mitigating factors	Without a favourable Spending Review settlement for extra high needs and associated funding, the likelihood of the risk materialising increased to very likely in July 2021 and the returned to likely in March 2022. Post a favourable Spending Review settlement, the risk reduced back to likely by year end with risk impact remaining critical. The publication of the SEND and AP Green Paper in March 2022 contributed to the 'likely' status as it set a clear direction of travel. The Green Paper has had a generally positive reception, including a key message about the future role of mainstream schools in supporting children and young people with SEND. There is currently a period of consultation (March to July 2022), with the full impact of the implementation of changes from the SEND Review proposals to positively affect cost pressures some way off. In the meantime, work continues with LAs through the Safety Valve and Delivering Better Value programmes to help them make best use of their resources.

Risk	**6. Cyber attack** – the loss of access to critical departmental systems and services, as well as a loss of critical departmental data.
Risk rating	**Risk assessment profile across the year** 
In-year direction	Improving
Business group	Operations (Operations and Infrastructure Group from April 2022)
Mitigating factors	The threat landscape remains complex and changeable albeit the overall level of threat remains high. Ransomware remains a threat of significant concern to the Department. The ongoing situation in Ukraine has been assessed to whether the Department is placed at additional risk. However, the Department is not considered to be at greater risk as a consequence. The impact of the risk has reduced from crisis to critical partially due to progress in maturing the cyber security operational capabilities. Our protective monitoring tooling completed its migration to a cloud-based solution, which increases our capacity to monitor. However, the same factors remain that the general cyber environment remains hostile, and the Department's capability remains low. Consequently, whilst the environment has changed, the overall risk level remains high. Issues have previously been reported with poor supplier security behaviour which exposed data. The supply chain is an area of high concern for attacking any organisation. Cyber and Information Security have recruited staff and opened the supply chain security function. It is now in the process of analysing priority suppliers to focus initial attention on. Increasing the maturity of the cyber security operational capability remains a high priority. However, development of the security monitoring platform ceased at the end of September 2021 with the cessation of the supplier contracts. The service has been effectively forced into operating on a "best-efforts" basis. This remains an unacceptable risk to the Department. We continue to make good advances on staff awareness through the staff education tool and phishing tests. The risk is expected to remain high in 2022-23.

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:

US-UK Fulbright Commission

Grants totalling £1.0 million (2020-21: £928,000) were made to support the work of the commission.

Forward look

Future DfE

Under the Future DfE programme the Department made changes from 1 April 2022 onwards to help children and learners up and down the country to realise their potential.

The Department reorganised so that it thinks, acts and partners much better locally, not least by being aligned to the nine regions used elsewhere in government and organising in a way that is clear and makes sense to the stakeholders we work with and will help us deliver the Department's priorities on Skills, Schools and Families. To achieve this, stakeholder views have informed our work.

The creation of a business group that focuses on skills responds to the recommendations in the arm's length body review (ALB Review) of the ESFA by consolidating all post-16 policy and delivery within one business segment to enable a high quality, outcomes-focused post-16 system that gives learners the skills and knowledge they need to succeed in their working lives and meet the needs of the economy. This will also allow the ESFA to continue to focus on making sure that public funds are properly spent, and that value for money for the taxpayer is achieved.

Work on the reorganisation has taken place with staff, partners and alongside the ALB Review of the ESFA, an executive agency of the Department, led by Sir David Bell.

In line with the Department's response to the review recommendations, the new ESFA will focus on high-quality funding delivery. The ESFA will continue to focus on making sure that public funds are properly spent and that value for money for the taxpayer is achieved, while helping to inform policy and delivery activity and ensuring the financial health and sustainability of providers. A consequence of the reorganisation is that the ESFA will cease to be a business segment so the Agency's CEO has stepped down from the Department's Board. ESFA will now report through the Operations and Infrastructure Group business segment as a sponsored executive agency.

Other changes will include the creation of a new Regions Group, aligned to the nine regions used across the rest of government, planned for summer 2022. They will provide integrated delivery for schools and LAs, including CSC and SEND.

A new Strategy Group will create better oversight, drawing together the Department's work and setting direction, working alongside operations and infrastructure, which retains its focus on running the Department, capital funding and sustainability.

There will also be dedicated business groups focused on the following areas:

- **families**, which includes children's social care, safeguarding, special educational needs and disabilities and early years, focused on ensuring that no matter where they live, children receive the same high quality of care and support
- **schools**, dedicated to the Secretary of State's mission that through schools every child will get a great education and the right support
- **skills**, in line with the ESFA review recommendations, will consolidate all post-16 policy, delivery and regional work in one place to enable a high quality, outcomes-focused post-16 system that gives learners the skills and knowledge they need to succeed in their working lives and meet the needs of the economy

There are no changes to our other two Agencies, the STA and the TRA.

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 2021-22 or following the year end, including COVID-19, which may affect this status.

Budgets for central government departments are collectively agreed in Spending Review exercises overseen by HMT. SR21 set departmental budgets out to 2024-25. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Susan Acland-Hood
Accounting Officer
6 December 2022

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 Outturn against 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 2022

The Rt Hon Nadhim Zahawi MP
Secretary of State for Education
(from 15 September 2021 to 5 July 2022)
Overall responsibility for the Department for Education.

Robin Walker MP
Minister of State for School Standards
(from 16 September 2021 to 5 July 2022)
Responsible for:

- the recruitment and retention of teachers
- supporting a high-quality teaching profession
- admissions and school transport
- national funding formula for schools
- curriculum; assessment; school accountability and inspection
- personal, social health and economic education
- behaviour and attendance
- exclusions
- COVID-19 response

Lead minister for the Departmental Board.

NDPB responsibility: STA, TRA, STRB

The Rt Hon Michelle Donelan MP
Minister of State for Universities
(to 5 July 2022)
Responsible for:

- universities and HE reform
- HE student finance
- widening participation in HE
- Teaching Excellence Framework
- international education strategy including education exports and technology in education (including international students)
- Opportunity Areas
- COVID-19 response for universities and higher education

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

NDPB responsibility: SLC, OfS

Baroness Barran MBE
Parliamentary Under Secretary of State for the School System
(from 17 September 2021)
Responsible for:

- free schools
- university technical colleges and studio schools
- academies including governance
- faith schools
- independent schools
- home education and supplementary schools
- interventions in underperforming schools
- school capital investment
- school efficiency
- safeguarding in schools and post-16 settings
- counter extremism and integration in schools

NDPB responsibility: ESFA, OSA, Aggregator Vehicle PLC, LocatED

Alex Burghart MP
Parliamentary Under Secretary of State for Apprenticeships and Skills
(from 16 September 2021 to 6 July 2022)
Responsible for:

- strategy for post-16 education
- apprenticeships
- technical education and skills including T Levels and qualifications review
- FE workforce
- careers education
- FE provider market (including quality and improvement)
- Institutes of Technology and National Colleges
- COVID-19 responses for further education services
- reducing the number of young people who are not in education, employment or training

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

NDPB responsibility: IFATE, CITB, ECITB

Will Quince MP
Parliamentary Under Secretary of State for Children and Families
(from 16 September 2021 to 6 July 2022)
Responsible for:

- children's social care and its workforce
- child protection, children in care and adoption
- SEND and high needs
- early years policy, childcare
- alternative provision
- disadvantage and social mobility
- school food (including FSM)
- children and young people's mental health, online safety and preventing bullying in schools
- policy to protect against serious violence
- COVID-19 response for children's services and childcare

NDPB responsibility: OCC, 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, at 31 March 2022, is shown in the photomontage below.

Executive members at 31 March 2022

Susan Acland-Hood
Permanent Secretary
Accounting Officer

Appointment September 2020

Departmental Board
Leadership Team (Chair)
Implementation Committee
Nominations Committee

Indra Morris CB
Director General,
Children's Services, Communications and Strategy Group

Appointment January 2017

Departmental Board
Leadership Team
Implementation Committee

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

Appointment September 2010

Leadership Team
Implementation Committee

Paul Kett
Director General,
Higher Education and Further Education Group

Appointment February 2017

Leadership Team
Implementation Committee

Julia Kinniburgh
Director General,
COVID Response and Recovery Group

Appointment December 2020

Leadership Team
Implementation Committee

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

Appointment October 2017
Resignation 14 April 2022

Departmental Board
Leadership Team
Implementation Committee

John Edwards
Interim Chief Executive,
Education and Skills Funding Agency

Appointment July 2021
Stepped down from the Board 1 April 2022

Leadership Team
Implementation Committee

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

Appointment October 2017
Resignation 27 November 2022

Tony Foot
Chief Financial Officer (joint role with Director of Operational Finance) and Director of Strategic Finance, Operations Group

Appointment November 2020

Departmental Board
Leadership Team
Implementation Committee

Non-executive members

Richard Pennycook CBE
Lead non-executive board member

Appointment October 2017

Departmental Board
Audit and Risk Committee
Implementation Committee (Chair)
Nominations Committee (Chair)

Ian Ferguson CBE
Non-executive board member

Appointment January 2016
Resignation 16 June 2022

Departmental Board
Audit and Risk Committee (Chair)
Implementation Committee
Nominations Committee

Toby Peyton-Jones
Non-executive board member

Appointment November 2018

Departmental Board
Implementation Committee
Nominations Committee

Nick Timothy CBE
Non-executive board member

Appointment March 2020
Resignation 16 June 2022

Departmental Board
Implementation Committee
Nominations Committee

September 2021 reshuffle

During September 2021, the Prime Minister completed a government reshuffle which resulted in changes to the Department's ministerial team as set out in the table below:

Ministerial post and date of change	Postholder pre-reshuffle	Postholder post-reshuffle
Secretary of State for Education 15 September 2021	The Rt Hon Sir Gavin Williamson CBE MP	The Rt Hon Nadhim Zahawi MP
Minister of State for School Standards 16 September 2021	The Rt Hon Nick Gibbs MP	Robin Walker MP
Parliamentary Under Secretary of State for the School System 17 September 2021	Baroness Berridge	Baroness Barran MBE
Parliamentary Under Secretary of State for Apprenticeships and Skills 16 September 2021	The Rt Hon Gillian Keegan MP	Alex Burghart MP
Parliamentary Under Secretary of State for Children and Families 16 September 2021	Vicky Ford MP	Will Quince MP

Departing ministers and officials in 2021-22

Officials who left in the year are given below:

Board member	Dates	Position
Eileen Milner	To 25 July 2021	Chief Executive, ESFA
Baroness Ruby McGregor-Smith	To 31 January 2022	Non-executive board member
Dame Irene Lucas-Hays	To 31 December 2021	Non-executive board member

Changes in officials in 2022-23

Changes in officials after the year end up to the date this ARA was authorised are given below:

Executive board member	Dates	Position
Mike Green	To 14 April 2022	Chief Operating Officer and Director General, Operations and Infrastructure Group (previously Operations Group)
Iain King	See right	Interim Chief Operating Officer and Director General, Operations and Infrastructure Group (from 14 April 2022 to 27 November 2022) Director of Operational Finance (to 6 November 2022)
John Edwards	To 1 April 2022 as a Board member as CEO of ESFA	Following implementation of DfE Futures from 1 April 2022 ESFA ceased to be a business segment of the Group. John Edwards stepped down from the Board but retained his role as ESFA's Interim Chief Executive until 13 June 2022 when he moved to be Director General, Regions Group.
John Edwards	From 13 June 2022	Director General, Regions Group a new role following Future DfE
Ian Ferguson	To 16 June 2022	Non-executive board member Chair of the ARC
Stuart McMinnies	From 31 May 2022	Non-executive board member Chair of the ARC
Sir Peter Bazalgette	From 31 May 2022	Non-executive board member
Jack Boyer OBE	From 31 May 2022	Non-executive board member
Suzy Levy	From 31 May 2022	Non-executive board member
Nick Timothy	To 16 June 2022	Non-executive board member
Jane Cunliffe	From 28 November 2022	Chief Operating Officer and Director General, Operations and Infrastructure Group
Jonathan Clear	From 7 November 2022	Interim Director of Operational Finance

Changes to the ministerial team in 2022-23

Ministerial portfolios were changed post-year end as part of the wider ministerial reshuffles. Below we present the outcome of each reshuffle and ministerial portfolios.

Ministerial portfolios at July 2022	
Secretary of State for Education The Rt Hon Michelle Donelan MP (from 5 July 2022 to 7 July 2022) The Rt Hon James Cleverly MP (from 7 July 2022 to 6 September 2022)	
Minister of State for School Standards Will Quince MP (from 7 July 2022 to 7 September 2022)	**Parliamentary Under Secretary of State for Skills, Further and Higher Education** Andrea Jenkyns MP (from 8 July 2022 to 8 September 2022)
Parliamentary Under Secretary of State for Children and Families Brendan Clarke-Smith MP (from 8 July 2022 to 7 September 2022)	**Parliamentary Under Secretary of State for the School System** Baroness Barran MBE (in post from year end to 20 September 2022)

Ministerial portfolios at September 2022	
Secretary of State for Education The Rt Hon Kit Malthouse MP (from 6 September 2022 to 25 October 2022)	
Minister of State for School Standards Jonathan Gullis MP (from 7 September 2022 to 26 October 2022)	**Parliamentary Under Secretary of State for Skills** Andrea Jenkyns MP (from 8 September 2022 to 26 October 2022)
Parliamentary Under Secretary of State for Schools and Childhood Kelly Tolhurst MP (from 7 September 2022 to 27 October 2022)	**Parliamentary Under Secretary of State for the School and College System** Baroness Barran MBE (from 20 September 2022 to 31 October 2022)

Ministerial portfolios at October 2022, and at authorisation of this ARA

Secretary of State for Education
The Rt Hon Gillian Keegan MP
(from 25 October 2022)

Minister of State for Schools
The Rt Hon Nick Gibb MP
(from 26 October 2022)

Minister for Skills, Apprenticeships and Higher Education
The Rt Hon Robert Halfon MP
(from 26 October 2022)

Parliamentary Under Secretary of State for Children, Families and Wellbeing
Claire Coutinho MP
(from 27 October 2022)

Parliamentary Under Secretary of State for the School System and Student Finance
Baroness Barran MBE
(from 31 October 2022)

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[17] 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.[18]

Special advisers

In line with the current declaration of interests policy for special advisers, all special advisers have declared any relevant interests or confirmed they do not consider they have any relevant interests. The Permanent Secretary has considered these returns and there are no relevant interests to be published.

Data management

	2021-22	2020-21	2019-20	2018-19
Number of incidents	7	4	3	2

There were seven personal data related incidents in 2021-22 which were reported to the Information Commissioner's Office. Further detail on data security and compliance is in annex B.

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 Mazars LLP. No non-audit fees have been paid to auditors for either year reported here.

Political donations and expenditure

The Department has not made any political donations during the year (2020-21: £nil).

Research spending

	2021-22	2020-21	2019-20	2018-19
	£m	**£m**	**£m**	**£m**
Department	19.9	13.5	27.0	29.0
Agencies	0.1	–	–	0.3
NDPBs	0.3	0.3	0.1	0.6
	20.3	**13.8**	**27.1**	**29.9**
Of which:				
central research	7.0	3.8	4.0	6.2
policy units/policy evaluation research	13.3	10.0	23.1	23.7

17 https://www.gov.uk/government/collections/dfe-annual-reports
18 http://www.parliament.uk/mps-lords-and-offices/standards-and-interests

The figures reflect our ability to resume research fieldwork as our respondents' ability to engage with research and evaluation returned as the COVID-19 restrictions eased. Spend has not returned to pre-pandemic levels as we restricted fieldwork again, to some extent, when the Omicron variant led to high levels of absence. The Department has also worked to undertake more work in-house, where this is possible and appropriate.

The central research budget funds research and evaluation studies that shape and influence policy delivery around education, further and higher education and social care. High quality evidence and robust evaluation enable policies to be better targeted and help ensure value for money. Key research strands during the year covered International Evidence, including Programme for International Student Assessment (PISA) and Trends in International Mathematics and Science Study (TIMSS); work on early years and childcare such as Survey of Childcare and Early Years (providers and parents). New longitudinal studies started: Children of the 2020s and the Longitudinal Study of Teachers. We also have key evaluations of policies such as the NTP, Holiday Activities and Food, skills interventions and research supporting government investment in Family Hubs as well as our regular panel surveys of teachers, pupils, parents, and carers. Further details of these research strands are available online.[19]

The Department has now centralised budgets for research and development which will improve monitoring of spend, reporting, will ensure spend is proportionate, making savings if and where appropriate to do so.

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 11.

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.

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

Statement of Accounting Officer’s responsibilities

Under the *Government Resources and Accounts Act 2000* (the 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 executive agencies) and its sponsored non-departmental public bodies designated by order made under the GRAA by *Statutory Instrument 2021 no 265* (together known as the ‘Departmental Group’, consisting of the Department and sponsored bodies listed at note 22 to the accounts). 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 Departmental Group and of the income and expenditure, SoFP and cash flows of the Departmental 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 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 that 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 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 Head of the Department as Accounting Officer of the Department for Education. The Accounting Officer of the Department has also appointed the Chief Executives of its sponsored non-departmental public bodies 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 or non-departmental public body for which the Accounting Officer is responsible, are set out in *Managing Public Money* published by HMT.

As the Accounting Officer, 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 the Department for Education'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.

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*.

How we are structured

The Department for Education is a ministerial department that is supported by and works with 14 agencies and public bodies, as listed in note 22, 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 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 National Audit Office (NAO) in its management letter and other reports. I required each Director General 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. The next annual return cycle is after this ARA is published so I rely on exception reports to cover the period from the year end to the date this ARA is published.

The exception reports 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 2021-22, 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.

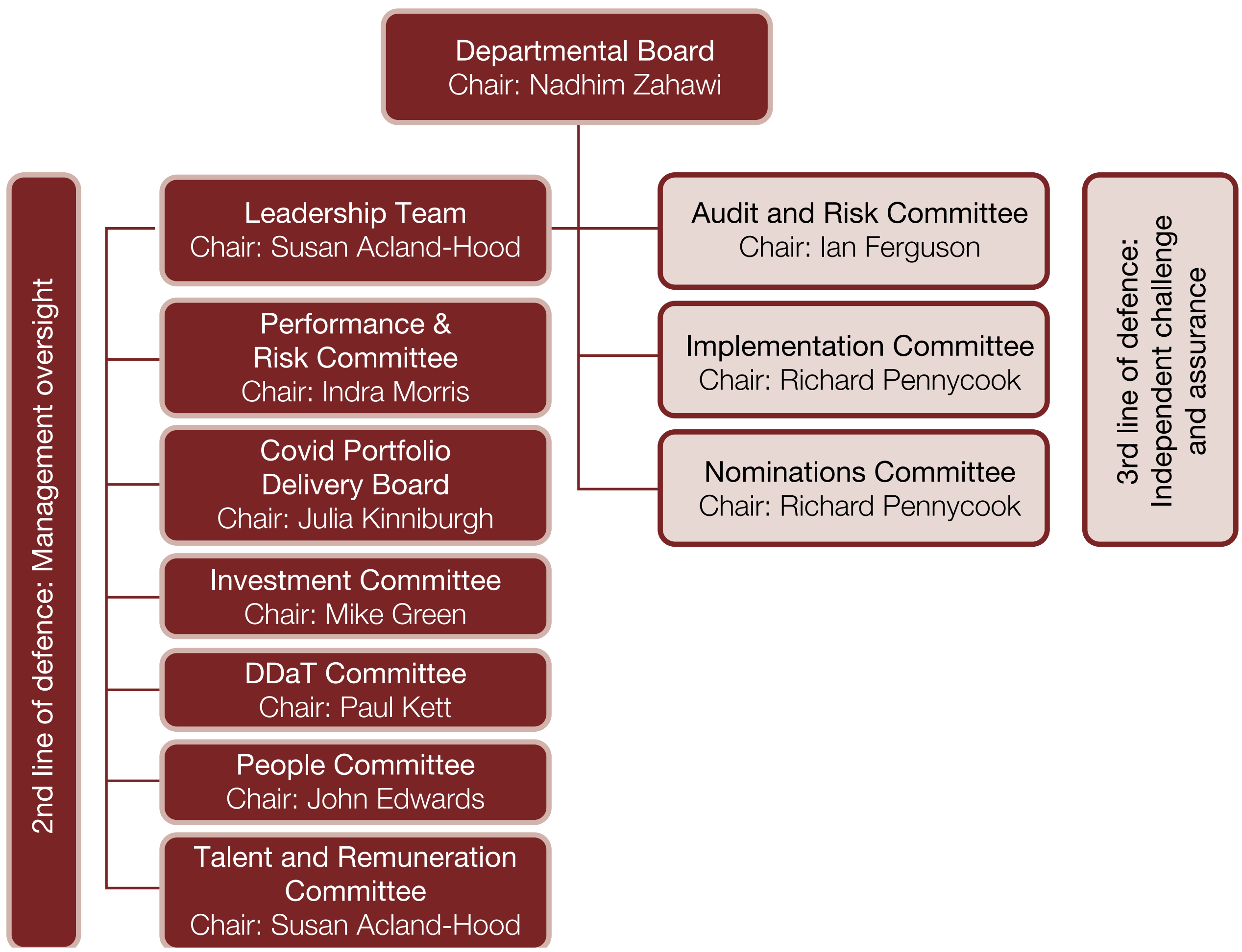
Other sources of assurance were LA Chief Finance Officers (through the submission of a return under section 151 of the *Local Government Finance Act 1972*), individual academy trust Accounting Officers, Ofsted, and the Accounting Officers of our NDPBs and Agencies. These Accounting Officers reported 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 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

The content below covering the Department's governance structures is for the 2021-22 financial year, unless otherwise stated. The post-year end ministerial changes are not reflected since they occurred after the reporting period. During the year, 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

Chair: Rt Hon Nadhim Zahawi MP, Secretary of State.

Membership: As well as the Chair, the Board comprises of the Minister of the Board, the Permanent Secretary, two Directors General, the Strategic Finance Director and the non-executive board members.

All other ministers have a standing invitation to attend the Board meetings.

Meeting frequency: Eight times during the year, and one strategy day.

Role: The Board provides the collective strategic and operational leadership of the Department, providing advice and challenge on:

- strategy
- operations
- deliverability of policy

The Board achieves this by drawing on the commercial, operational and political expertise of its members which comprise of Ministers, Civil Service leaders and the Department's non-executive board members.

Key activities during 2021-22

The discussions of the Board focused on:

- **Performance reporting:** Performance reports focusing on programmes that were delivering the Department's strategic priorities. The Board discussed programmes that were on track and those that facing delivery challenges.
- **Financial updates:** The Department's in-year fiscal position and the business planning process. Members recommended areas of spend where a value for money exercise may identify efficiency savings.
- **The Department's approach to SR21:** The timeline for the Department to submit its response to the SR21 and endorsed the Department's overarching strategic outcomes that would frame Spending Review bids. At later meetings the Board noted that the Department's SR21 response would prioritise funding to support for pupils who had fallen behind during the pandemic and expanding the capital budget to address rebuilding priorities in the school estate. The Board also considered an update on the SR21 settlement and were assured that the Department had processes in place to ensure that maximum value for money would be derived from the allocated monies.
- **Risk:** Approved a risk appetite statement that had been updated following consultation with directors across the Department. The Board agreed that an open attitude to risk was a pre-requisite to the delivery of sector reform programmes.
- **Future DfE:** Noted an update on Future DfE that would deliver structural and cultural change across the Department. At a later meeting members discussed proposals to structure the Department to ensure that it was well placed to deliver its strategic priorities, and delivery locally, regionally and nationally.

- **COVID-19 response and education recovery:** The COVID-19 response measures being put in place and cross-cutting risks associated with delivering an effective package of measures to support learners recover learning lost as a result of COVID-19. The Board commended the approach of aligning the proposed package of measures with existing departmental policy. Board members suggested areas of focus for the delivery of measures and noted that it would be important to consider the cumulative impact of the recovery programme and other reforms in the education sector.
- **Future insights:** Future Insights which was an opportunity to adopt a strategic perspective on the future of the education and care systems. In their first discussion the Board considered the four themes that had been identified during engagement with stakeholders and build and future scenario for the provision of education and care in 2030. During their second discussion the Board invited key stakeholders to consider what the education and care sector will look like in ten years' time. Board members discussed the importance of skills in developing a capable workforce to support the national economy, the potential for data and technology to enhance the provision of education and the importance of high-quality teaching. Board members also recognised that big data could provide a rich evidence base to support excellent standards of teaching.
- **SEND review:** The SEND and AP Green Paper and provided advice on the delivery of complex system reform.
- **Arthur Labinjo-Hughes:** Considered the Department's response to the tragic murder of Arthur Labinjo-Hughes. A National Child Safeguarding Review Panel and a Joint Target Area Inspections had been commissioned and the Board were assured that the findings from these would inform the ongoing Independent Review of Children's Social Care.
- **Cyber security:** Cyber security risks to the Department and considered an overview of the cyber threat across the schools sector. The Board supported continued investment and growth in cyber security skills and capabilities.
- **Digital and data strategy:** Considered the strategic missions of the Department's Digital and Data Strategy. Board members advised that the roadmap to achieve each of these missions should be based on affordability. Board members agreed that it was important that the Department's ambitions were embedded into the Department of Culture, Media and Sports (DCMS) infrastructure programme to connect rural schools to highspeed broadband.
- **Schools reform and the Schools White Paper:** The outline objectives for the Schools White Paper and the benefits of all schools being members of high performing MATs. In later meetings the Board discussed that the Schools White Paper would set out a vision for a stronger school system with a focus on mathematics and literacy to ensure that all children would fulfil their potential.
- **HE reform:** Considered the proposed reform that aimed to ensure high quality of higher education provision and a focus on life-long learning to support the future needs of the economy.
- **Early years:** The challenges facing the early years sector and considered options for market reform and agreed that a priority would be to shape a simpler and accessible childcare offer that delivered high-quality educational outcomes.
- **Levelling up:** The Department's contribution to the Levelling Up agenda. Key to this would be the successful implementation of the skills agenda. At a later meeting the Board discussed how the Levelling Up agenda would change the way that government engages with place and devolved decision making. The Board emphasised the importance of

publishing detailed evidence to inform local decision making and recognised the important role of the Unit for Future Skills in providing cross-government skills data.

- **Third session legislation:** The *Higher Education (Freedom of Speech) Bill* and the *Schools Bill* would be introduced in the third parliamentary session and the Board noted plans to mitigate risks to the successful passage of this legislation.
- **Sustainability strategy:** The Net Zero agenda and that the education sector had a significant role to play to deliver the Net Zero agenda and Board members endorsed the Department's sustainability strategy.
- **Sub-committee updates:** The Board was provided with regular updates on the work of the Leadership Team and its committees, the ARC, Implementation Committee and Nominations Committee. The Board considered the ARC report to the Board and were assured by the committee's scrutiny of the Department's controls environment and the production of the complex ARA. The Board accepted the ARC Chair's opinion that the committee provided assurance that the Department's arrangements for risk management, control and governance are adequate and effective and that these were being challenged to improve as required.

Board performance and effectiveness

A board effectiveness evaluation was undertaken during the review period and considered by the Board. The results identified core strengths in the operation of the Board and the sub-committees alongside recognising the destabilising impact of COVID-19. The Board accepted the evaluation's recommendations which have been implemented throughout the reporting period with a continued emphasis on continuous improvement.

In addition to formal meetings, non-executive board members have been active in supporting officials throughout the year, providing advice and challenge on a range of issues including the delivery of ministerial priorities. The Department's lead non-executive director supports and champions the Department's work to achieve the Net Zero target and the delivery of its ambitious sustainability strategy. The lead non-executive also provides support and challenge to the Department's work to strengthen the Union.

Managing conflicts of interests

At the beginning of every Board meeting, all members are asked to declare any new potential conflicts of interests. The current register of interests has been published separately to this ARA. The process is duplicated in the Board's sub-committees: Leadership Team, Audit and Risk Committee, Implementation Committee and Nominations Committee.

Attendance at meetings

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

Member	Meetings attended (out of possible)
Ministers	
Rt Hon Sir Gavin Williamson MP (Chair)	1/3
Rt Hon Nadhim Zahawi MP (Chair)	4/4
Rt Hon Nick Gibb MP	3/3
Non-executive board members	
Richard Pennycook	7/7
Ian Ferguson	7/7
Baroness Ruby McGregor-Smith	4/5
Dame Irene Lucas-Hays	3/4
Toby Peyton-Jones	7/7
Nick Timothy	7/7
Senior officials	
Susan Acland-Hood	7/7
Indra Morris	5/7
Mike Green	7/7
Tony Foot	7/7

Leadership Team

Overview

Chair: Susan Acland-Hood, Permanent Secretary.

Membership: Consists of the Permanent Secretary, Directors General (including the Chief Executive of the ESFA) and the Director of Strategic Finance. The Director of Strategy routinely attends but is not a member.

Meeting frequency: Monthly, except for August.

Role: The Leadership Team provides day-to-day executive leadership and management on behalf of the Board. It focuses on departmental management, transformation, and performance. The Leadership Team is supported by six sub-committees:

- People Committee
- DDaT
- Investment Committee
- Performance and Risk Committee
- Talent and Remuneration
- COVID Portfolio Delivery Board

Key activities during 2021-22

The discussions of the Leadership Team focused on:

- **Finance:** The financial health of the organisation is reviewed at the end of each monthly reporting period, alongside business planning when appropriate.
- **Sub-committee updates:** Reviewed monthly reports on the work of its sub-committees.
- **Delivery highlight report:** Considered a monthly report of cross-cutting departmental challenges and highlights of the performance of the Department's major projects.
- **Strategic workforce plan:** Regularly discussed the departmental strategic workforce plan's work-strands including diversity and inclusion; the draft of the plan ahead of its implementation; and learning and development.
- **FE skills reform:** Discussed delivery plans for the proposed further education reforms and considered these in the context of SR21.
- **Financial planning:** Regularly considered the planning for SR21 submission and post-budget announcements. In advance of SR21, members planned evidence and strategy to secure a good outcome; after it, they planned the translation of the SR settlement into business planning and delivery.
- **DfE transformation:** Regularly discussed the DfE transformation programme including the shaping of it and the plans for both the action and communication around it, ahead of the restructure that would take effect from 1 April 2022.

- **Plans for jobs and the local skills agenda:** DWP attended the committee in April 2021 and discussed how the overall local skills offer is experienced by individuals on the ground, how we continue to join up our work, and how the benefits to be realised by future plans would feed into the SR21.
- **Qualifications:** In July, were given an update on 2021 qualifications and results day and an overview of the forward plans for qualifications 2022.
- **Outcome delivery plan:** Agreed that the Outcome Delivery Plan should be structured around the Secretary of State's priorities (Schools, Skills, and Families) and that disadvantage and COVID recovery should be woven throughout the plan.
- **Shadow Leadership Team**: A new cohort of Shadow Leadership Team members was recruited. From June onwards the new Shadow Leadership Team held meetings in advance of each Leadership Team meeting, considering the same papers, and representatives attended the full Leadership Team meeting and contributed views. Leadership Team noted frequently in meetings how helpful the contributions from the Shadow Team were.
- **CSC review**: Discussed the review's initial findings and noted the opportunities for collaboration with other government departments and LAs.
- **SEND review:** In October, received a progress report on the SEND Review. The progress of the work was praised, and the committee also discussed the importance of the additional funding secured through SR21; and reflected on the proposals for the measurement of outcomes after the review.

Attendance at meetings

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

Member	Meetings attended (out of possible)
Senior officials	
Susan Acland-Hood (Chair)	11/11
Indra Morris	9/11
Andrew McCully	9/11
Paul Kett	8/11
Eileen Milner	2/3
John Edwards	7/8
Julia Kinniburgh	8/11
Mike Green	10/11
Tony Foot	10/11

Audit and Risk Committee

Overview

Chair: Ian Ferguson, non-executive board member.

Membership: The committee consists of two non-executive board members, one of whom is the chair, and four independent members.

Internal audit (GIAA), external audit (NAO), the Permanent Secretary, the Chief Operating Officer, the Chief Executive of the ESFA and the Director of Operational Finance and Director of Strategic Finance also regularly attend.

Meeting frequency: Seven times during the year.

Role: The ARC is a sub-committee of the Board. It supports the Board by providing independent scrutiny and challenge of the Department's governance, risk management and internal controls and assurances. ARC advises the Permanent Secretary on the adequacy and effectiveness of these arrangements and the structure and presentation of the Department's ARA. The Chair provides the Board with an update on the work of the ARC at each board meeting and provides an annual report to the Accounting Officer and Board.

Key activities in 2021-22

- ARC received regular reports from the GIAA. It reviewed the progression of audit activity against the 2021-22 plan and was made aware of any changes to the plan. ARC reviewed the GIAA's plan for audits within the Department for the 2022-23 and subsequent financial years encompassed in the current Spending Review period.
- ARC scrutinised and, when appropriate, amended and approved the Department's plans for producing the Department's ARA. It then received regular reports from the Department and the NAO on the progress of the annual financial audit. It also received updates on the progress of, and plans for, new NAO value for money audits.
- As a committee, ARC reviewed, scrutinised and, where appropriate amended the Group ARA for 2020-21 and the Academies Sector Annual Report and Accounts (SARA) for 2019/20. These annual reports and accounts remained unqualified, and the Group ARA and SARA were laid before parliament in December 2021.
- The Committee regularly reviewed and scrutinised updates on the TRA, STA and TPS ARAs ahead of their completion and laying.
- ARC considered the Department's effectiveness in its systems and processes for managing risk and monitored planned improvements. The Committee reviewed the risk register and risk appetite statement. This latter was subsequently approved by the ARC in late 2022 ahead of sign off by the Board.

- The Committee continued its focus on the Department's DDaT functions and the role of DDaT in the Department as part of organisational design. Members gave regular attention to the Department's plans to mitigate cyber attacks against itself and the schools sector.
- In addition, the ARC received regular updates on changes to the student loan book and fraud within the Department and its NDPBs.
- During the year, ARC reviewed regular and *ad hoc* reports provided on key issues and risks identified in the top tier risk register and on delivery priorities and milestones. These included: cyber security, disaster recovery, the school estate and governance in the Department (the escalation of risks and issues). On delivery priorities, the ARC reviewed and scrutinised the Sustainability and Climate Change Strategy, the ODP and work on assurance and financial controls.
- ARC received updates on grant assurance and regularity including the introduction of grant business partners and strategies in place within the Department to ensure that capabilities on grants and contracts were present across the organisation.
- ARC workshops have been held prior to the ARC meetings to allow for in-depth analysis of departmental activity, including the valuation of the student loan book, departmental HR policy compliance, preparations for and outcomes of the Spending Review, fraud, and the GIAA plan. It also reviewed the plans for, and implementation of, Future DfE and the ESFA Review.
- In late 2021, the ARC started its regular update and review of departmental governance at executive level. This included an update on the sub-committees' agendas and internal governance, as well as reviewing departmental governance structures.
- The CEOs and ARC chairs of the Department's NDPBs continue to meet in their networks on a six-monthly basis.

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 (Chair)	7/7
Richard Pennycook	4/7
Independent members	
Nigel Johnson	7/7
Hunada Nouss	7/7
Charlotte Moar	7/7
Alastair Murray	7/7

Implementation Committee

Overview

Chair: Richard Pennycook,
lead-non-executive board member.

Membership: As well as the Chair, the committee consists of the Permanent Secretary, Directors General, the other non-executive members, the Director of Strategic Finance, Director of Strategy, the Chief Analyst, and the Head of the Delivery Unit.

Meeting frequency: Six times during the year. This is an increase from twice a year between 2020-21, which was implemented to allow the Leadership Team to concentrate their efforts on the COVID-19 response, co-ordinated through the COVID Portfolio Delivery Board.

Role: The committee is an advisory committee of the Board, providing assurance to key decisions and processes. Its purpose is to scrutinise the Department's performance and delivery, advise whether the Department's performance and delivery processes are effective in helping the Department achieve its objectives.

Key activities during 2021-22

The discussions of the committee:

- **The Children's Home Capital programme:** focused on an update on the reform programme to increase placements in children's homes for looked after children. The committee noted the delivery challenges faced and adapting the programme to the recommendations of the Care Review and Competition and Markets Authority's study.
- **Skills reform strategy:** were given an update on the delivery planning. The committee recommended the strategy's future business planning be brought to the Board.
- **Future DfE:** were updated on the Future DfE organisational design work. This update reflected those given at Leadership Team.
- **National professional qualifications:** discussed the delivery challenges and options relating to the upscaling of the qualifications.
- **Star Chamber:** were updated on the 10-point plan of the December and January Star Chambers. This item comes twice annually to the committee for review.
- **Traineeships:** discussed the importance of traineeship's function as a route for young people to gain further skills or employment. The committee noted that success should be measured beyond the absolute numbers of those participating.
- **Remote Learning:** received an update on remote learning and the planning for further impacts of COVID-19. Members discussed the delivery plans and considered risks and issues associated with the longer-term opportunities for remote and digital learning.

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 (Chair)	6/6
Ian Ferguson	5/6
Baroness Ruby McGregor-Smith	2/6
Toby Peyton-Jones	5/6
Dame Irene Lucas-Hays	5/6
Nick Timothy	0/6
Senior officials	
Susan Acland-Hood	5/6
Indra Morris	5/6
Andrew McCully	6/6
Paul Kett	5/6
John Edwards	4/6
Julia Kinniburgh	2/6
Mike Green	5/6
Tony Foot	0/6
Emily Roche	2/6
Osama Rahman	4/6

Nominations Committee

Overview

Chair: Richard Pennycook, lead non-executive board member.

Membership: As well as the Chair, the committee consists of the non-executive board members, the Permanent Secretary, and the HR Director.

Meeting frequency: Four times during the year.

Role: The committee is a sub-committee of the Board and provides assurance that the Department has the capability to deliver. The committee scrutinises strategies and plans for talent management; succession planning; and capability building. The committee also provides assurance that Board and public appointments are made on merit.

Key activities during 2021-22

The discussions of the Committee:

- **Pay update**: were informed of key details on Senior Civil Service non-consolidated award arrangements. The committee discussed the effects of inflation on pay and the end of year activity on Director and Deputy Director reward.
- **Director talent**: were updated on director talent and pipeline recruitment. The committee also discussed the impacts of the Future DfE programme on director general portfolios and directors.
- **Senior Responsible Officer appointments**: were updated on the good progress which had been made on senior responsible officer appointments. The committee recognised the importance of the role for major programmes.
- **Public appointments update**: received regular updates on the recent public appointments. The committee discussed the importance of improving diversity in public appointments.

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 (Chair)	4/4
Ian Ferguson	3/4
Baroness Ruby McGregor-Smith	2/4
Toby Peyton-Jones	4/4
Dame Irene Lucas-Hays	3/4
Nick Timothy	1/4
Senior officials	
Susan Acland-Hood	4/4
Simon Fryer	4/4

Leadership Team sub-committees

Investment Committee

Chair	Mike Green, Chief Operating Officer and Director General of Operations Group
Membership	As well as the Chair, members will hold specific functional roles in the Department and membership is made up of: • Director of Strategy • Director of Strategic Finance • Director of Operational Finance • Director of Analysis • Director of Major Projects • Director of Commercial Delivery • Chief Technology Officer • Legal Advisers Office representative • ESFA representative • Digital representative
Meeting frequency	Fortnightly, with extraordinary meetings arranged as required.
Role	The Committee is responsible on behalf of Leadership Team for investment decisions related to high value or higher risk activities. The Committee considers business cases for significant proposals and commercial agreements. The Committee will approve the gated release of funds for any and all expenditure over the threshold for committee approval: which is any business case that has lifetime costs in excess of £20 million, any commercial case in excess of £10 million subject to Cabinet Office controls, or any business case which is below threshold but that will limit other opportunities for the Department or is considered to be novel, contentious, or repercussive.

Key activities during 2021-22	Over the last 12 months the Committee has: • provided assurance on 107 business cases • assured a total value of £20 billion • two-hour session delivered to Committee and keyholders on *Green Book 2021* update • three-hour pilot *Green Book* overview session run by HMT for Committee and investment management colleagues • overview/assurance of SR21 bids conducted by selected keyholders and Committee members • issued 50 online training licences for better business cases training • accredited 'Foundation' and 'Practitioner' level training secured for investment management colleagues

Performance and Risk Committee (PRC)

Chair	Indra Morris Director General, Children Services, Communications and Strategy Group
Membership	As well as the Chair: • Chief Operating Officer • Director, Analysis • Director of Strategic Finance (link member with ARC) • Director, HR • Director, Strategy, Social Mobility and Disadvantage • representative from ESFA • Chief Data Officer and Chief Statistician (who is also the Department's Senior Information Responsible Officer)
Meeting frequency	Monthly, except August.
Role	PRC ensures that the Department takes a joined-up view of performance and risks so that we can quickly spot and tackle common issues that are having a negative effect on the Department's activities. PRC enables Leadership Team to focus on the issues that require cross-directorate decisions or could seriously damage our reputation or stop us achieving our objectives. PRC provides scrutiny of major projects, departmental performance and the Department's top tier risks to provide assurance and escalate matters, as appropriate, to Leadership Team.

Key activities during 2021-22	Over the last twelve months, the PRC has: • Considered cross-cutting and sector focused risks, ensuring the correct mitigations are in place and resources aligned to priority areas as required, escalating risks accordingly. • Assigned category assurance leads across directorates, facilitating greater assurance regarding risks and mitigations. • Continued strategic overview of departmental major project performance, providing support and escalation where necessary. • Introduced key metrics regarding departmental reporting, helping to identify gaps, duplication and to give assurance that we are reporting on the correct measures to support understanding of delivery of departmental priority outcomes. • Continued review of ALB performance through the delivery of the Quarterly Performance Report, oversee implementation of tailored review recommendations, invite or accept ALB requests for deep dive sessions to help understand ALB challenges to delivery, and consider issues which require escalation to Leadership Team. • Monitor performance of investments (including commercial agreements) following full business case approval by Investment Committee, including delivery confidence and benefits realisation (using the performance framework and portfolio reporting procedures).

DDaT Committee

Chair	Paul Kett Director General, Higher Education and Further Education Group
Membership	As well as the Chair: • Chief Executive, ESFA • Chief Digital and Technology Officer • Chief Data Officer and Chief Statistician • Regional Schools Commissioner • Director of Operational Finance • Director, Teaching Workforce – policy representative • Director, Children's Social Care • Director, Post-16 Strategy Unit • Deputy Director, The Apprenticeships Service (DDaT) • DfE Service Owners Representative • Independent members

Meeting frequency	Monthly, except August.
Role	DDaT is there to advise Leadership Team on how to increase DDaT capability and how to use DDaT solutions to help us do business more effectively. DDaT reviews how we prioritise DDaT resource across our business. The Committee oversees the Department's strategic data, digital and technology risks. DDaT decides how we implement data, digital and technology strategies agreed by Leadership Team, including how best to build our DDaT workforce.
Key activities during 2021-22	Over the last twelve months, the Committee has: • Continued oversight and scrutiny of the role of the Department in enabling digital infrastructure to the education sector and the impact of cross-government communications. • Established the DDaT Design and Delivery Board as the key alignment and performance body for all digital, data and technology related programmes, projects and business-as-usual services. • Undertaken monitoring of cyber security delivery from ARC ensuring regular oversight and input from field specialists. • Continued scrutiny of the legacy IT programme, its implications and future strategic delivery.

COVID Portfolio Delivery Board

Chair	Julia Kinniburgh, Director General of Covid Response and Recovery Group
Membership	Consists of one Director General and 12 Directors.
Meeting frequency	Weekly until March 2022 when it moved to a fortnightly cycle.
Role	The purpose of the delivery board was to scrutinise and challenge plans and performance, support delivery and decision-making and manage and escalate risks across the Department's portfolio of programmes that responded to the challenges for our education and care system posed by COVID-19.

Key activities during 2021-22	Over the last year the delivery board: • Provided a strategic overview of the programmes comprising the wider CRRG, including challenging programme plans and assuring delivery of complex programmes of work including remote education, NTP, qualifications for 2022, mass testing and vaccination programmes and setting re-opening. • Considered in detail cross-cutting and sector focused risks including a strong focus on ensuring mitigations are in place, resources aligned to priority areas and risks are escalated as required. • Adapted and responded to the changing dynamics of COVID-19, including immediate response activity, a horizon-based approach to longer term planning, including cross-government scenario-based planning work and stakeholder engagement and communication. • Strategic leadership and direction to support the delivery of education and care to pupils and students across all age groups during the pandemic.

Talent and Remuneration Committee

Chair	Susan Acland-Hood Permanent Secretary
Membership	Permanent Secretary, all Directors General and the HR Director.
Meeting frequency	Six times during the year.
Role	The purpose of the Committee is to discuss and agree senior civil service pay, workforce and resourcing, including succession planning and talent pipelines.
Key activities during 2021-22	Over the last twelve months, the Committee has: • agreed the proposals and roll out of the SCS Skills Programme, strengthening the SCS learning offer to develop the skills of our senior leaders • undertaken a deep dive into director level talent management • approved the senior civil service pay awards and the Department’s involvement in the SCS capability-based pay pilot

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.

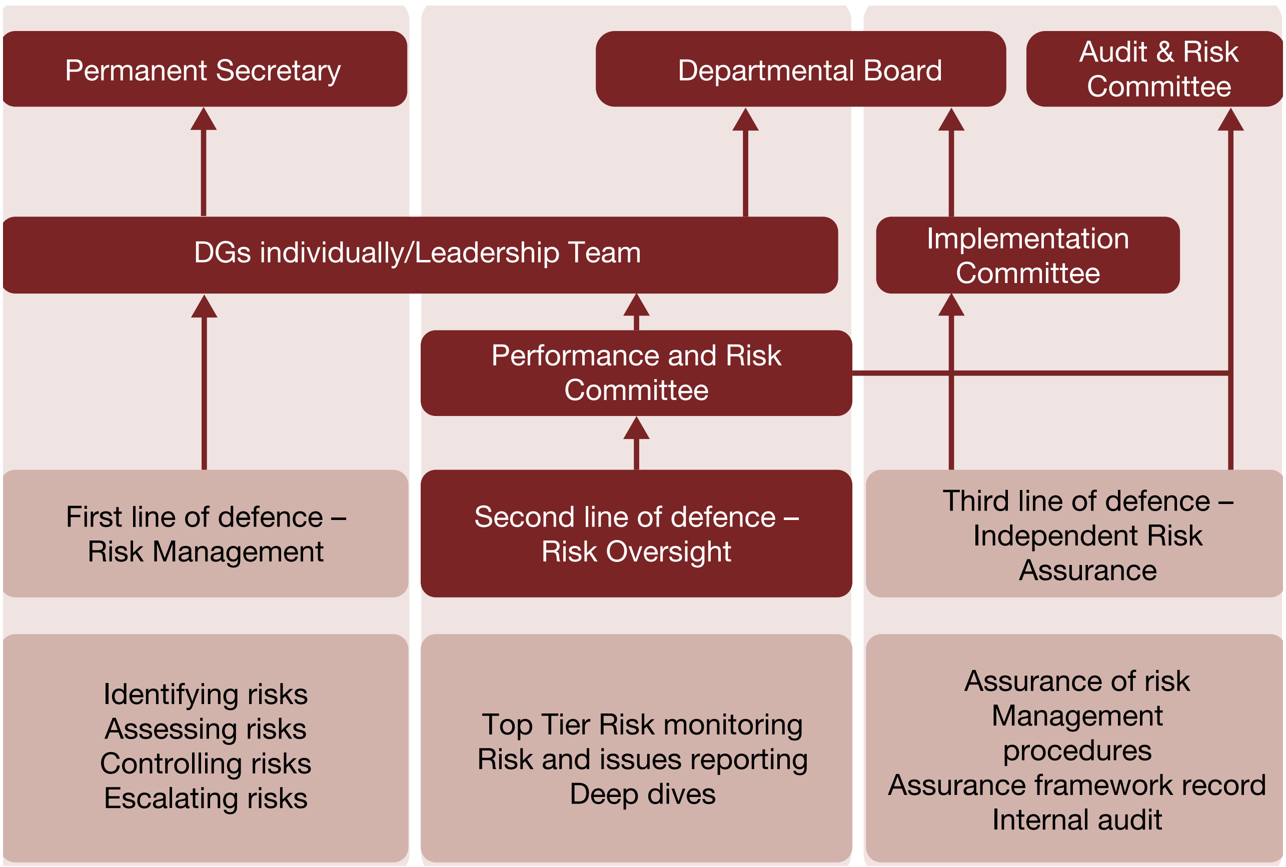
The risk management framework

Our risk management approach seeks to devolve accountability to those best placed to effectively manage risks at the right level. This system has been in place for the year under review and up to the date of approval of this ARA.

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 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 lines 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 maintaining effective systems and processes across their areas of responsibility to ensure that cross-departmental control frameworks are appropriately upheld and monitored. In order for the Accounting Officer to take assurance that relevant controls have been implemented, every area of the Department is required to complete an Assurance Framework Record on an annual basis, devolved at least to Director level. This acts as an area-specific assessment of the effectiveness of our control frameworks, covering a range of areas including governance; risk management; financial management; and business strategy and planning. The central assurance team compile responses and support areas in identifying future improvements. In 2021-22, out of 245 individual assessments of control areas, there were eight assessments with weaknesses identified, with associated actions captured in improvement plans.

Risk capability improvements this year

The departmental risk appetite statement has been refreshed and expanded. This has been communicated to the Department and wider environment. Supporting guidance has been produced and training sessions delivered. Underpinning local appetite statements have also been developed across areas of work and projects environment to help understand willingness to take risk and drive decision making.

The reporting of top-tier and principal risks has been automated. The new process has an audit trail to confirm senior responsible officer sign off. Improved reporting will support top tier risk discussions at senior leadership team meetings.

Risk arrangements have been strengthened with the introduction of Group-level risk frameworks.

Near misses and unexpected issues reporting has been enhanced – category assurance leads have been introduced to strengthen assurance checks and improved linkage to top tier risk reporting.

Training – built on induction level training offering to deliver bespoke risk learning across the Department including closer working with project teams. Monthly sessions are scheduled for the remainder of 2022.

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, if any in the year, are reported to both the Cabinet Office and to ARC, through regular six-monthly updates.

Each of the Department's bodies has its own counter fraud team that share best practice via network events organised every two months 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 are now supported centrally against all high value or manifesto grant spend. The Department undertakes fraud measurement exercises each year, to try and detect fraud in high-risk areas with historically low levels of detected fraud. This year, resource was again targeted on the Department's post-event assurance plan, a revised edition was submitted in September 2022 aimed at measuring fraud and errors in COVID-19 related spend programmes. Resource remains allocated to analyse the Department's Financial Operations Division's strategic risks and their associated control environment to assess whether it is fit for purpose. By assessing, testing and tracking our controls we are able to accurately report against our operational risks.

The debt function also sits in the Financial Operations Division. Since centralising all aspects of debt management last year there has been a greater understanding of the Department's debt position which has enabled a greater level of robust reporting. The Department has improved credit control processes which has enabled a targeted approach to reducing aged debt levels. The debt team works closely with each of the Department's bodies to provide advice and guidance to ensure debt is accounted for and reported correctly. The debt function works closely with cross-government groups to ensure consistency and best practice across government. This includes feeding into the Cabinet Office so central government can report its true level of debt.

Working within the Financial Operations Division keeps fraud, error, and debt at the heart of our operational control environment and has helped the Department to focus on a programme of continual assessment and improvement.

Knowledge, information and asset management

The Department's progress of records reviews has been further slowed by indirect impacts of the COVID-19 pandemic. Reviewers have been mostly working from home with the reviewing itself being conducted virtually with scanned copies of paper files. Although this has enabled some reviewing to happen, it has not been at the desired pace. The Department adheres to the *Public Records Act 1958* 20-year rule only by virtue of applying for a retention instrument from The National Archives Advisory Council.

The Department led on wider government Knowledge and Information Management (KIM) profession initiatives, including designing and delivering a Civil Service live presentation to 5,000 people, and refreshing the KIM skills framework, launching a dynamic online version to support personal development.

In readiness for the COVID-19 Public Inquiry, retention rules have been adjusted to preserve potential documentary evidence. Advice has also been given on search terms for evidence gathering.

The Department's information asset register reviews have continued on a quarterly basis, latterly as part of a single commission including reviews of our register of processing activities and data governance activities. In response to a recommendation from an Information Commissioner's Office (ICO) audit, a new Information Risk Forum has been formed to examine and respond to information risks raised by asset owners.

Data protection
Overall assessment

During the last twelve months the Department's data protection team has continued to support the response to COVID-19 by assessing the privacy risks and making recommendations to support the various policy strands, including COVID-19 testing in schools, as well providing resources such as privacy notices for schools to use. This is allowing us to take the first steps to standardising how we talk about privacy in the education sector, developing a common understanding that focuses on a more open and transparent approach.

In October 2021, we committed to the House of Lords to develop an assurance scheme that will expand data protection support to the education sector by allowing us to assure applications and systems which are used in the sector. We will develop and formalise codes of practice to set out best practice to be used when establishments want to process personal data, for example with CCTV cameras. The first elements of this programme will be rolled out in late 2022.

We are also working with DCMS to ensure that the proposed changes to data protection legislation due to be issued in 2022 to ensure we can deliver the best solutions for children and education.

The Information Commissioner's audit and ongoing risk management

The Data Protection team continue to make good progress in addressing all the outstanding recommendations with a total of 62% signed off to date. As part of this we have rolled out a new training programme which is tailored to the needs of the Department and those working with sensitive personal data about children. We have also rolled out a new risk management programme to ensure we capture and assess privacy risks relating to the Department's business that aligns with the Department's new information risk appetite statement.

NDPB risk management

Each of the Department's NDPBs have their own governance structure where risk management is embedded, 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 PRC, alerting PRC as to when assistance is required, and provides assurance that risks are being managed effectively and the Group is protected.

As well as this formal pathway, risks can be escalated through the network of NDPB ARC chairs headed-up by the Department ARC chair.

Analytical quality assurance

The central list of business-critical models within the Department and ESFA has been updated with new models added and obsolete models removed. For this list we hold centrally in the Department, a detailed description of all the models and evidence of quality assurance via their departmental quality assurance logs.

NDPBs are independent and there is no formal requirement for outputs from NDPBs to be compliant with the quality assurance standards of the Department and, although we provide help and support to some of them where requested, they are not covered by this assessment. Following on from the National Audit Office's review (*Financial modelling in government*), there will be a need in future to ensure that NDPBs have a quality assurance framework in place and maintain a list of their business-critical models. Work is planned to make sure the Department is aware of the quality assurance status of these business-critical models for each NDPB.

The Department's quality assurance framework remains mandatory. All of our supplementary guidance has been refreshed and improved. To aid with compliance two new quality assurance logs, for finance professionals and for official statistics, have been published. The quality assurance training has been further developed and now runs on a regular schedule. The Quality Assurance Officers' Network has continued to spread ideas and best practice. The quality assurance work of the Department has been presented to the PRC, Analytical Function Leadership Group, and the Quality Assurance Steering Group to ensure suitable oversight and confirm the planned direction of travel to deliver continued improvements.

In-depth reviews of riskier business critical models have not taken place this year due to staff turnover and resource constraints. We will develop a comprehensive review framework over the coming year which will set out the detail for how we will review and assess our business critical models, the resource commitment and how we will prioritise reviews.

Spend regularity

Regularity of spending (such as policy funding and student loan advances), including evidencing the required assurance, continues to be a risk area for the Department, in part due to an increase in the number and value of grants schemes and awardees in recent years. Through the course of the preparation of this ARA and subsequent audit work, the Department has carried out detailed assessments with grant managers to capture grant information, performed checks to ensure that sufficient assurance arrangements were in place, and validate these arrangements.

Through that process, the evidence required to demonstrate regularity for some expenditure was either incorrect or insufficient. This did however remain below the Department's materiality threshold. In a small number of cases, the potential evidence available to assure the grant stream was limited, meaning reliance had to be placed on alternative assurance.

A key assurance risk this year was in relation to grants paid to LAs. In recent years, the number of outstanding audited financial statements has increased and this year the increase was significant, with just under half of all audited LA 2020-21 financial statements outstanding at the point of completing our assurance work. The lack of independently audited financial statements required us to revisit our risk assessment and seek more detailed assurance for those LAs assessed as presenting an increased risk, considering whether there was a potential assurance gap. We were able to conclude that overall funds had been used for the purposes intended but recognise this will continue to be an area of risk and therefore focus in 2022-23 and for, at least, the medium term.

Although this irregularity represents a very low proportion of the total expenditure, the Department is focused on reducing this in future years, including through a programme of work to improve grant management processes. This includes a new Grants Business Partner unit to support the business through the grant scheme design phase and lifecycle, including a focus on assurance and regularity. This unit has an initial focus on ensuring our central guidance, processes and the training offer are all designed to best support capacity and capability across the business. The Department has also introduced two new tools to help grant managers capture and store appropriate information at the right time, which are designed to improve efficiency of regularity evidence gathering by the business. We continue to work with the Government Grant Management Function to support our work in aligning with the relevant functional standards.

Management of interests and business appointments

The Group's conflict of interest policy is set out clearly on the Department's intranet. All Group staff, who are civil servants, are expected to familiarise themselves with the policy and how it applies to their personal circumstances. Non-civil servant Group staff are expected to adhere to the policy as best practice. We define conflicts of interest (CoI) as a set of circumstances that creates a risk that an individual's ability to apply judgement or act in one's role is, or could be, impaired or influenced by a secondary interest. Conflicts can occur in any situation where an individual or organisation (private or government) can exploit an official role for personal or other benefit. The perception of competing interests, impaired judgement or undue influence can also be a CoI. We also state that avoidance of conflicts is a fundamental principle of public life, which particularly applies to financial management. The Group's approach is underpinned by the *Civil Service Code*.

The Department clearly states that it is the responsibility of the individual, at any staff grade, to declare any potential conflict at the earliest opportunity.

All staff regardless of their grade must record their interests and any CoI on their local business area CoI register. In our policy we request this must be up-to-date and be made available upon request for audit purposes at any time during the year at the request of the Department's central assurance team.

For assurance purposes, as part of their annual Assurance Framework Record, each director in the Department is asked to confirm whether any conflicts have been identified in their areas and, if so, confirm that they have been appropriately managed in line with departmental guidance. For 2021-22, no conflicts were highlighted as declarable. A sample of those returns is then subject to further validation by the central team. For 2021-22, all directors chosen for validation confirmed they maintained and periodically updated conflicts registers in their areas.

From April 2021, Cabinet Office required all departments to notify them of their position with regard to SCS outside employment. The Permanent Secretary reaffirmed her opinion that the Department has suitable processes to identify SCS outside interests and manage potential CoIs. To support her response a further review of SCS registers of interests described above was completed along with a confirmation exercise for SCSs to declare outside employment.

Special advisers

In August 2020 new Cabinet Office guidelines came into force concerning outside interests of special advisers. All special advisers were required to declare outside interests to the Permanent Secretary for review and consideration. Updated guidance now requires all special advisers to declare outside interests on appointment and annually at year end thereafter.

Business appointments

In compliance with business appointment rules, the Department is transparent in the advice given to individual applications for senior staff, including special advisers. Advice regarding specific business appointments has been published on the Department's website.[20]

20 https://www.gov.uk/government/publications/dfe-business-appointment-rules-advice

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 strategic objectives, 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 value 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.

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 2021-22 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 is made on the basis of the work and assurance provided during 2021-22 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 2021-22, GIAA issued ten reports with assurance rated as Limited, and one report with an assurance rated as Unsatisfactory, out of a total of 53 reports. This compares with twelve Limited reports and one Unsatisfactory report out of a total of 49 in 2020-21. 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
Cross Government Engagement – Property
Cross Government Engagement – Contract Management
DfE – COVID-19 Funding Grant Management
DfE – Sustainability
DfE – Delegated Financial Authorities
DfE – Grant Assurance Framework
DfE – Contract Management
DfE – Corporate Services Reform Portfolio – Post Implementation Review
ESFA – Apprenticeship – Fraud Assurance
ESFA – Customer Experience – Cyber Security Governance

Unsatisfactory assurance
DfE – Information Security Management System (ISMS)

Management has 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

GIAA's audit report concluded that the Department's ISMS function was unsatisfactory due to fundamental weaknesses in the framework of governance, risk management and control such that it was inadequate and ineffective or was likely to fail. GIAA's recommendations were accepted, and a number of actions have taken place to prioritise ISMS.

A complete overhaul of the risk governance model is under development as part of the Department's alignment to a consistent DDaT operating model across the Department.

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 on the NAO website.[21]

21 https://www.nao.org.uk/

The NAO published the following reports relating to the Group in 2021-22. All these reports led to Public Accounts Committee evidence sessions.

Report title	NAO summary
Value for money studies	
School funding in England[22] (July 2021)	This report focuses on the Department's funding for mainstream schools in England, and updates aspects of the 2016 report on the financial sustainability of schools. NAO examined whether the Department: • has increased funding in real terms and in a way that takes account of cost pressures • is distributing funding in line with its objectives
Financial sustainability of schools in England[23] (November 2021)	This report examines the financial sustainability of mainstream schools in England. A financially sustainable school system is vital to the learning and development of the country's children. Schools are financially sustainable when they successfully provide a good-quality education to all their pupils within the income that they receive.
Regulating the financial sustainability of higher education providers in England[24] (March 2022)	This is the NAO's first report on the Office for Students, which began operating in 2018. Having spent its first year registering providers, it became fully operational as a regulator in August 2019. It was therefore still a relatively new body when the COVID-19 pandemic began in early 2020. This report focuses on the OfS's responsibilities to protect students' interests from the consequences of financial risk in higher education providers.

Public Accounts Committee

The Public Accounts Committee examines the value for money of government projects, programmes, and service delivery. Drawing on the work of the NAO, the committee holds government officials to account for the economy, efficiency and effectiveness of public spending. As delivery models for public services have changed, so the reach of the committee, in following the taxpayer's pound, has spread beyond government departments to also examine public bodies and private companies providing public services.

The committee works through undertaking a series of inquiries on a range of subjects, the final published reports supported by evidence taken in writing or orally in evidence hearings. Departments are responsible for responding to the recommendations made in a PAC report in a Treasury Minute.

22 https://www.nao.org.uk/report/school-funding-in-england/
23 https://www.nao.org.uk/report/financial-sustainability-of-schools-in-england/
24 https://www.nao.org.uk/report/regulating-the-financial-sustainability-of-higher-education-providers-in-england/

The table below presents the Public Accounts Committee hearings I attended on behalf of the Department during the reporting period, and a link to the government's Treasury Minute responses if finalised:

PAC inquiry and hearing dates	Government response
School funding in England[25] hearing – 15 July 2021 report published – 22 October 2021	Government's response[26] published – 9 December 2021
Financial sustainability of schools in England[27] hearing – 8 December 2021 report published – 4 March 2022	Government's response[28] published – 26 April 2022
Academies Sector Annual Report and Accounts 2019/20[29] hearing – 24 January 2022 report published – 25 March 2022	Government's response[30] published – 16 May 2022
Financial sustainability of the higher education sector in England[31] hearing – 21 March 2022 report published – 15 June 2022	Government's response[32] published – 5 August 2022

More details on the Public Accounts Committee and the above meetings can be found on the PAC website.[33]

Since the year end, the committee has opened a recall inquiry on: special educational needs and disabilities and the publication of the 28 March 2022 Green Paper.

Corporate governance code

The Department has complied with HMT's *Corporate governance in central government departments: code of good practice*.

The Board met six times during the reporting period. To manage any conflicts of interest, the Department maintains a register of board member interests. Board members are required to declare any potential conflicts that arise.

25 https://committees.parliament.uk/publications/7577/documents/79574/default/
26 https://publications.parliament.uk/pa/cm5802/cmselect/cmpubacc/650/summary.html
27 https://committees.parliament.uk/publications/9103/documents/159388/default/
28 https://committees.parliament.uk/work/1581/financial-sustainability-of-schools-in-england/publications/2/government-response/
29 https://publications.parliament.uk/pa/cm5802/cmselect/cmpubacc/994/report.html
30 https://committees.parliament.uk/work/1714/academies-sector-annual-report-and-accounts-201920/publications/2/government-response/
31 https://publications.parliament.uk/pa/cm5803/cmselect/cmpubacc/257/summary.html
32 https://committees.parliament.uk/work/6435/financial-sustainability-of-the-higher-education-sector-in-england/publications/2/government-response/
33 https://www.parliament.uk/business/committees/Committees-A-Z/commons-select/public-accounts-committee/

Where a potential conflict is identified, board members are not involved in discussions or decisions on the matter in question. The code of practice states that a formal evaluation of the Board's performance should take place annually. A board effectiveness evaluation was undertaken during the review period and key recommendations including the more frequent meeting of the Board have been implemented. An assessment of the Board's effectiveness is set out in the report from the lead non-executive on page 25.

The Department has led on the new Cabinet Office public bodies reviews programme by undertaking a review of the EFSA. The review was conducted by an external lead, Sir David Bell KCB DL, launching in July 2021 and completing in January 2022. The review was aligned with draft Cabinet Office guidance for the review of public bodies ahead of its full release. The review's resultant 46 recommendations aimed to build on the existing strong foundations of the ESFA.

The Board and its committees have management information covering a variety of disciplines. This includes financial and workforce data, indicators of progress against the Department's priorities and information on risk. The provision of this data has improved throughout the financial year as officials developed better performance metrics.

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

Tony Foot, Director of Strategic Finance, is a member of the Board and the Leadership Team, and attends Implementation Committee, ARC, Investment Committee and PRC meetings. Iain King, Director of Operational Finance, represents the Department's finance function at ARC meetings, and attends People Committee, Investment Committee and Digital, Data and Technology Committee meetings.

As required by the code the terms of reference for ARC have been published on GOV.UK.[34]

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 for the year under review and up to the date of approval of this ARA with effective plans to ensure continuous improvement.

Susan Acland-Hood
Accounting Officer
6 December 2022

34 https://www.gov.uk/government/publications/dfe-audit-and-risk-assurance-committee-terms-of-reference

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.

Remuneration report 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.[35]

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 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*.[36]

35 https://www.gov.uk/government/organisations/review-body-on-senior-salaries
36 https://www.gov.uk/government/publications/civil-servants-terms-and-conditions

In line with the *Constitutional Reform and Governance Act 2010* and the *Model Contract for Special Advisers*, a special adviser's appointment automatically ends when their appointing Minister leaves office. Special advisers are not entitled to a notice period but receive contractual termination benefits to compensate for this.

Termination benefits are based on length of service and capped at six months' salary. If a special adviser returns to work for HM Government following the receipt of a severance payment, the payment is required to be repaid, less a deduction in lieu of wages for the period until their return. Termination costs for special advisers are reported in the Cabinet Office's ARA.

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.[37]

37 https://www.civilservicecommission.org.uk/

Remuneration report 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 (ie board members) of the Department.

Ministers

				2021-22
	Salary	Severance payments	Pension benefits (to nearest £000)	Total (to nearest £000)
	£	£	£	£
Secretary of State				
Rt Hon Sir Gavin Williamson CBE MP	30,752 *(67,505)*	16,876	7,000	54,000
Rt Hon Nadhim Zahawi MP	33,753 *(67,505)*	–	10,000	44,000
Ministers of State				
Rt Hon Nick Gibb MP	14,432 *(31,680)*	7,920	3,000	25,000
Robin Walker MP	15,840 *(31,680)*	–	4,000	20,000
Rt Hon Michelle Donelan MP	31,680	–	8,000	40,000
Parliamentary Under Secretaries of State				
Rt Hon Gillian Keegan MP	11,188 *(22,375)*	–	3,000	14,000
Alex Burghart MP	11,187 *(22,375)*	–	3,000	14,000
Vicky Ford MP	11,188 *(22,375)*	–	3,000	14,000
Will Quince MP	11,187 *(22,375)*	–	3,000	14,000
Baroness Berridge	32,725 *(70,969)*	17,742	9,000	60,000
Baroness Barran	–	–	–	–

			2020-21
	Salary	Pension benefits (to nearest £000)	Total (to nearest £000)
	£	£	£
Secretary of State			
Rt Hon Sir Gavin Williamson CBE MP	67,505	17,000	85,000
Ministers of State			
Rt Hon Nick Gibb MP	31,680	8,000	40,000
Rt Hon Michelle Donelan MP	31,680	8,000	40,000
Parliamentary Under Secretaries of State			
Rt Hon Gillian Keegan MP	22,375	5,000	27,000
Vicky Ford MP	22,375	5,000	27,000
Baroness Berridge	70,969	17,000	88,000

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. Appointment and resignation dates are provided in the biographies at the start of the Accountability Report.

No benefits-in-kind were paid to minsters during 2021-22 (2020-21: £nil).

The following ministers received a severance payment which is included in the disclosures above:

- Rt Hon Sir Gavin Williamson CBE MP received a severance payment of £16,876 for loss of office paid during 2021-22 (2020-21: £nil)
- Rt Hon Nick Gibb MP received a severance payment of £7,920 for loss of office paid during 2021-22 (2020-21: £nil)
- Baroness Berridge received a severance payment of £17,742 for loss of office paid during 2021-22 (2020-21: £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.

Officials

	Salary	Bonus payment	Benefits-in-kind (to nearest £100)	Pension benefits (to nearest £000)	Total
					2021-22
	£000	£000	£	£000	£000
Permanent Secretary					
Susan Acland-Hood	160–165	–	–	88	250–255
Directors General					
Indra Morris	135–140	–	–	14	150–155
Mike Green	155–160	–	8,900	61	225–230
Director					
Tony Foot	105–110	5–10	–	56	170–175

	Salary	Bonus payment	Benefits-in-kind (to nearest £100)	Pension benefits (to nearest £000)	Total
					2020-21
	(Restated)	(Restated)			(Restated)
	£000	£000	£	£000	£000
Permanent Secretary					
Jonathan Slater	345–350	–	–	28	375–380
Susan Acland-Hood	100–105 *(160–165)*	–	–	122	220–225
Directors General					
Indra Morris	135–140	5–10	–	–	145–150
Mike Green	160–165	0–5	4,400	61	230–235
Directors					
Jonathan Clear	70–75 *(120–125)*	0–5	–	27	100–105
Tony Foot	40–45 *(95–100)*	0–5	–	19	65–70

Where members joined or left the Board during the year, annualised remuneration is presented in italics. Appointment and resignation dates are provided in the biographies at the start of the Accountability Report.

Included above in the 2020-21 salary disclosure for Jonathan Slater is a severance payment of £277,780 for loss of office paid during 2020-21.

The 2020-21 disclosures above have been restated to include backdated salary for Tony Foot, which altered his disclosable salary from £35,000-£40,000 to £40,000-£45,000, and also 2020-21 bonuses for Indra Morris and Mike Green that were paid in early 2021-22 but had been omitted from the prior year ARA.

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 decrease due to a transfer of pension rights.

Pension benefit 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 (£81,932 from 1 April 2020) 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.

	2021-22	2020-21
	£	£
Richard Pennycook	20,000	20,000
Baroness Ruby McGregor-Smith (to 31 December 2021)	12,500	15,000
Ian Ferguson	–	–
Toby Peyton-Jones	15,000	15,000
Dame Irene Lucas-Hays (to 31 January 2022)	11,250	15,000
Nick Timothy	15,000	15,000

Benefits-in-kind

The monetary value of benefits-in-kind covers any benefits provided by the Department during an individual's period of appointment to their board role and treated by HMRC as a taxable emolument.

No ministers or non-executive board members received benefits-in-kind in 2021-22 (2020-21: 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 2021-22 relate to performance in 2021-22 and the comparative bonuses reported for 2020-21 relate to the performance in 2020-21.

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 lower quartile, median and upper quartile remuneration of the organisation's workforce. The disclosures here cover staff at the Department and its three Agencies. The prior year disclosures have been restated to include Agency staff who were not included in the disclosures published in last year's ARA.

The banded remuneration of the highest-paid director in the Department in the financial year 2021-22 was £165,000-£170,000 (2020-21: £165,000-£170,000 restated). This was 4.1 times (2020-21: 4.3 restated) the median remuneration of the workforce, which was £40,778 (2020-21: £38,875 restated).

In 2021-22, no employees (2020-21: nil) received remuneration in excess of the highest-paid director. Remuneration ranged from £18,000-£170,000 (2020-21: £19,000-£170,000 restated).

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.

	2021-22		2020-21	
	Salary and allowances	Total pay and benefits	Salary and allowances	Total pay and benefits
				(Restated)
	£	£	£	£
Band of highest paid director (£000)	155-160	165-170	155-160	165-170
Range (£000)	18-160	18-170	19-160	19-170
Upper quartile	53,419	53,541	52,842	53,419
Median	40,228	40,778	37,620	38,875
Lower quartile	30,862	31,858	30,198	31,276

Percentage change in the total salary and bonuses of the highest paid board member and the staff average

	2021-22	
	Highest paid director	Staff average
	% change	% change
Salary and allowances	–	1.3%
Bonuses	(100.0%)	5.8%

Ratio between highest paid board member's total remuneration and the lower quartile, median and upper quartile for staff pay

	2021-22		2020-21	
	Salary and allowances	Total pay and benefits	Salary and allowances	Total pay and benefits (Restated)
	Ratio	Ratio	Ratio	Ratio
Upper quartile	2.9:1	3.1:1	3.0:1	3.1:1
Median	3.9:1	4.1:1	4.2:1	4.3:1
Lower quartile	5.1:1	5.3:1	5.2:1	5.4:1

There has been no change to the remuneration of the highest paid director and no significant changes to pay policies for staff across the Department and Agencies in the year. In addition, there has been no significant change to employment models across the Department and Agencies for terms and location. There has been an increase in staff numbers and a change in staff mix across the grades, with an increase in the middle grades. The movement in staff numbers and in grade mix has driven the change in quartile values shown above, which in turn improved the multiples due to a fixed highest paid director denominator. Accordingly, we consider the median pay ratios are consistent with the pay, reward and progression policies for employees taken as a whole.

Ministerial pensions

	Accrued pension at age 65 as at 31/3/22	Real increase in pension at age 65	CETV at 31/3/22	CETV at 31/3/21	Real increase in CETV
	£000	£000	£000	£000	£000
Secretary of State					
Rt Hon Sir Gavin Williamson CBE MP	5–10	0–2.5	60	53	2
Rt Hon Nadhim Zahawi MP	0–5	0–2.5	10	–	6
Ministers of State					
Rt Hon Nick Gibb MP	5–10	0–2.5	130	122	2
Robin Walker MP	0–5	0–2.5	29	–	1
Rt Hon Michelle Donelan MP	0–5	0–2.5	16	10	2
Parliamentary Under Secretaries of State					
Rt Hon Gillian Keegan MP	0–5	0–2.5	9	6	2
Alex Burghart MP	0–5	0–2.5	2	–	1
Vicky Ford MP	0–5	0–2.5	9	6	2
Will Quince MP	0–5	0–2.5	12	–	1
Baroness Berridge	0–5	0–2.5	34	26	4
Baroness Barran	–	–	–	–	–

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.[38]

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 revalued 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.

Officials

	Accrued pension at pension age as at 31/3/22 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/22	CETV at 31/3/21 (Restated)	Real increase in CETV
	£000	£000	£000	£000	£000
Permanent Secretary					
Susan Acland-Hood	60-65	5-7.5	834	741	45
Directors General					
Indra Morris	0-5	0-2.5	10	–	8
Mike Green	35-40	2.5-5	511	447	39
Director					
Tony Foot	30-35 plus a lump sum of 55-60	2.5-5 plus a lump sum of 0-2.5	463	410	27

Tony Foot's CETV as at 31 March 2021 has been restated from £396,000 disclosed last year to £410,000 above following a retrospective reassessment to his salary details.

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

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

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. Because the government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the cash equivalent transfer values shown in this report – see below). 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 defined contribution (money purchase) 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 an occupational defined pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). 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[39] 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 worked out in accordance with *The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008* and do not take account of any actual or potential reduction to benefits resulting from lifetime allowance tax which may be due when pension benefits are taken.

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.

Payments to past directors

No payments have been made to former directors of the Department in 2021-22 (2020-21: £nil).

39 www.civilservicepensionscheme.org.uk

Staff report part A: audited

Staff costs

				2021-22	2020-21
				Group	Group
	Permanently employed staff	Other	Ministers	Total	Total
	£000	**£000**	**£000**	**£000**	**£000**
Wages and salaries	502,136	31,142	230	533,508	513,917
Social security costs	56,747	9,057	22	65,826	54,071
Pension costs	119,365	3	–	119,368	111,550
	678,248	**40,202**	**252**	**718,702**	**679,538**
Less:					
recoveries in respect of outward secondments	(1,021)	–	–	(1,021)	(569)
capitalised staff costs	(28,153)	–	–	(28,153)	(22,478)
	649,074	**40,202**	**252**	**689,528**	**656,491**
Of which:					
Department & Agencies	437,804	35,533	252	473,589	433,020
NDPBs	211,270	4,669	–	215,939	223,471
	649,074	**40,202**	**252**	**689,528**	**656,491**

Department and Agencies staff costs disclosed above include costs of staff involved in property, plant and equipment (PPE) asset or intangible asset creation or programmes classified to capital budgets. As such staff costs are included in the asset's carrying value or included in the capital grant-in-kind expense. A deduction is then made to remove these costs to calculate the staff costs per the face of the SoCNE.

Special advisers are temporary civil servants. In order to improve efficiency, the administration of staff costs for all special advisers across government was moved to the Cabinet Office in July 2019, with corresponding budget cover transfers. Therefore, special adviser costs are now reported in the Cabinet Office ARA. Special advisers remain employed by the respective departments of their appointing Minister.

Average number of persons employed

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

				2021-22	2020-21
				Group	Group
	Permanently employed staff	Other	Ministers	Total	Total
					(Restated)
	Number	Number	Number	Number	Number
Department	5,851	319	6	6,176	5,507
Agencies	1,942	54	–	1,996	1,973
NDPBs	4,734	56	–	4,790	4,941
	12,527	**429**	**6**	**12,962**	**12,421**

As well as the staff disclosed above the Department also had three special advisors (2020-21: 2). Since special adviser staff costs are borne by Cabinet Office their staff numbers are removed from the table above. The comparative values above have been restated to remove the two special advisors included last year.

A dis-aggregation across Group reporting bodies of staff costs and numbers for permanently employed and other staff are presented in annex E.

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. A full actuarial valuation was carried out as at 31 March 2016. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation.[40]

For 2021-22, Department and Agencies employers' contributions of £91.5 million (2020-21: £83.9 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 2022-23 will be £96.1 million (2021-22: £87.8 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 2021-22 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

40 https://www.civilservicepensionscheme.org.uk/knowledge-centre/resources/resource-accounts/

Partnership pension accounts

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. In 2021-22, Department and Agencies employers' contributions of £532,000 (2020-21: £510,000) 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, Department and Agencies employer contributions of £20,000 (2020-21: £20,000), 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 £34,000 (2020-21: £36,000). Contributions prepaid at that date were £nil (2020-21: £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 2022
- employees who have committed to leave by 31 March 2022, for whom the exit packages have been accrued

Numbers and costs are based on estimated values 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

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
<£10,000	1	–	2	–	3	–
£10,001 – £25,000	1	–	7	–	8	–
£250,001 – £300,000	–	–	–	1	–	1
Total number of exit packages	**2**	**–**	**9**	**1**	**11**	**1**
Total costs (£000)	**20**	**–**	**122**	**278**	**142**	**278**

Group

Exit package cost band	Number of compulsory redundancies 2021-22	Number of compulsory redundancies 2020-21	Number of other departures agreed 2021-22	Number of other departures agreed 2020-21	Total number of exit packages by cost band 2021-22	Total number of exit packages by cost band 2020-21
<£10,000	4	23	2	–	6	23
£10,001 – £25,000	11	17	7	1	18	18
£25,001 – £50,000	9	38	–	–	9	38
£50,001 – £100,000	3	4	–	–	3	4
£100,001 – £150,000	–	–	1	–	1	–
£250,001 – £300,000	–	–	–	1	–	1
Total number of exit packages	**27**	**82**	**10**	**2**	**37**	**84**
Total costs (£000)	**704**	**1,894**	**240**	**290**	**944**	**2,184**

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 or, 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 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. One person (2020-21: two persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £1,000 (2020-21: £16,000).

Staff report part B: unaudited

Staff by grade and gender

The charts below cover permanent staff as at 31 March 2022, based on headcount. The disclosures have been calculated using data received from the Department (including European school teachers), Agencies and NDPBs. For non-Civil Servants employed in NDPBs local grades have been mapped to Civil Service staff grades.

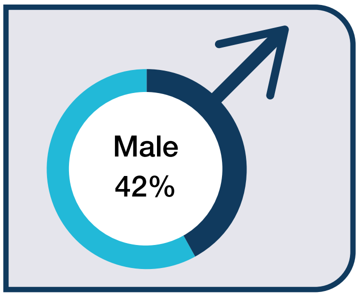
	Department & Agencies		Group	
	Male	Female	Male	Female
	Number	Number	Number	Number
Permanent Secretary	–	1	–	1
Director General	3	2	4	2
Director	21	29	38	47
Deputy Director	90	123	152	170
Non-SCS	3,305	4,876	5,415	7,550
	3,419	**5,031**	**5,609**	**7,770**

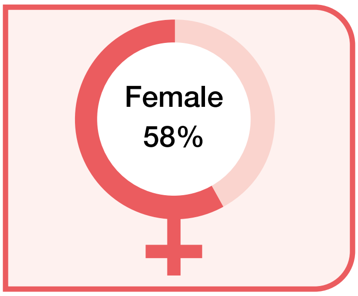
Number of senior civil servants by salary band

The table below shows the number of full-time senior civil servants by salary bands for the Department and Agencies consolidation level as at the year end. Salary ranges represent basic salary and allowances but exclude bonuses.

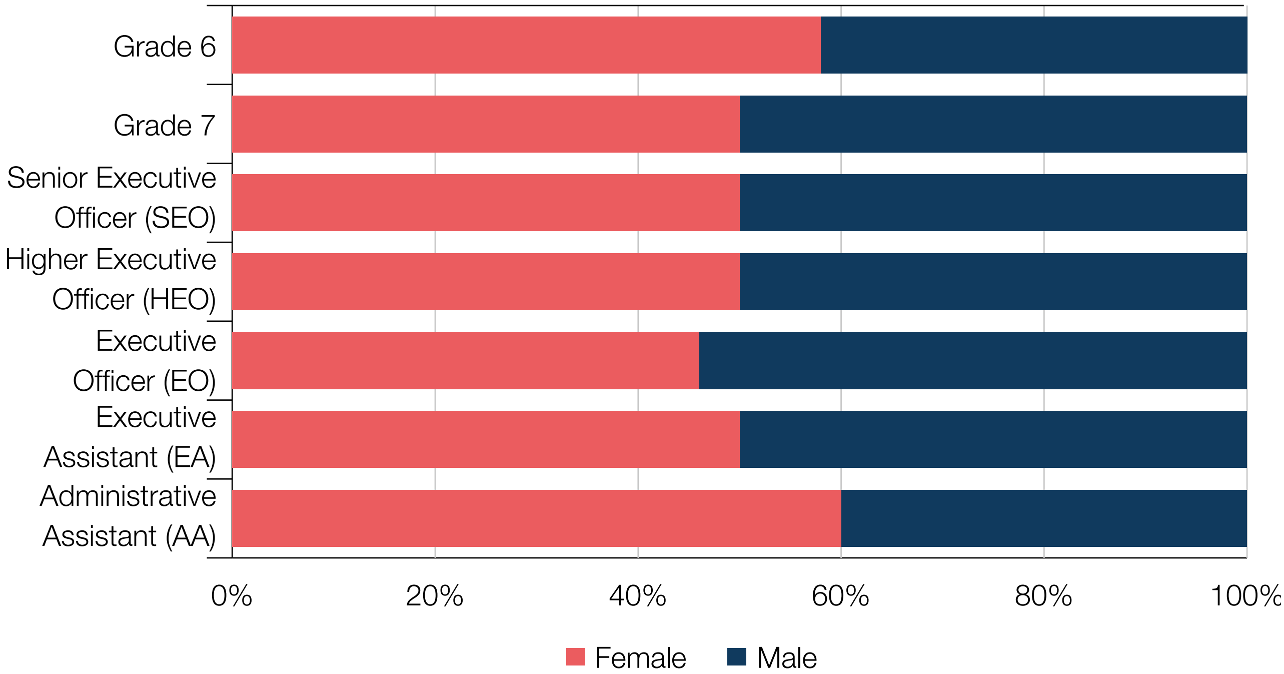
Salary range	2022	2021
	Number	Number
£65,001 – £70,000	–	2
£70,001 – £75,000	139	128
£75,001 – £80,000	40	37
£80,001 – £85,000	10	18
£85,001 – £90,000	7	11
£90,001 – £95,000	28	16
£95,001 – £100,000	11	12
£100,001 – £105,000	9	8
£105,001 – £110,000	4	4
£110,001 – £115,000	3	4
£115,001 – £120,000	2	4
£120,001 – £125,000	5	5
£125,001 – £130,000	1	1
£130,001 – £135,000	1	1
£135,001 – £140,000	5	5
£140,001 – £145,000	2	2
£150,001 – £155,000	–	1
£155,001 – £160,000	1	1
£160,001 – £165,000	1	1
	269	**261**

2021-22 Group staff by gender

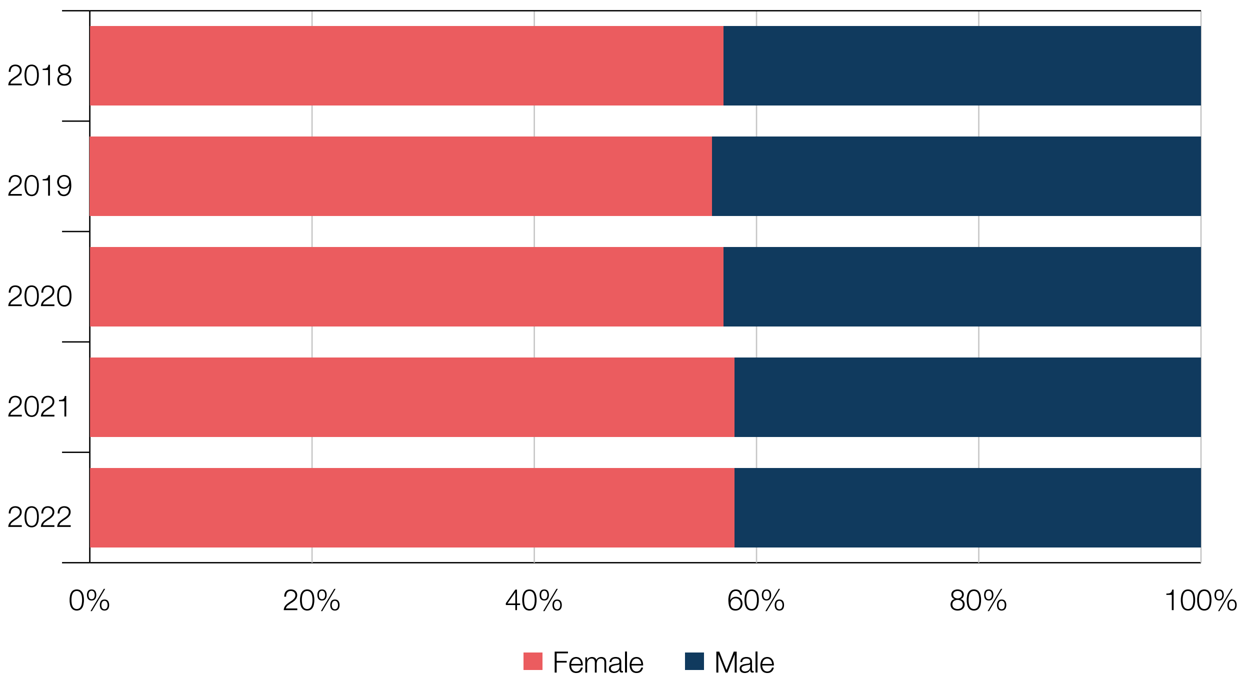




2021-22 non-SCS staff split by gender



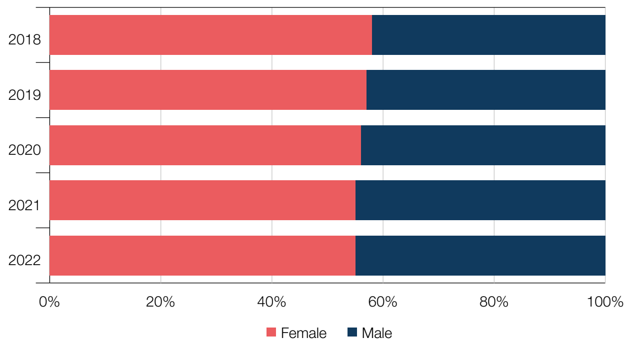
Gender across the Group



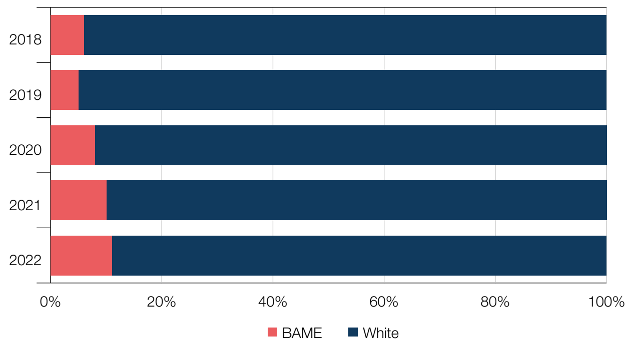
Addressing under-representation

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 12% and 13% for disabled and BAME staff respectively by 2023.

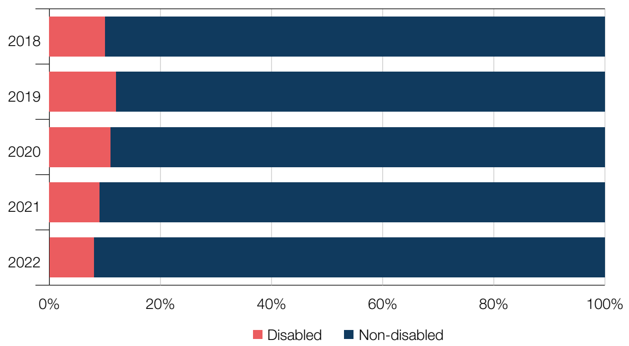
SCS gender



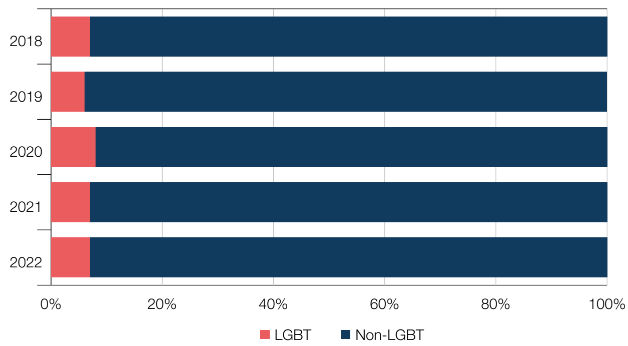
SCS ethnicity



SCS disability



SCS sexual orientation



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 provides comprehensive recruitment training to anyone running a recruitment 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.

	2021-22	2020-21	2019-20	2018-19
Days per FTE	5.6	4.7	3.9	4.0

The figure above compares well with figures across the Civil Service, which were 6.1 average working days lost per full time equivalents (FTE) in the year ending 31 March 2021.[41]

Staff turnover

The figures below show the number of leavers within the reporting period divided by the average staff in post over the reporting period presented as a percentage. Departmental turnover, staff leaving the Department and Agencies, is compared to the Civil Service average.

	2021-22	2020-21	2019-20	2018-19
Civil Service turnover	5%	5%	6%	4%
Departmental turnover	11%	8%	9%	7%

The departmental turnover has increased from the prior year by 3%. Most employees leave to transfer to another government department, rather than leaving the Civil Service altogether, which causes the gap in the figures above.

Commitment to improving diversity

Our assessment at the beginning of 2021 was that we have made steady progress and are more diverse since publication of our 2018 Diversity and Inclusion Strategy.

Our workforce is more ethnically diverse – from 17.2% in 2018 to 19.4% at the end of January 2022. We are now the fourth most ethnically diverse department in the Civil Service. We have agreed targets for BAME and disabled representation in our SCS for 2023, and we are working towards achieving them. Our proportion of LGBT+ staff has increased from 6.1% in 2018 to 7.5% at the end of January 2022.

The Department has introduced a way of measuring socio-economic background to 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. Furthermore, we now employ many more people in different locations across the country, including 600 more in both Sheffield and Manchester; 400 more in Coventry; and nearly 300 more in Darlington which supports our regional and social mobility diversity.

We recognise we need more traction in areas and will be launching a new Diversity and Inclusion Strategy in 2022 so we can achieve truly transformative change. We have worked with staff and networks to develop this strategy; and have committed to attracting people from all backgrounds across the UK and nurturing all of our staff talent so we can better serve communities across the UK. We will continue to be transparent with diversity data and use it to inform evidence-based decision making and to help with accountability, so we meet the ambitions we have made.

41 https://www.gov.uk/government/publications/civil-service-sickness-absence-2021

Staff policies for disabled persons

The Department's recruitment policies guarantee an interview to any candidate applying under the Disability Confident Scheme who demonstrates that they meet the minimum standard required for the role. This applies even if the pass mark is raised in response to a large volume of applications.

During the application process, candidates are also asked if they require any reasonable adjustments to help them to perform their best at interview (ie more time to answer questions, or access to view the questions as they are being asked).

The Department's attendance management policy allows managers to adjust the trigger point for formal action to allow for higher levels of absence due to a disability of long-term health condition.

We also offer disability leave. This enables employees with a disability to take reasonable time off work to go for occupational rehabilitation, assessment or treatment, or while they are waiting for a reasonable adjustment to be put in place.

The Department's performance management policy covers all employees. This involves employees and their managers discussing and agreeing objectives and development needs at the start of the reporting year and holding monthly 'check-ins' to:

- review performance against agreed objectives
- recognise achievements
- discuss learning and development needs
- wellbeing and career conversations

The workplace adjustments policy provides guidance to employees and managers on having open conversations about disabilities and health conditions (including non-visible conditions such as neurodivergence and mental ill-health). The policy also covers workplace adjustments and how these can be arranged. Online learning on workplace adjustments is also available.

The Department ringfences a proportion of the available places on the Beyond Boundaries cross-government development programme specifically for disabled employees.

In addition, the Department offers the Power of Choice programme, which aims to support and accelerate the development and capability of high potential G6/7s who identify as having a disability (hidden or visible) and/or are neurodivergent. Feedback from both the participants and their managers who have participated in the programme to date has been extremely positive.

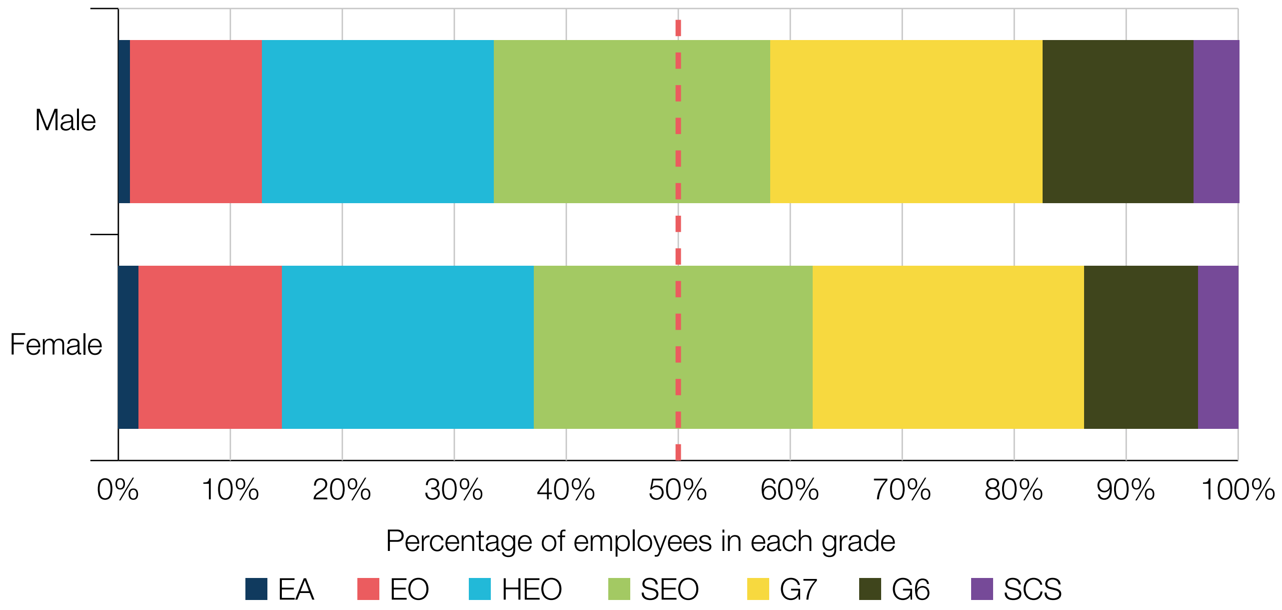
Gender pay gap reporting

We now have the third lowest gender pay gap across Whitehall. The Department's median gender pay gap as at March 2021 was 4.0% (2020: 7.9%) the latest date of available data.

Our analysis has identified that over-representation of females in more junior grades is likely to be a significant contributor to the remaining pay gap. The 2021 graph below shows that whilst both the median male and female salary continue to be within the SEO pay band, the higher proportion of women in EA to HEO grades means the overall female median is closer to the middle of the SEO distribution for females while the median male's pay is closer to the top end of the SEO distribution for males.

The figure for 2022 is not available at the time of publication. The figure will be published by the Government Equalities Office late in 2022 and will be included in the Group's 2022-23 ARA.

March 2021 grade breakdown by gender



Engagement with employees

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

	2021-22	2020-21	2019-20	2018-19
Response rate	90%	91%	91%	91%
Engagement index	69%	69%	69%	65%

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

The Department is currently developing the strategic workforce plan covering the SR21 period (2022-25). Our vision for the future is to create a workforce with world class skills and capabilities, which is flexible and makes the best use of excellent talent by supporting increased diversity and social mobility as well as ensuring colleagues have well-defined development plans, and that clear career paths are set out for all those who want to progress and develop their expertise. The strategic workforce plan is aligned to the Government Reform Agenda and has clearly articulated ambitions for the future workforce. We plan to publish the new workplace plan in April this year.

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.[42] 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, and cleared by the Deputy Director with budget/delivery responsibility. In addition, such cases are reviewed in light of the efficiency controls within the Department's Commercial Governance process. For engagements over £20,000, the same process as for £10,000 to £20,000 engagements is followed but with additional scrutiny and clearance by the minister with policy responsibility. Consultancy engagements over £10 million apply similar controls 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 required 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:

	2021-22	2020-21	2019-20	2018-19
	£m	£m	£m	£m
Department	6.6	7.2	12.7	12.0
Agencies	0.6	0.7	-	1.1
NDPBs	0.5	0.8	-	-
	7.7	**8.7**	**12.7**	**13.1**

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

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

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. In recent years, where possible, these vacancies have been covered using existing employees, reducing the Group's expenditure on consultancy. 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:

	2021-22	2020-21	2019-20	2018-19
	£m	£m	£m	£m
Department	26.3	20.9	8.1	43.0
Agencies	0.4	0.7	0.6	0.8
NDPBs	4.5	10.9	22.1	13.1
	31.2	**32.5**	**30.8**	**56.9**

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 2021-22.

The tables on the following pages set out this information.

Highly paid off-payroll worker engagements as at 31 March 2022, earning £245 per day or greater

	Department	Agencies	NDPBs	Group
Number of existing engagements as at 31 March 2022	99	6	18	123
Of which the number that have existed for:				
less than one year at time of reporting	58	6	10	74
between one and two years at time of reporting	25	–	2	27
between two and three years at time of reporting	16	–	4	20
between three and four years at time of reporting	–	–	2	2
four or more years at time of reporting	–	–	–	–

All highly paid off-payroll workers engaged at any point during the year ended 31 March 2022, earning £245 per day or greater

	Department	Agencies	NDPBs	Group
Number of temporary off-payroll workers engaged during the year ended 31 March 2022	155	4	19	178
Of which:				
Not subject to off-payroll legislation	–	–	1	1
Subject to off-payroll legislation and determined as in-scope of IR35	76	3	11	90
Subject to off-payroll legislation and determined as out-of-scope of IR35	79	1	7	87
Number of engagements reassessed for compliance or assurance purposes during the year	79	1	–	80
Of which: number of engagements that saw a change to IR35 status following review	79	1	–	80

For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2021 and 31 March 2022

	Department	Agencies	NDPBs	Group
Number of off-payroll engagements of board members and/or senior officials with significant financial responsibility, during the financial year	–	–	–	–
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	27	21	70	118

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 and Agencies

	2021-22	2020-21	2019-20	2018-19
Number of employees	24	22	23	23
Full-time equivalent employee numbers	8,169	7,511	6,924	5,597

The full-time equivalent employee numbers are those as at 31 March 2022 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 170, 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 and Agencies

	2021-22	2020-21	2019-20	2018-19
% of time	Number of employees	Number of employees	Number of employees	Number of employees
0%	7	9	3	–
1-50%	17	13	20	23
51-99%	–	–	–	–
100%	–	–	–	–

Percentage of pay bill spent on facility time – Department and Agencies

Item	2021-22	2020-21	2019-20	2018-19
Total cost of facility time	£41,347	£44,273	£37,746	£13,437
Total pay bill (£m)	£483	£446	£406	£250
% of the total pay bill against facility time	0.01%	0.01%	0.009%	0.005%

The Department and Agencies pay bill disclosed above is larger than that disclosed earlier in the staff report because the figure above includes capitalised staff costs.

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 4.1% (2020-21: 4.6%).

Staff redeployments

Grade	Outward staff loans		Inward staff loans	
	Less than 6 months	More than 6 months	Less than 6 months	More than 6 months
	Number	**Number**	**Number**	**Number**
SCS	–	6	2	12
Grade 6	2	9	1	3
Grade 7	–	22	3	9
Senior Executive Officer	–	18	–	14
Higher Executive Officer	–	11	–	13
Executive Officer	–	6	1	3
	2	**72**	**7**	**54**

Grade				2022	2021
	EU Exit	COVID-19	Other	Total	Total
	Number	**Number**	**Number**	**Number**	**Number**
SCS	1	2	17	20	4
Grade 6	–	2	13	15	10
Grade 7	–	7	27	34	20
Senior Executive Officer	–	6	27	33	26
Higher Executive Officer	–	5	19	24	14
Executive Officer	1	1	7	9	6
	2	**23**	**110**	**135**	**80**

The average duration of staff redeployments at 31 March 2022 was 364 days (2021: 170 days).

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

	2022	2021	2020
	Total	Total	Total
	£m	**£m**	**£m**
Admin	7.3	3.1	4.5
Programme	0.4	0.3	0.4
	7.7	**3.4**	**4.9**

Parliamentary accountability and audit report

Overview

In addition to the primary statements prepared under IFRS, *Financial Reporting Manual* requires the Department to prepare a Statement of Outturn against 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 Estimates. 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 Estimates 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 Estimates, 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 Estimates 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).

The SOPS and Estimates are compiled against the budgeting framework, which is similar to, but different to, IFRS. An understanding of the budgeting framework and an explanation of key terms is provided on page 33, in the financial review section of the Performance Report. Further information on the Public Spending Framework and the reasons why budgeting rules are different to IFRS can also be found in chapter 1 of the Consolidated Budgeting Guidance.[43] The SOPS provides a detailed view of financial performance, in a form that is voted on and recognised by Parliament. The financial review, in the Performance Report, provides a summarised discussion of outturn against Estimates and functions as an introduction to the SOPS disclosures.

43 https://www.gov.uk/government/publications/consolidated-budgeting-guidance-2020-to-2021

Statement of Outturn against Parliamentary Supply: audited

For the year ended 31 March 2022

Summary table, 2021-22

		Outturn			Estimate			Outturn vs Estimate, saving/(excess)		Prior year Outturn total 2020-21
Type of spend	Note	Voted	Non-voted	Total	Voted	Non-voted	Total	Voted	Total	
		£000	£000	£000	£000	£000	£000	£000	£000	£000
Departmental Expenditure Limit										
Resource	S1.1	72,945,619	–	72,945,619	81,080,817	–	81,080,817	8,135,198	8,135,198	78,279,058
Capital	S1.2	4,797,486	–	4,797,486	5,266,500	–	5,266,500	469,014	469,014	4,830,404
Total		**77,743,105**	**–**	**77,743,105**	**86,347,317**	**–**	**86,347,317**	**8,604,212**	**8,604,212**	**83,109,462**
Annually Managed Expenditure										
Resource	S1.1	(5,179,580)	–	(5,179,580)	607,586	–	607,586	5,787,166	5,787,166	(1,290,967)
Capital	S1.2	21,863,392	–	21,863,392	23,581,945	–	23,581,945	1,718,553	1,718,553	21,144,061
Total		**16,683,812**	**–**	**16,683,812**	**24,189,531**	**–**	**24,189,531**	**7,505,719**	**7,505,719**	**19,853,094**
Total Budget										
Resource	S1.1	67,766,039	–	67,766,039	81,688,403	–	81,688,403	13,922,364	13,922,364	76,988,091
Capital	S1.2	26,660,878	–	26,660,878	28,848,445	–	28,848,445	2,187,567	2,187,567	25,974,465
Total Budget Expenditure		**94,426,917**	**–**	**94,426,917**	**110,536,848**	**–**	**110,536,848**	**16,109,931**	**16,109,931**	**102,962,556**
Non-budget expenditure		**–**	**–**	**–**	**3,067,608**	**–**	**3,067,608**	**3,067,608**	**3,067,608**	**(1,035,115)**
Total Budget and Non-budget		**94,426,917**	**–**	**94,426,917**	**113,604,456**	**–**	**113,604,456**	**19,177,539**	**19,177,539**	**101,927,441**

Figures in the areas outlined in thick line cover the voted control limits voted by Parliament. Refer to the Supply Estimates Guidance Manual[44] for detail on the control limits voted by Parliament.

Net cash requirement 2021-22

Item	Note	Outturn	Estimate	Outturn vs Estimate, saving/ (excess)	Prior year Outturn total 2020-21
		£000	£000	£000	£000
Net cash requirement	S3	92,785,956	97,742,399	4,956,443	89,979,176

Administration costs 2021-22

Type of spend	Note	Outturn	Estimate	Outturn vs Estimate, saving/ (excess)	Prior year Outturn total 2020-21
		£000	£000	£000	£000
Administrative costs	S1.1	539,923	555,168	15,245	509,369

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

Explanation of variances between Estimates and outturn are given in the commentary on significant variances between Estimates and outturn in the financial review of the year on page 32.

The 2021-22 Estimate values above include a prior year adjustment (PYA) relating to the recognition of RAME and RDEL budget required for student loans. The PYA has no impact on the financial statements, both outturn balances are presented as student loan annual fair value movement in note 8. More details of the PYA are provided below.

The notes on pages 188 to 197 form part of this Statement of Outturn against Parliamentary Supply.

44 https://www.gov.uk/government/publications/supply-estimates-guidance-manual

Prior year adjustment

The PYA was triggered by a re-evaluation by the Department and HMT of the appropriate budgetary treatment for the student loan management charge. The management charge is raised by HMT when student loan fair value losses arising from new loan origination (equivalent to the transactional fair value movement recognised at loan issue in accounting terms) is higher than the annual limit set by HMT. The issue described here does not affect how student loans are accounted for, the annual movement in fair value continues to be fully recognised as a gain or loss in the SoCNE in the year to which it relates.

Under the terms of the management charge, fair value losses above the level set by HMT is charged to the RAME budget rather than ringfenced RDEL (RF RDEL) for the expected fair value losses below the threshold. Once the excess losses has been charged to the RAME budget it is unwound through non-ringfenced RDEL (NRF RDEL) over the following 30 years including the year the management charge is raised.

The re-assessment identified that the Department had not secured the correct budget cover through Estimates or reported outturn correctly for the management charge in the prior year. In 2020-21, the Department agreed with HMT a budget surrender of £96 million for in-year NRF RDEL unwind of the management charge but no other values were recognised. The table below presents both the values applied last year and the correct values, which have informed the PYA calculation this year.

The correct Estimates values represent both spending (positive values) and decreased spending (negative number). Only positive values are required to be authorised by parliament through this year's Estimates since they represent additional spending. The agreed treatment would have been to recognise a reduction in RF RDEL as fair value losses costs were applied to the RAME budget, which would then benefit by the 1/30th unwind back to NRF RDEL. The PYA has been calculated using the actual year end values, not those forecast during the year which is why the NRF RDEL is £9.5 million to take account of the £96 million surrendered last year.

The PYA values are treated as non-budget without a resource or capital classification even though the original postings were classified as such.

		2020-21 Estimates	
	2020-21 outturn	Correct values	PYA values
	£000	**£000**	**£000**
RAME	3,058,154	3,058,154	3,058,154
RDEL (ringfenced)	(3,163,608)	(3,163,608)	–
RDEL (non-ringfenced)	105,454	105,454	9,454
	–	**–**	**3,067,608**

Notes to the Statement of Outturn against Parliamentary Supply: audited

S1. Outturn detail, by Estimate line

S1.1. Analysis of resource outturn by Estimate line

Type of spend (Resource)	Resource Outturn							Estimate			Outturn vs Estimate, saving/ (excess)	Prior year Outturn total, 2020-21
	Administration			Programme								
	Gross	Income	Net	Gross	Income	Net	Total	Total	Virements	Total inc. virements		
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Spending in Departmental Expenditure Limit												
Voted expenditure												
Activities to Support all Functions	421,734	(25,700)	396,034	195,138	(60,802)	134,336	530,370	515,138	24,378	539,516	9,146	442,003
Early Years and Schools (Department)	–	–	–	1,442,639	(61,024)	1,381,615	1,381,615	1,616,237	(183,776)	1,432,461	50,846	1,996,147
Early Years and Schools (ALB) (net)	1,504	–	1,504	8	–	8	1,512	906	968	1,874	362	1,512
Social Care, Mobility and Disadvantage (Department)	–	–	–	364,254	(781)	363,473	363,473	409,388	(1,995)	407,393	43,920	382,183
Social Care, Mobility and Disadvantage (ALB) (net)	2,026	–	2,026	10,446	–	10,446	12,472	11,533	1,995	13,528	1,056	10,336
Standards and Testing Agency	2,390	–	2,390	22,946	–	22,946	25,336	27,145	–	27,145	1,809	22,037

Type of spend (Resource)	Resource Outturn: Administration Gross	Administration Income	Administration Net	Programme Gross	Programme Income	Programme Net	Total	Estimate: Total	Vire-ments	Total inc. virements	Outturn vs Estimate, saving/ (excess)	Prior year Outturn total, 2020-21
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Teaching Regulation Agency	175	–	175	7,529	–	7,529	7,704	8,481	45	8,526	822	6,611
Education and Skills Funding Agency (ESFA)	72,254	(181)	72,073	2,636,875	(106,262)	2,530,613	2,602,686	2,651,220	–	2,651,220	48,534	2,022,302
Grants to Local Authority Schools	–	–	–	31,589,117	–	31,589,117	31,589,117	31,605,449	–	31,605,449	16,332	31,048,544
Grants to Academies	–	–	–	27,177,385	–	27,177,385	27,177,385	27,019,000	158,385	27,177,385	–	25,252,011
Higher Education	–	–	–	2,356,462	(31,207)	2,325,255	2,325,255	9,986,748	–	9,986,748	7,661,493	10,301,464
Further Education	–	–	–	5,294,478	(1,017)	5,293,461	5,293,461	5,586,586	–	5,586,586	293,125	5,174,196
Higher Education (ALB) (net)	55,916	–	55,916	1,556,098	–	1,556,098	1,612,014	1,617,701	–	1,617,701	5,687	1,599,170
Further Education (ALB) (net)	9,805	–	9,805	13,414	–	13,414	23,219	25,285	–	25,285	2,066	20,542
Total spending in DEL	**565,804**	**(25,881)**	**539,923**	**72,666,789**	**(261,093)**	**72,405,696**	**72,945,619**	**81,080,817**	**–**	**81,080,817**	**8,135,198**	**78,279,058**

Type of spend (Resource)	Resource Outturn: Administration Gross	Income	Net	Programme Gross	Income	Net	Total	Estimate Total	Vire-ments	Total inc. virements	Outturn vs Estimate, saving/ (excess)	Prior year Outturn total, 2020-21
	£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)	–	–	–	15,393	–	15,393	15,393	(9,787)	25,180	15,393	–	46,220
Activities to Support all Functions (ALB)	–	–	–	–	–	–	–	–	–	–	–	(62)
Executive Agencies	–	–	–	(15,389)	–	(15,389)	(15,389)	360	–	360	15,749	987
Higher Education	–	–	–	(343,374)	(4,826,200)	(5,169,574)	(5,169,574)	552,431	(25,180)	527,251	5,696,825	(1,281,572)
Further Education	–	–	–	(5,567)	(36,884)	(42,451)	(42,451)	369	–	369	42,820	(3,753)
Higher Education (ALB) (net)	–	–	–	1,121	–	1,121	1,121	2,839	–	2,839	1,718	(2,203)
Further Education (ALB) (net)	–	–	–	31,320	–	31,320	31,320	61,374	–	61,374	30,054	(50,584)
Total spending in AME	**–**	**–**	**–**	**(316,496)**	**(4,863,084)**	**(5,179,580)**	**(5,179,580)**	**607,586**	**–**	**607,586**	**5,787,166**	**(1,290,967)**
Total spending budget	**565,804**	**(25,881)**	**539,923**	**72,350,293**	**(5,124,177)**	**67,226,116**	**67,766,039**	**81,688,403**	**–**	**81,688,403**	**13,922,364**	**76,988,091**

Type of spend (Resource)	Resource Outturn: Administration Gross	Administration Income	Administration Net	Programme Gross	Programme Income	Programme Net	Resource Outturn Total	Estimate Total	Estimate Vire-ments	Estimate Total inc. virements	Outturn vs Estimate, saving/ (excess)	Prior year Outturn total, 2020-21
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Total spending in non-budget	–	–	–	–	–	–	–	3,067,608	–	3,067,608	3,067,608	–
Total budget and non-budget spending	565,804	(25,881)	539,923	72,350,293	(5,124,177)	67,226,116	67,766,039	84,756,011	–	84,756,011	16,989,972	76,988,091

The total Estimates 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 HM Treasury). Further information on virements are provided in the Supply Estimates Guidance Manual.[44]

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

The non-budget higher education outturn reflects the outturn of recycling excess student loan fair value movement from RAME to RDEL over a 30-year period under the student loan management charge process. The Department received parliamentary approval for the 2020-21 budget switch via the prior year adjustment voted on in the 2021-22 Supplementary Estimates.

S1.2. Analysis of capital outturn by Estimate line

Type of spend (Capital)	Outturn			Estimate			Outturn vs Estimate, saving/ (excess)	Prior year Outturn total, 2020-21
	Gross	Income	Net total	Total	Virements	Total inc. virements		
	£000	£000	£000	£000	£000	£000	£000	£000
Spending in Departmental Expenditure Limit								
Voted expenditure								
Activities to Support all Functions	59,813	(2,148)	57,665	69,168	(9,393)	59,775	2,110	33,471
Early Years and Schools (Department)	1,733,356	(303,001)	1,430,355	1,696,074	–	1,696,074	265,719	2,122,348
Early Years and Schools (ALB) (net)	(29,322)	–	(29,322)	(15,553)	–	(15,553)	13,769	(29,915)
Social Care, Mobility and Disadvantage (Department)	3,023	–	3,023	16,125	(56)	16,069	13,046	3,206
Social Care, Mobility and Disadvantage (ALB) (net)	1,956	–	1,956	1,900	56	1,956	–	2,023
Standards and Testing Agency	1,279	–	1,279	839	440	1,279	–	2,083
Education and Skills Funding Agency (ESFA)	134,671	(9,528)	125,143	150,199	–	150,199	25,056	5,754
Grants to Local Authority Schools	1,890,862	(2,724)	1,888,138	1,927,368	–	1,927,368	39,230	1,126,276
Grants to Academies	1,053,915	(22,125)	1,031,790	1,097,300	(2,041)	1,095,259	63,469	1,040,780
Higher Education	54,916	(13,621)	41,295	30,301	10,994	41,295	–	12,895
Further Education	102,818	(8,180)	94,638	137,994	–	137,994	43,356	312,192
Higher Education (ALB) (net)	150,867	–	150,867	153,835	–	153,835	2,968	198,683
Further Education (ALB) (net)	659	–	659	950	–	950	291	608
Total spending in DEL	**5,158,813**	**(361,327)**	**4,797,486**	**5,266,500**	**–**	**5,266,500**	**469,014**	**4,830,404**

Type of spend (Capital)	Outturn			Estimate			Outturn vs Estimate, saving/ (excess)	Prior year Outturn total, 2020-21
	Gross	Income	Net total	Total	Virements	Total inc. virements		
	£000	£000	£000	£000	£000	£000	£000	£000
Spending in Annually Managed Expenditure								
Voted expenditure								
Higher Education	24,693,492	(2,985,695)	21,707,797	23,441,162	(33,410)	23,407,752	1,699,955	20,942,229
Further Education	189,995	(30,401)	159,594	126,183	33,410	159,593	(1)	202,560
Further Education (ALB) (net)	(3,999)	–	(3,999)	14,600	–	14,600	18,599	(728)
Total spending in AME	**24,879,488**	**(3,016,096)**	**21,863,392**	**23,581,945**	**–**	**23,581,945**	**1,718,553**	**21,144,061**
Total spending in Budget	**30,038,301**	**(3,377,423)**	**26,660,878**	**28,848,445**	**–**	**28,848,445**	**2,187,567**	**25,974,465**
Non-Budget spending	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,035,115)**
Total Budget and non-Budget spending	**30,038,301**	**(3,377,423)**	**26,660,878**	**28,848,445**	**–**	**28,848,445**	**2,187,567**	**24,939,350**

The total Estimates 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 HM Treasury). Further information on virements are provided in the Supply Estimates Guidance Manual.[44]

The outturn vs Estimates column is based on the total including virements. The Estimates total before virements values have been included so that readers can agree the Estimates values disclosed back to the Estimates laid before Parliament.

S1.3. Explanation of variances pre-virements

We have provided explanations for large pre-virement variances above in the Financial Review of the Year from page 32. Large variances have been defined as over £1 billion or over 10% of Estimates value and over £250 million, across the different budget types.

S2. Reconciliation of outturn to net operating expenditure

Item	Reference	Outturn total	Prior year Outturn total, 2020-21
		£000	**£000**
Total Resource outturn	S1.1	**67,766,039**	**76,988,091**
Add: Capital grants	5.4	4,834,811	5,135,502
Other capital expenditure		13,596	22,840
Total		**4,848,407**	**5,158,342**
Less: Income payable to the Consolidated Fund	S4	(127)	(528)
Capital grant income		(46,093)	(50,756)
Other adjustments		2,396	2,704
Total		**(43,824)**	**(48,580)**
Net operating expenditure in SoCNE	SoCNE	**72,570,622**	**82,097,853**

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. Therefore, this reconciliation bridges the resource outturn to net operating expenditure, linking the SOPS to the financial statements.

For example, capital grants (income or expenditure) are budgeted for as CDEL so are not included within resource outturn but are accounted for as grant expenditure (or income) in SoCNE. Therefore, capital expenditure functions as a reconciling item between resource and SoCNE's net operating expenditure. See note 5.4 for more detail on our capital grant activities. The majority of the reconciling item 'Other capital expenditure' relates to paying student loan sale financial guarantees. The capital grant income reconciling item refers to capital contributions received from other government departments in support of school building programmes.

S3. Reconciliation of net resource outturn to net cash requirement

Item	Reference	Outturn total	Estimate	Outturn vs Estimate, saving/ (excess)
		£000	**£000**	**£000**
Total Resource outturn	S1.1	**67,766,039**	**81,688,403**	**13,922,364**
Total Capital outturn	S1.2	**26,660,878**	**28,848,445**	**2,187,567**
Adjustment for NDPBs				
Remove voted resource and capital		(1,811,852)	(1,875,370)	(63,518)
Add cash grant-in-aid		1,772,754	1,802,920	30,166
Adjustments to remove non-cash items				
Depreciation, amortisation and impairment	7.2	(52,924)	(10,183,222)	(10,130,298)
Student loan book fair value movement		(1,319,184)	–	1,319,184
New provisions and adjustment to previous provisions		(102,606)	(74,037)	28,569
Other non-cash adjustments		(37,632)	(2,577,982)	(2,540,350)
Adjustments to reflect movements in working balances				
Movement in receivables	SoCF	(130,489)	–	130,489
Movement in payables	SoCF	(120,849)	–	120,849
Use of provision		125,583	113,242	(12,341)
Use of financial guarantees		36,238	–	(36,238)
Total		**(1,640,961)**	**(12,794,449)**	**(11,153,488)**
Net cash requirement		**92,785,956**	**97,742,399**	**4,956,443**

As noted in the introduction to the SOPS above, outturn and the Estimates are compiled against the budgeting framework, which is based on the accruals concept not on a cash basis. Therefore, cash is not controlled directly through the Estimates budgetary process. Cash balances do not convey spending power and the availability of cash does not translate into budget cover. Cash is controlled indirectly through the net cash requirement which is separate to other control totals and unspent cash at a year end is returned to HMT.

The net cash requirement will not match the net cash inflow/(outflow) presented in the Statement of Cash Flows (SoCF). The requirement is a measure of the funding needs of the Group for the year to support its expected activities. Whereas the SoCF presents the net inflow or outflow of cash across the year after including Supply (which approximates the requirement) as a financing balance.

Since Estimates and actuals calculated on the same basis (outturn) are based on the accruals concept, there are differences between actual and expected spending and the Group's requirement for cash from the Exchequer. In addition, the Group may incur spending that is not reported against budgets, and so sits outside both outturn and Estimates, but would increase the Group's requirement for funds to settle such obligations.

The reconciliation above bridges the gap between expected resource and capital spending to the Group's requirement for funds, for both actual (outturn) and forecast (Estimates) spending.

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).

Item	Outturn total		Prior year, 2020-21	
	Accruals	Cash basis	Accruals	Cash basis
	£000	**£000**	**£000**	**£000**
Income outside the Ambit of the Estimate	127	*127*	528	*528*
Excess cash surrenderable to the Consolidated Fund	–	–	–	–
Total amount payable to the Consolidated Fund	**127**	***127***	**528**	***528***

Parliamentary accountability disclosures: audited

We are custodian of taxpayers' funds and have a duty to parliament to ensure the regularity and propriety of our activities and expenditure. We manage public funds in line with *Managing Public Money*.

The importance of operating with regularity and the need for efficiency, economy, effectiveness and prudence in the administration of public resources to secure value for public money, is the responsibility of our Accounting Officer whose responsibilities are also set out in *Managing Public Money*. They include responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable.

To discharge this responsibility and ensure our control totals are not breached, the following activities are in place:

- formal delegation of budgets
- detailed monitoring of expenditure
- monthly management reporting against control totals

In addition, we operate the three lines of defence model, which is included in our risk management framework. We have provided details of this in our governance statement on page 129.

In 2021-22, we did not breach any of our control totals, details are provided in the Statement of Outturn against Parliamentary Supply on page 185.

Public sector losses and special payments

A1. Losses statement

The total of all losses that have been recognised this year is as follows:

	2021-22		2020-21	
	Department & Agencies	Group	Department & Agencies	Group
Total number of cases	**18,996**	**19,177**	**23,975**	**24,087**
Total value of losses	**£000**	**£000**	**£000**	**£000**
Cash losses	8,341	8,345	9,502	9,502
Fruitless payments and constructive losses	9,073	9,227	8,821	9,263
Claims waived or abandoned	18,682	18,723	57,620	57,620
Store losses	2,836	2,836	–	–
	38,932	**39,131**	**75,943**	**76,385**

A1.1 Cash losses over £300,000

	Reporting Body	£000
Grant overpayments		
Ingeus UK Limited	ESFA	731
SCL Security Limited	ESFA	429
CCP Graduate School Limited	ESFA	317
Other		
Turing Scheme	Department	2,400

Unrecoverable grant overpayments

In certain circumstances, overpayments of grants can occur when payments to educational providers exceed the final funding eligible for that period. The debts arise mainly where providers have overstated funding claims for delivery during a contract, for example where a learner started but did not complete. This results in the funding claim subsequently being reduced or corrected during reconciliation or following an audit. As such, the monies the providers received exceeded the amount which they were entitled to at the end of the contract.

In such circumstances, the Group seeks to recover the overpayments from providers in cash or as deductions against future payments. In a small number of cases, funds are unable to be recovered due to the failure of the provider. If, after a prolonged period of time, insufficient funds from the provider's receiver or liquidator are received or the provider is dissolved, we abandon the claim.

Turing Scheme

The Department has written-off Turing Scheme grant overpayments to ensure no student or provider was negatively or unfairly impacted by an error made by the delivery partner in the grant calculation for academic year 2021/22.

A1.2 Fruitless payments and constructive losses over £300,000

	Reporting Body	£000
HMRC – late payment interest	Department	3,022
HMRC – VAT loss	ESFA	2,540
Get Help to Retrain disposal	Department	2,397
Milton Keynes College	Department	665

HMRC – late payment interest

Late payment interest charges of £2,104,000 were raised in relation to a late VAT payment generated by the Department's private finance initiative transaction.

Late payment interest charges of £918,000 were incurred in relation to the settlement of a IR35 off-payroll case.

HMRC – VAT loss

A late submission of a VAT reclaim for contracted-out services, resulting in a loss of £2.5 million. This is not a loss to the public sector as whole. A review of controls has been carried out to prevent a recurrence.

Get Help to Retrain disposal

Get Help to Retrain was an online system that was still under development at the time that the government shifted priority to a much larger, more comprehensive National Skills Fund programme of initiatives; alternative skills initiatives led to the decision to discontinue further work on this programme leading to the disposal of the intangible asset under construction asset.

Milton Keynes College

A loss relating to work incurred on a project at South Central Institute of Technology at Milton Keynes has been written-off. The loss relates to preliminary professional fees. The project was abandoned due to value for money concerns beyond a level acceptable for public funding.

A1.3 Claims waived or abandoned over £300,000

	Reporting Body	£000
Re-brokerage debt forgiveness		
Cheadle and Marple Sixth Form College	ESFA	2,273
ELUTEC	ESFA	1,007
Sexeys School Trust	ESFA	700
Scarborough UTC	ESFA	465
Bristol Technology and Engineering Academy	ESFA	452
VAT reclaim		
Star Academies	Department	4,142
Harris Federation	Department	1,408
St Jerome Church of England Bilingual Primary School	Department	1,370
Perry Beeches Academy Trust	Department	1,100
Crawley Free School Trust	Department	680
University Cathedral Free School	Department	500
Lydiate Learning Trust	Department	490
Channelling Positivity	Department	300
ELUTEC	Department	300
Student loans		
Write-off of student loan employer deductions	Department	1,491

Re-brokerage debt forgiveness

Balances owed by academies and colleges may in some circumstances be waived to facilitate the re-brokerage of the academy or college to a more sustainable academy trust or college corporation.

VAT reclaim

The Department acquired several sites in the names of academy trusts under the Free Schools programme with the understanding that we could claim using the Academies VAT Refund Scheme (introduced in *Finance Act 2011*) when the schools began operating.

However, several academy trusts have not reclaimed this acquisition VAT and therefore cannot repay the Department for the VAT incurred at the time of purchase. The claims are no longer eligible as they are over the 4-year limit set by HMRC.

Student loans

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 2021-22, £1.5 million (2020-21: £2.3 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 18,286 (2020-21: 23,242).

A1.4 Store losses over £300,000

	Reporting Body	£000
Historic tuition fee overpayments		
London Oriental Academy	Department	1,407
ICE Academy	Department	680
Guildhall	Department	658

Historic tuition fee overpayments

Overpayment of higher education tuition fee loan to alternative providers where providers were in serious breach of conditions of designation. Overpayments are unrecoverable due to provider failures.

A2. Special payments

	2021-22		2020-21	
	Department & Agencies	Group	Department & Agencies	Group
Total number of cases	**16**	**1,590**	**27**	**1,580**
	£000	**£000**	**£000**	**£000**
Total value	**3,706**	**5,199**	**4,048**	**4,186**

Severance payments are included within special payments shown above. These are paid under certain circumstances to employees, contractors and others outside of normal statutory or contractual requirements, when leaving employment in the public service, whether they resign, are dismissed, or reach an agreed termination of contract. For 2021-22, we made four payments totalling £123,567 (2020-21: 11 payments totalling £145,963) in respect of severance cases. The highest payment was £80,000 (2020-21: £16,745), the lowest payment was £9,500 (2020-21: £3,907), and the median payment was £17,034 (2020-21: £16,745).

A2.1 Special payments over £300,000

	Reporting Body	£000
Co-operative Bank	ESFA	2,990
Legal case	OfS	915
Claim settlement	SLC	335

Co-operative Bank

Negotiated amount to end early a contract with Co-operative Bank to settle outstanding financial guarantees issued by the Department to the bank to support the historic Professional and Career Development Loans programme.

Legal case

In December 2021, OfS reached agreement with Bloomsbury Institute Limited to pay £915,000 in respect of their court costs. In August 2020, the Court of Appeal quashed an OfS decision to refuse Bloomsbury Institute Limited's application for registration on the register of English higher education providers and made a ruling as to the OfS's liability for Bloomsbury court costs. This followed the Court of Appeal's decision to overturn parts of a High Court judgement that had originally found against Bloomsbury in a judicial review claim against the OfS.

Claim settlement

SLC made an *ex-gratia* payment to a supplier on condition that this settles any other future claims the supplier might have with SLC.

Group volumes

The high volume of Group losses disclosed above is due to the large number of student loan losses reported by SLC; 1,572 cases (2020-21: 1,553 cases) but with a total value of just £163,000 (2020-21: £138,000).

A3. Student loans written-off in year

	2021-22		2020-21	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Due to:				
death	32.9	32.9	27.9	27.9
age	9.4	9.4	7.3	7.3
disability	1.8	1.8	1.4	1.4
because of bankruptcy, on completion of individual voluntary arrangement, and other	–	–	1.4	1.4
access to higher education	39.1	39.1	22.0	22.0
	83.2	**83.2**	**60.0**	**60.0**

A4. Gifts

The total of all gifts and hospitality that have been paid out this year are as follows:

	2021-22		2020-21	
	Department & Agencies	Group	Department & Agencies	Group
Total number of cases	**–**	**43**	**2**	**8**
	£000	**£000**	**£000**	**£000**
Total value	**–**	**2**	**271**	**271**

A4.1 Gifts payments over £300,000

No single gift exceeded the £300,000 disclosure threshold.

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 20), 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 2021	Increase in year	Crystallised in year	Expired in year	31 March 2022	Amount reported[1]
	£m	£m	£m	£m	£m	£m
Property-based						
LA indemnities	–	115.4	–	–	115.4	–
Property insurance	–	100.0	–	–	100.0	–
Planning risk	1.1	20.0	–	–	21.1	–
Academy trust rental support	15.5	–	–	–	15.5	–
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	–
Data sharing agreements	3.0	–	–	–	3.0	–
Academy closure costs	2.0	–	–	(2.0)	–	–
Free school Principal designates	0.7	0.7	–	(0.7)	0.7	–
Junior ISAs	1.5	–	–	–	1.5	–
Contract early termination	1.8	–	–	–	1.8	–
	9,280.9	**236.1**	**–**	**(2.7)**	**9,514.3**	**9,250.0**

Note: (1) Amount reported to Parliament by departmental minute

Property-based

LA indemnities

Acting as developer and arising from planning decisions, the Department has provided uncapped indemnities to LAs (acting as competent sewage and/or highways authorities) in relation to school building projects. Indemnities arise under section 104 of the *Water Industry Act 1991* (sewers), section 38 of the *Highways Act 1980* (new highways infrastructure) and section 278 of the *Highways Act 1980* (existing highways infrastructure).

During the year, the Department has been able to quantify potential liabilities for 14 development sites which have been reclassified from unquantifiable and recognised as new liabilities above.

Property insurance

The Department has agreed with a contractor to cover losses incurred if a catastrophic event occurred during the development of Sanctuary Buildings. The cover has been provided in accordance with *Managing Public Money's* view that government departments should not incur excessive insurance costs, but bear risks themselves where possible for value for money.

Planning risk

The Group has provided indemnities to third parties to support free school developments which involve uncertainties arising from planning conditions underpinning the developments. The conditions cover a range of situations from simply planning being refused to the transfer of highways for development before being re-adopted by LAs. The indemnities are not opening ended but have identified termination dates linked to the underlying developments.

Academy trust rental support

The Group has entered into agreements with landlords of some academy trusts to support landlords in the event of underperformance of their academy trust tenants. The agreements create obligations on the Group to identify 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.

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 LAs 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 LAs 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's obligations to the Universities Superannuation Scheme (USS), which was a condition of OfS's 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's functions.

Free schools for principal designates

The Group underwrites the salaries of principal designates, or other key essential teaching staff, of new free schools before they open and receive operational grant funding.

Junior ISA account

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. LAs have identified young people who left care before a JISA could be opened for them, which creates the liability. The increase in the year was a result of better LA data identifying more potential claimants.

Data sharing agreements

The Department has updated its data sharing agreement template for future agreements with third parties in line with the *Data Protection Agreement Act 2018* and the Information Commissioner's Office enforcement powers. The Department is planning to offer indemnities to third parties which will be capped in agreement with Treasury at £3 million in any financial year.

Contract early termination

As part of a ten-year service contract, one of the Group's NDPBs has agreed to compensate the counterparty should the contract be ended early to compensate for their investment in systems and people due to be used over the life of the contract. As at the year end, the maximum liability has been assessed at £1.8 million. This obligation has been assessed as remote due to the very low expectation of cancelling the contract early.

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, ie 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, ie 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.

LA indemnities

Acting as developer and arising from planning decisions, the Department has provided uncapped indemnities to LAs (acting as competent sewage and/or highways authorities) in relation to school building projects. Indemnities arise under section 104 of the *Water Industry Act 1991* (sewers), section 38 of the *Highways Act 1980* (new highways infrastructure) and section 278 of the *Highways Act 1980* (existing highways infrastructure).

SLC pension transfer

As described in note 18, 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.

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 clauses are considered remote as they relate to changes in contractual arrangements.

Basic asset protection agreement

To support a free school development the Department is exposed to the risk related to non-damage interference to a main line railway. The risk has been mitigated with a risk sharing agreement with the contractor and an insurance policy. The liability disclosed here is the uncapped amount above the insurance cover of £3 million.

Contract breaches

The Department has provided indemnities to protect suppliers for contract breaches by the Department, including breaches of data protection regulations. These liabilities are considered remote as they are triggered by contract breaches by the Department.

Coal Authority permit

The Department has permits with the Coal Authority for the benefit of delivering various free school projects. The school sites fall under the Coal Authority's development high risk area due to their mining past. The permits are required to undertake ground investigation surveys to complete feasibility studies for the free school projects. From the effective date of the permit for a period of 12 years, the Department is liable for any claims, losses or damages arising as a result of any works carried out on the site by the Department or its contractor.

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 2021-22.

Susan Acland-Hood
Accounting Officer
6 December 2022

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 2022 under the Government Resources and Accounts Act 2000. 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 2021. The financial statements comprise: the Department's and the Departmental Group's:

- Statement of Financial Position as at 31 March 2022;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Department and the Departmental Group's affairs as at 31 March 2022 and its net expenditure for the year then ended; and
- 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 note 1.3.5 and note 12 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. Significant changes to the valuation could occur as a result of the 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 Outturn against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2022 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 for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law 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 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Department for Education and its Group in accordance with the ethical requirements that are relevant to my audit of 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

In auditing the financial statements, I have concluded that the Department for Education and its Group's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Department's or its Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Department for Education and its Group is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

Other information

The other information comprises information included in the Annual Report, but does not include the financial statements nor my auditor's certificate and report. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, 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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000.

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- 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 and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Department for Education and its Group and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Report.

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

- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept by the Department for Education 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 subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

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:

- maintaining proper accounting records;
- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;

- ensuring that the Annual Report and accounts as a whole is fair, balanced and understandable;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error; and
- assessing the Department for Education and its Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Department for Education and its Group will not continue to be provided in the future.

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.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. 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.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we considered the following:

- the nature of the sector, control environment and operational performance including the design of the Department for Education and its Group's accounting policies, key performance indicators and performance incentives.
- Inquiring of management, the Department for Education's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Department for Education and its Group's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;

  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Department for Educations and its Group's controls relating to the Department's compliance with the Government Resources and Accounts Act 2000, Managing Public Money, the Supply and Appropriation (Main Estimates) Act 2021, the Education Act 2002, the Education (Student Support) regulations, and the Local Government Act 2003;

- discussing among the engagement team including significant component audit teams regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Department for Education and its Group for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, bias in management estimates, manipulation of pupil numbers underpinning grant funding allocations and the misuse of grants. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override.

I also obtained an understanding of the Department for Education and its Group's framework of authority as well as other legal and regulatory frameworks in which the Department for Education and its Group operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Department for Education and its Group. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Managing Public Money, Supply and Appropriation (Main Estimates) Act 2021, the Education Act 2002, the Education (Student Support) regulations, and the Local Government Act 2003.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;

- performing substantive procedures to test that grants have been paid out by the Department for Education, and used by recipients, in line with the Department for Education's framework of authorities;
- requiring component auditors to conduct appropriate procedures (testing control operating effectiveness and substantive procedures as relevant, according to the assessed risk levels) that grants have been paid out by components, and used by recipients, in line with the Group's framework of authorities.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

Other auditor's responsibilities

I am required to obtain appropriate evidence sufficient to give reasonable assurance that the Statement of Outturn against 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.

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.

Report

I have no observations to make on these financial statements.

Gareth Davies 14 December 2022
Comptroller and Auditor General

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

Financial Statements

Consolidated Statement of Comprehensive Net Expenditure

for the year ended 31 March 2022

		2021-22		2020-21	
		Department & Agencies	Group	Department & Agencies	Group
				(Re-presented)	
	Note	£m	£m	£m	£m
Income	3	(331)	(551)	(343)	(650)
Total income		**(331)**	**(551)**	**(343)**	**(650)**
Staff costs	4	474	690	433	656
Policy funding:					
resource	5.3	70,778	70,452	68,145	67,811
capital	5.4	4,679	4,835	4,968	5,136
Purchase of goods and services	7.1	244	425	182	298
Depreciation, impairment and other non-cash charges	7.2	147	201	332	399
Total operating expenditure		**76,322**	**76,603**	**74,060**	**74,300**
Net operating expenditure		**75,991**	**76,052**	**73,717**	**73,650**
Finance income		3	(16)	2	(22)
Finance expense		51	71	49	69
Other (gains)/losses	8	(3,538)	(3,536)	8,401	8,401
Net expenditure for the year		**72,507**	**72,571**	**82,169**	**82,098**
Other comprehensive expenditure					
Items that will not be reclassified to net operating costs:					
net gain on revaluation of property, plant and equipment and intangible assets		–	–	–	(3)
actuarial (gain)/loss on defined benefit pension schemes		–	(5)	–	15
Total other comprehensive expenditure		**–**	**(5)**	**–**	**12**
Comprehensive net expenditure for the year		**72,507**	**72,566**	**82,169**	**82,110**

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

The notes on pages 225 to 295 form part of these accounts.

Consolidated Statement of Financial Position

as at 31 March 2022

		2022		2021	
		Department & Agencies	Group	Department & Agencies	Group
	Note	£m	£m	£m	£m
Non-current assets					
Property, plant and equipment	9	304	331	436	465
Intangible assets		167	245	137	246
Student loans	12	94,318	94,318	74,503	74,503
Non-student loans	13	156	638	167	678
Investments		71	71	80	85
Receivables	14.2	75	75	92	92
Retirement benefit asset		–	2	–	–
Total non-current assets		**95,091**	**95,680**	**75,415**	**76,069**
Current assets					
Assets held for sale		61	61	21	21
Inventories		–	–	14	15
Student loans	12	3,624	3,624	2,893	2,893
Non-student loans	13	45	82	41	57
Investments		–	4	–	4
Receivables	14.1	555	582	668	763
Cash and cash equivalents	15	920	1,078	1,013	1,153
Total current assets		**5,205**	**5,431**	**4,650**	**4,906**
Total assets		**100,296**	**101,111**	**80,065**	**80,975**
Current liabilities					
Payables	16	(2,957)	(3,054)	(2,864)	(2,979)
Provisions		(53)	(79)	(56)	(80)
Financial guarantees		(30)	(30)	(25)	(25)
Total current liabilities		**(3,040)**	**(3,163)**	**(2,945)**	**(3,084)**
Total assets less current liabilities		**97,256**	**97,948**	**77,120**	**77,891**
Non-current liabilities					
Payables	17	(926)	(1,425)	(990)	(1,507)
Provisions		(250)	(251)	(270)	(275)
Financial guarantees		(55)	(55)	(119)	(119)
Retirement benefit obligations		–	–	–	(2)
Total non-current liabilities		**(1,231)**	**(1,731)**	**(1,379)**	**(1,903)**
Assets less liabilities		**96,025**	**96,217**	**75,741**	**75,988**
Taxpayers' equity					
General Fund		96,019	96,102	75,735	75,846
Revaluation Reserve		6	9	6	10
Charitable Fund		–	106	–	132
Total taxpayers' equity		**96,025**	**96,217**	**75,741**	**75,988**

Susan Acland-Hood
Accounting Officer
6 December 2022

The notes on pages 225 to 295 form part of these accounts.

Consolidated Statement of Cash Flows

for the year ended 31 March 2022

		2021-22		2020-21	
		Department & Agencies	Group	Department & Agencies	Group
				(Re-presented)	
	Note	£m	£m	£m	£m
Cash flows from operating activities					
Net operating cost	SoCNE	(72,507)	(72,571)	(82,169)	(82,098)
Adjustments for non-cash transactions		(3,444)	(3,405)	8,722	8,776
Transfers of AuC to academy trusts		108	108	213	213
Decrease/(increase) in inventories		14	15	(14)	(14)
Decrease in receivables		130	198	501	435
Increase/(decrease) in payables		29	(7)	(529)	(497)
less movements in payables relating to items not passing through net operating costs		108	133	(77)	(159)
Use of provisions		(126)	(148)	(123)	(126)
Utilisation of financial guarantees		(36)	(36)	(29)	(29)
Finance income		3	(16)	2	(22)
Finance expense		51	71	49	69
Net cash outflow from operating activities		**(75,670)**	**(75,658)**	**(73,454)**	**(73,452)**
Cash flows from investing activities					
Finance income		1	20	1	22
Purchase of:					
property, plant and equipment		(81)	(83)	(93)	(99)
intangible assets		(63)	(86)	(57)	(97)
investments		–	–	–	(2)
Proceeds on disposal of:					
property, plant and equipment		31	34	212	216
intangible assets		3	27	3	3
investments		–	3	–	34
assets held for sale		30	30	11	11
Loan assets (drawn down)/repaid:					
PF2 loan assets		–	37	–	36
student loans		(17,004)	(17,004)	(16,541)	(16,541)
academy trusts		(4)	(4)	(3)	(3)
FE sector		12	12	(1)	(1)
other loans		10	–	(10)	7
Net cash outflow from investing activities		**(17,065)**	**(17,014)**	**(16,478)**	**(16,414)**

		2021-22		2020-21	
		Department & Agencies	Group	Department & Agencies	Group
				(Re-presented)	
	Note	£m	£m	£m	£m
Cash flows from financing activities					
Finance expense		(51)	(71)	(49)	(69)
Consolidated Fund Supply	DA SoCTE	92,694	92,694	89,975	89,975
(Decrease)/increase in receipts due to the Consolidated Fund		(1)	(1)	1	1
Draw down from the Contingency Fund		–	–	1,550	1,550
Repaid to the Contingency Fund		–	–	(1,550)	(1,550)
PF2 loan liabilities repaid		–	(25)	–	(14)
Capital element of PFI finance lease		(15)	(15)	(12)	(12)
Repayment of long-term investment		14	14	15	15
Net cash inflow from financing activities		**92,641**	**92,596**	**89,930**	**89,896**
Net (decrease)/increase in cash and cash equivalents before adjustment for receipts and payments to the Consolidated Fund		**(94)**	**(76)**	**(2)**	**30**
Payments of amounts due to the Consolidated Fund		1	1	–	–
Net (decrease)/increase in cash and cash equivalents after adjustment for receipts and payments to the Consolidated Fund		**(93)**	**(75)**	**(2)**	**30**
Cash and cash equivalents at the beginning of the year net of overdrafts		1,013	1,153	1,015	1,123
Cash and cash equivalents at the end of the year net of overdrafts		**920**	**1,078**	**1,013**	**1,153**

Repayments of long-term investments have been reclassified as a financing cashflow from their previous treatment as part of investment disposal proceeds. The comparatives have been re-presented without any change in value.

The notes on pages 225 to 295 form part of these accounts.

Consolidated Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2022

	Note	General Fund £m	Revaluation Reserve £m	Charitable Fund £m	Taxpayers' Equity £m
Balance as at 31 March 2020		**68,145**	**11**	**66**	**68,222**
Net Parliamentary funding					
– drawn down		89,975	–	–	89,975
– deemed		1,015	–	–	1,015
Supply payable adjustment		(1,012)	–	–	(1,012)
CFERs payable to the Consolidated Fund		(1)	–	–	(1)
Comprehensive expenditure for the year		(82,179)	3	66	(82,110)
Non-cash adjustments					
Auditor's remuneration	7.3	1	–	–	1
Movement in reserves					
Transfer between reserves		2	(2)	–	–
Other General Fund movement		(100)	(2)	–	(102)
Balance as at 31 March 2021		**75,846**	**10**	**132**	**75,988**
Net Parliamentary funding					
– drawn down		92,694	–	–	92,694
– deemed		1,012	–	–	1,012
Supply payable adjustment		(920)	–	–	(920)
CFERs payable to the Consolidated Fund		–	–	–	–
Comprehensive expenditure for the year		(72,540)	–	(26)	(72,566)
Non-cash adjustments					
Auditor's remuneration	7.3	1	–	–	1
Movement in reserves					
Transfer between reserves		1	(1)	–	–
Other General Fund movement		8	–	–	8
Balance as at 31 March 2022		**96,102**	**9**	**106**	**96,217**

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 9) 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 9) and intangible assets.

The notes on pages 225 to 295 form part of these accounts.

Department and Agencies Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2022

	Note	General Fund £m	Revaluation Reserve £m	Taxpayers' Equity £m
Balance as at 31 March 2020		**67,940**	**6**	**67,946**
Net Parliamentary funding				
– drawn down		89,975	–	89,975
– deemed		1,015	–	1,015
Supply payable adjustment		(1,012)	–	(1,012)
CFERs payable to the Consolidated Fund		(1)	–	(1)
Comprehensive expenditure for the year		(82,169)	–	(82,169)
Non-cash adjustments				
Auditor's remuneration	7.3	1	–	1
Movement in reserves				
Other General Fund movement		(14)	–	(14)
Balance as at 31 March 2021		**75,735**	**6**	**75,741**
Net Parliamentary funding				
– drawn down		92,694	–	92,694
– deemed		1,012	–	1,012
Supply payable adjustment		(920)	–	(920)
CFERs payable to the Consolidated Fund		–	–	–
Comprehensive expenditure for the year		(72,507)	–	(72,507)
Non-cash adjustments				
Auditor's remuneration	7.3	1	–	1
Movement in reserves				
Other General Fund movement		4	–	4
Balance as at 31 March 2022		**96,019**	**6**	**96,025**

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 9) and intangible assets.

The notes on pages 225 to 295 form part of these accounts.

Notes to the accounts

1. Accounting policies

These accounts have been prepared in accordance with the 2021-22 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*.

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 2021-22 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 Estimates 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, including responses for COVID-19 and EU Exit.

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 Accounting for capital expenditure and assets under construction

The scale of the Group's 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 the timing of de-recognition of AuC assets related to the academy sector.

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.

Recognition of AuC assets requires there to be an inflow of economic benefit from the operational asset. Management judges that academy trusts receive the economic benefit of operational school sites, so academy AuC assets are recognised only when no academy trust has been identified to operate the future school site. AuC asset de-recognition occurs when management judges there to be an identified end user (the academy trust) for the future school site. On de-recognition costs capitalised previously are expensed as capital grants-in-kind.

Since AuC asset de-recognition generally occurs prior to site completion, post-de-recognition costs suitable for capitalisation are expensed as additional capital grant-in-kind.

1.3.2 Student loans – accounting classification

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 accounting classification (fair valued or amortised cost) student loans fall into under IFRS 9 is the solely payments of principal and interest (SPPI) test.

The Group reviewed the repayment terms of student loans in respect of IFRS 9's SPPI test and considers that the repayment 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.

1.3.3 Student loans – initial fair value

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 12). 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 as to 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.

1.3.4 Student loans – discount rate

The FReM's interpretation of IFRS 9 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 rates of RPI-1.1% and RPI-0.2% applicable to cash flows out to February 2030 and post-February 2030 respectively. For financial year 2021-22 HMT have provided approval for only the RPI-1.1% rate to apply for all student loans cash flows as this rate has been prepared on the same basis as the RPI assumptions used in the student loans model. The RPI assumptions used in the model are based on the March 2022 OBR forecasts, plus March 2022 outturn. These OBR forecasts do not reflect the long-term transition from RPI to CPI, which led to the agreement to apply RPI-1.1% to all cash flows, as the later rate of RPI-0.2% is on the basis of RPI forecasts that do reflect the transition to CPI. The previous year's single HMT discount rate (2020-21: RPI+0.7% single rate) was updated during 2021-22 and split into two HMT discount rates to reflect the already published changes to RPI in February 2030. The discount rates provided by HMT are based on an analysis of real yields on UK index linked Gilts and are specifically appropriate to central government. 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.

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, undergraduate Plan 1 loans and undergraduate Plan 2 loans, and postgraduate Plan 3 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 the estimate of graduate earnings over the next 30-35 years, as well as a number of other assumptions, for around five million borrowers. There is little historic repayment data available for Plans 2 and 3 loans, as they did not enter statutory repayment until 2016.

The assumptions used in the repayment models are formally reviewed each year and the amounts provided reflect the estimate as at the year end. Note 12 provides quantitative disclosures on the impact of assumption variations and more detailed narrative over the different assumptions used.

1.3.6 Student loans – EU Exit

The country exited the transition period on 31 December 2020 after reaching agreement with the EU as to the future trading relationship. However, there remains inevitable uncertainty as to the precise terms of the UK's long-term relationship with the EU, and therefore its impact on macroeconomic data, and on the Group's student loan book. The Group has based assumptions in macroeconomic data in the published OBR forecasts. We consider it appropriate to continue to value the student loan book under the current basis of assumptions in place.

1.3.7 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.

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 GRAA. 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 2021, which is within three months of the Group's year end:

- Aggregator Vehicle PLC
- Engineering Construction Industry Training Board

Academy trusts 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 (SARA) separately.

1.4.1 Movement in Departmental bodies

Whilst there has been a small change in Departmental bodies in the year with the transfer of SMC and the closure of FITB (see note 22.2), there has been no significant change to the Group's policy responsibilities. FITB was not an active body and SMC had important but limited policy reach. The change is judged to be immaterial, so no restatement has been performed.

1.5 Adoption of FReM amendments

There have been no significant amendments to FReM for 2021-22.

1.6 Early adoption

The Group has not early adopted any accounting standards in 2021-22.

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.

1.7.1 IFRS 16 Leases (IFRS 16)

Effective for annual periods beginning on or after 1 January 2022. The mandatory FReM adoption of IFRS 16 has been delayed from 1 April 2021 to 1 April 2022 as part of the government's COVID-19 response.

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.

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. In addition, we expect the Group's activities in the academy sector developing free school sites through peppercorn leases will trigger additional asset recognition. The effect on lessor accounting for the new standard is limited in scale and remains largely unchanged. See note 9.3 for more details of the impact of adoption.

1.7.2 IFRS 17 Insurance Contracts (IFRS 17)

Effective for annual periods beginning on or after 1 January 2023. It has not yet been decided when FReM will adopt the standard for government financial reporting and what amendments or interpretations may be necessary.

The standard makes changes to how insurance contracts are accounted for and may in certain circumstances widen the scope of which financial positions are judged to be in-scope for the standard than those caught by *IFRS 4 Insurance Contracts* (IFRS 4). However, prior to adoption by FReM the final version for the standard applicable to the Group has still to be decided.

The Group adopts insurance accounting for its risk protection arrangement (RPA) for schools and academies. However, RPA activities are immaterial to the Group's financial reporting, so we do not expect a material impact once IFRS 17 is introduced.

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.

See note 2 for operational disclosures.

1.9 Income

Group income is authorised in the Supply Estimates (such as general administration receipts and income from other departments) and may include income to the Consolidated Fund that HMT has agreed should be retained by the Group and 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 income

Levy income is collected from construction and engineering sector employers under statute by CITB and ECITB based on an annual assessment period. Payment of the levies does not create additional rights to construction sector employers from the Group.

In the absence of additional rights to employers, satisfaction of levy performance obligations is judged to occur at a point in time rather than across the levy 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.

Where doubts arise over collectability of levy income either through ageing, past experience, or other known factors, an impairment allowance is recognised.

The Group does not recognise apprenticeship levy income. The apprenticeship levy is collected and accounted for by HMRC as tax.

Registration fees

Annual registration fees are collected from social care professionals by SWE and higher education providers by OfS. Both bodies have been given authority to retain such income to offset against their expenditure, with OfS up to an annually approved limit. Amounts received by OfS above their annual limit are passed to the Exchequer.

In contrast to the levy income above, registration fee satisfaction is judged in both cases to occur across the registration year. The health care practitioner consumes the benefit over time as it is provided by registration through being able not to operate. Higher education providers (HEPs) consume the benefit through continued operation as an authorised provider who is able to offer student loans to its student body. Accordingly, registration fee revenue is deferred and recognised evenly across the year.

Where doubts arise over collectability of registration fees either through ageing, past experience, or other known factors, an impairment allowance is recognised.

Capital contributions

The Group has standardised the specification of new school buildings. In some instances, the Group will agree with a school's authorised body (such as LA, academy trust and foundation body) for their new premises to exceed the standards. In such cases a capital contribution will be agreed with the body.

The Group has judged that the completion of the additional design specification is indivisible from the overall school construction programme. Consequently, the Group considers that the performance obligation is satisfied continually over the course of the build phase.

Capital contributions are initially deferred and recognised evenly over the construction phase.

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.

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 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 considers 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 judges 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 the European Commission) 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.

Grant 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 and LA maintained schools. Income is recognised for claim cover years.

1.10 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 Policy funding

1.11.1 Grants and other policy funding payable

Funding expenditure to support the Group's policy aims is delivered in two main ways:

- grant funding payable under legislation, such as National Funding Formula payments funding maintained schools and academies
- other, such as contractual payments to providers, for example apprenticeship training providers

Recognition of the entitlement of grant or other funding varies according to the individual programme.

Grant funding

The majority of grants made by the Group are recorded as expenditure in the period in which the allocation or claim is paid, as the grant funding cannot be directly related to activity in a specific period and is not designed to, in line with legislation. The allocations or claims are deemed the only appropriate and measurable activity that truly creates an entitlement for the recipient.

Accruals accounting is adopted where timing gaps are known between entitlement and payment, or where entitlements can be quantified with a degree of certainty in a given year. In such circumstances, the grant expense is accrued in the SoCNE and shown as a liability on the SoFP.

Other funding

Some policy funding is made in accordance with contractual agreements rather than legislation. One example is apprenticeship training provision whereby the Group enters into contracts with providers to support their training costs. In addition, for a number of programmes funding is only provided on evidence of completed funded activities. For instance, attendance of apprentices at monthly training sessions.

Accruals accounting is adopted for contractual funding owing to the higher degree of certainty of the Group's obligations.

1.11.2 Recoveries

Grants and other funding may generate overfunding or unspent amounts described below. Where recoveries of overfunding or unspent amounts cross a year end a receivable will be recognised to reflect the unrecovered amount. The Group does not recognise a prepayment if the end user has not spent the grant due to timing or delays.

Overfunding

Sometimes the Group pays recipients according to a payment profile established before the final grant obligation is known. Overfunding can occur when the payment profile based on the initial assessment is larger than the final obligation, which results in accelerated funding prior to the grant obligation being finalised.

Unspent amounts

In certain circumstances recipients may be unable to apply time-bound grants as intended, which means funds may be left unspent after the stipulated timescale. The Group may choose to recover such unspent amounts.

Recovery approach

The Group's preferred options to recover overfunding and unspent amounts are through reprofiling future grant payments (within the same grant programme) or deducting-at-source against other grant payments.

When identification of overfunding is early enough in the grant period, recovery through reprofiling will occur within the same grant period. If identification of overfunding is later in the grant period, recovery will occur in the next grant cycle with a year end receivable being recognised if applicable. This approach is suited to annual grants which are paid evenly across a year, such as general annual grant funding to academies.

Where reprofiling is not available, predominantly one-off grant payments, the Group will apply a deduction-at-source to other grant payments to recover funds. Such deductions do not alter either grant obligations, simply a reduction in the funds transferred to the recipient.

The Group will gross up the amended grant payment by the deduction to recognise the correct value of both grants.

If reprofiling or deduction-at-source are not suitable, due to an absence of suitable future grant payments to deduct against, a claim will be made to the third party.

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 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 the FReM adaption of 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 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 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 (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.

Where circumstances existing prior to the year end indicate that AuC assets cannot be opened as an academy, or previously operational sites are closed and returned to Group control, and will be sold on 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.

1.14 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 to 20 years

1.15 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.

1.15.1 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, are not traded on any active market and are expected to be held until maturity.
- **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 considers the loans to fail the solely payments of principal and interest test due to the loans' terms and conditions.

  Student loans suffer an immediate fair value loss due to the difference between the initial fair value of new loans and their transaction price at issue. Such 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 12.

- **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 retention note issued by the body that acquired student loans sold in December 2018. The asset is held to fulfil regulatory requirements and cannot be sold over the life of the securitised student loans. 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 note 8.

1.15.2 Financial liabilities

Financial liabilities are measured at amortised cost. Financial liabilities include trade and other payables and loans. The Group does not currently have financial liabilities measured at FVTPL and neither does it have complex derivative financial instruments. Financial guarantees are designated to FVTPL on inception. 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**, excluding non-contractual accruals, are generally not interest bearing and are stated at their face value on initial recognition. Subsequently, they are measured at amortised cost.
- **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, which includes all direct costs associated with the loans.
- **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

1.16 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.

1.17 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 PPE and intangible assets. Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT.

1.18 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, acting as 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) that is addressing condition issues across the school estate. Within these accounts the transaction is referred to as PF2.

The assets 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. The Group instead recognises the value of the assets during construction as capital grants-in-kind.

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 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

			2021-22			2020-21
	Gross expend'e	Income	Net expend'e	Gross expend'e	Income	Net expend'e
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Children's Services, Communications and Strategy Group	427	(1)	426	448	(3)	445
Early Years and Schools Group	61,394	(257)	61,137	59,813	(382)	59,431
Higher Education and Further Education Group	36,820	(8,045)	28,775	47,038	(8,301)	38,737
Education and Skills Funding Agency	2,763	(20)	2,743	2,066	(2)	2,064
COVID Response and Recovery Group	782	–	782	478	–	478
Operations Group	768	(204)	564	1,409	(637)	772
	102,954	**(8,527)**	**94,427**	**111,252**	**(9,325)**	**101,927**

During the year the Social Care, Mobility and Disadvantage Group was renamed as Children's Services, Communications and Strategy Group. No change to the activities of the business segment occurred, which is why there has been no re-statement of prior year reported balances above.

2.2 Reconciliation between operating segments and SoCNE

2.2.1 2021-22

	Net expenditure per segmental analysis	Reconciling items		Net costs per SoCNE
		Income & gains	Expenditure	
	£m	**£m**	**£m**	**£m**
Children's Services, Communications and Strategy Group	426	–	(2)	424
Early Years and Schools Group	61,137	191	(131)	61,197
Higher Education and Further Education Group	28,775	3,058	(24,950)	6,883
Education and Skills Funding Agency	2,743	17	(17)	2,743
COVID Response and Recovery Group	782	–	–	782
Operations Group	564	132	(154)	542
	94,427	**3,398**	**(25,254)**	**72,571**

The reconciling items are transactions which are correctly included in budgetary outturn in note 2.1 but do not result in SoCNE entries. Transactions are primarily annual movements in non-current assets (loans, PPE and intangible assets), the significant movements being:

- Early Years and Schools Group includes (see note 9):
  - £129 million of the transfer of AuC assets to academy trusts for use as free schools, recognised as asset disposals
  - £21 million AuC assets donated into the Group with £57 million spend developing AuC assets to support free school opening, recognised as asset additions
- Higher Education and Further Education Group includes in relation to student loans:
  - £3 billion of student loan repayments, recognised as loan asset repayments
  - £20 billion of student loan advances and £4.9 billion capitalised loan interest (accounted for as part of the annual fair value gain), which are both recognised as loan asset additions
- Operations Group includes:
  - £130 million income and £115 million expenditure in relation to the Get Help with Technology programme, which taken together were the movement in inventory in the year

2.2.2 2020-21

	Net expenditure per segmental analysis	Reconciling items: Income & gains	Reconciling items: Expenditure	Net costs per SoCNE
	£m	£m	£m	£m
Children's Services, Communications and Strategy Group (previously Social Care, Mobility and Disadvantage Group)	445	–	(2)	443
Early Years and Schools Group	59,431	293	(146)	59,578
Higher Education and Further Education Group	38,737	3,557	(23,683)	18,611
Education and Skills Funding Agency	2,064	–	(20)	2,044
COVID Response and Recovery Group	478	–	–	478
Operations Group	772	577	(405)	944
	101,927	**4,427**	**(24,256)**	**82,098**

2.3 Future DfE changes

As described in the Performance Report, the Department has completed a review of its structure and concluded change was needed to better service its many stakeholders. From 1 April 2022 the Group's business segments will as shown below, and although there is no direct link between the groups there is some overlap:

2021-22 business segment	2022-23 business segment
Children's Services, Communications and Strategy Group led by Indra Morris	Families Group led by Indra Morris
Early Years and Schools Group led by Andrew McCully	Schools Group led by Andrew McCully
Higher Education and Further Education Group led by Paul Kett	Skills Group led by Paul Kett
Education and Skills Funding Agency led by John Edwards	No longer a segment
No equivalent 2021-22 segment	Regions Group led by John Edwards
COVID Response and Recovery Group led by Julia Kinniburgh	Strategy Group led by Julia Kinniburgh
Operations Group led by Mike Green	Operations and Infrastructure Group led by Iain King

ESFA remains an executive agency of the Department but will no longer be a business group and will report through the Operations and Infrastructure Group.

3. Income

3.1 Revenue analysis

	2021-22		2020-21	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Income from contracts				
Levy income	–	137	1	221
Fees and charges	45	83	44	82
Sale of goods and services	3	46	–	41
Capital contributions	30	32	51	51
Other income	–	–	8	12
Grant income				
Funds from other government departments	75	75	74	78
European Union funding	106	106	108	108
Other income				
RPA income	71	71	57	57
Rental income	1	1	–	–
	331	**551**	**343**	**650**

Funds from other government departments relates mainly to income from Department of Health and Social Care for jointly managed projects.

Included within income from contracts is £7 million deferred from the prior year (2020-21: £13 million) and recognised in the opening contract liability. EU funding recognised above represents more than 10% of total revenue and is reported by the Higher Education and Further Education Group segment in note 2.

Included within funds from other government departments in 2020-21 is £4.4 million grant income from HMT claimed by CITB through the furlough scheme to support the retention of staff for this levy-funded organisation.

3.2 Revenue streams

3.2.1 Levy 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 sector employers irrespective of levy charges.

3.2.2 Registration fees

Annual registration fees are raised from social care professionals and higher education providers to allow them to perform their duties in their respective fields. Practitioners are required to register with the Group each year to receive authorisation to practice. Under the *Higher Education and Research Act 2017*, HEPs are required to register with their regulator if they wish to:

- access public grant funding (such as funding to support teaching), and/or student support funding (such as enabling students at a provider to access student finance)
- apply to the Home Office for a student sponsor licence to recruit international students, or to maintain an existing licence
- apply for degree awarding powers in order to award their own degrees, and/or university title

3.2.3 Sales of goods and services

Revenue arises 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.

3.2.4 Capital contributions

The Group is investing into the school estate through its Priority Schools Building Programme and Free School programme. The Group applies standard design specifications to projects to drive value for money and efficiency. However, LAs and academy trusts are able to amend the standard design specifications at their cost. Once revised designs have been agreed and costed the Group will raise an 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 LAs is deferred to the SoFP and revenue is recognised evenly over the construction period.

3.2.5 RPA fees

Fees received from schools through membership of the risk protection arrangement are accounted for through IFRS 4. Fees are recognised evenly over the cover period of September to August.

4. Staff costs

Disclosures relating to staff numbers and costs are detailed within the Remuneration and Staff Report.

5. Policy funding

Policy funding disclosures in the following tables have been re-aligned to business segments to strengthen the narrative thread between the Financial Statements and the Performance Report. The comparative disclosures have been re-presented as described in note 5.2.

5.1 Summary

	2021-22		2020-21	
	Department & Agencies	Group	Department & Agencies	Group
			(Re-presented)	
	£m	£m	£m	£m
Resource spending				
CSCSG	347	354	373	378
EYSG	56,808	56,809	55,407	55,407
HEFE	8,618	10,058	8,174	9,650
ESFA	2,455	2,454	1,899	1,891
CRRG	751	751	472	472
Operations Group	26	26	13	13
Grant-in-aid	1,773	–	1,807	–
	70,778	**70,452**	**68,145**	**67,811**
Capital spending				
CSCSG	3	3	3	3
EYSG	4,275	4,276	4,073	4,077
HEFE	81	232	299	463
ESFA	133	133	–	–
CRRG	–	–	–	–
Operations Group	187	191	593	593
	4,679	**4,835**	**4,968**	**5,136**

5.2 Re-presentation

The comparative disclosures have been re-presented for two improvements:

- spend analysis has been reconfigured without any change in valuation approach, to match business groups reported elsewhere in this ARA
- costs incurred to support programmes directly, previously presented as other professional fees in the purchase of goods and services note (note 7.1) have been removed from that note and aggregated with a business group's policy spending to present a fuller account of external spending, without any amendment to the calculation basis

The table below presents policy spending as previously disclosed re-mapped to business groups, so matches this year's presentational approach. As well as the re-mapping the table below also includes the re-mapped support costs as well.

	Department & Agencies		Group	
	Previously reported	Re-presented	Previously reported	Re-presented
	£m	£m	£m	£m
Resource spending				
Children's services	235	–	235	–
CSCSG	–	307	–	307
Schools	51,468	–	51,468	–
Early years	3,649	–	3,649	–
EYSG	–	55,246	–	55,246
Post-16 and skills	10,595	–	12,028	–
HEFE	–	8,138	–	9,583
ESFA	–	1,898	–	1,886
CRRG	–	463	–	463
Operations Group	112	7	112	7
Grant-in-aid	1,807	1,807	–	–
	67,866	**67,866**	**67,492**	**67,492**
Support funding		279		319
		68,145		**67,811**
Capital spending				
Children's services/CSCSG	3	3	3	3
Schools	4,429	–	4,433	–
Early years	11	–	11	–
EYSG	–	4,073	–	4,077
Post-16 and skills	301	–	465	–
HEFE	–	299	–	463
Operations Group	224	593	224	593
	4,968	**4,968**	**5,136**	**5,136**
Support funding		–		–
		4,968		**5,136**

5.3 Resource

	2021-22		2020-21	
	Department & Agencies	Group	Department & Agencies	Group
			(Re-presented)	
	£m	£m	£m	£m
Children's Services, Communications and Strategy Group				
Children in care	94	94	101	101
Children's social care	44	44	50	50
Life skills, disadvantaged and SEND	42	42	52	52
Other	113	113	104	104
Support costs	54	61	66	71
Early Years and Schools Group				
National Funding Formula	39,126	39,126	36,651	36,651
High needs funding	7,561	7,561	6,581	6,581
Early years entitlements	3,547	3,547	3,595	3,595
Pupil premium	2,506	2,506	2,449	2,449
PFI grant	752	752	751	751
High needs (16 to 19)	654	654	654	654
Free school meals	611	611	783	783
Teachers' pension employer contribution grant	447	447	1,479	1,479
Primary sport premium	326	326	325	325
Teacher supply	224	224	329	329
School improvement	180	180	221	221
Teachers pay grant	156	156	506	506
School curriculum	156	156	152	152
Life skills, disadvantaged and SEND	154	154	517	517
Other	234	235	253	253
Support costs	174	174	161	161
Higher Education and Further Education				
16 to 19 core funding	5,957	5,957	5,578	5,578
Adult education budget	1,433	1,433	1,450	1,450
Teaching grant	47	1,362	57	1,412
HE maintenance grants	549	549	493	493
Bursary funding	206	206	187	187
Other	374	476	373	463
Support costs	52	75	36	67
Education and Skills Funding Agency				
Apprenticeships	2,424	2,418	1,857	1,845
Other	31	31	41	41
Support costs	–	5	1	5
COVID Response and Recovery Group				
Recovery funding	508	508	–	–
National Tutoring Programme	216	216	84	84
National Funding Formula – COVID-19 response	–	–	376	376
Other	16	16	3	3
Support costs	11	11	9	9
Operations group				
Other	5	5	7	7
Support costs	21	21	6	6
Grant-in-aid	1,773	–	1,807	–
	70,778	**70,452**	**68,145**	**67,811**

Some of the balances presented contain costs associated with the Group's response to the COVID-19 pandemic. These costs are broken out in more detail in note 6, whose level organisation matches the programmes listed above to allow for reconciliation.

National Funding Formula

The National Funding Formula (NFF) is used to allocate funding to mainstream, state-funded schools. The majority of funding that goes through the schools NFF is 'pupil-led'. This funding is calculated based on the number of pupils in the school and their characteristics. All schools get a basic amount for each pupil (with different amounts for different ages), and extra funding for pupils with additional needs.

Schools also receive 'school-led' funding, based on the characteristics of the school itself. This includes a lump sum for every school, and extra funding for schools with certain characteristics, such as a school that operates across more than one site, or a school that is small and remote.

The school-level allocations are added up to create a total allocation for each local authority. LAs then set their own local formulae, based on the same factors in the NFF, but with more up-to-date pupil characteristics, to distribute their total allocation between all the schools in their area. Schools receive their funding based on their LA's formula. This means that while the NFF determines how much money each LA receives, it is the LAs' own formulae that determine how much each of their maintained schools finally receives.

NFF payments are processed slightly differently to the two different school sectors: Dedicated Schools Grant payments directly to LAs who then distribute funds to their maintained schools, and General Annual Grant payments directly to academy trusts to support their academies.

The government has announced its intention to move to a 'direct NFF' whereby there would be a single national formula for all schools in the country. Consultations on detailed implementation are continuing, and LAs will be required to start moving towards NFF values in their local funding formulae from 2023-24.

High needs funding supports provision for children and young people with SEND from their early years to age 25.

Pupil premium is extra funding for state-funded schools and early years providers to help them improve the attainment of their disadvantaged pupils.

Early years entitlements, LAs are provided with six relevant funding streams which form their overall Dedicated Schools Grant funding but are additional to NFF funds. They are:

- 15-hours entitlement for disadvantaged 2-year-olds
- universal 15-hours entitlement for all 3 and 4-year-olds
- additional 15-hours entitlement for eligible working parents of 3 and 4-year-olds
- early years pupil premium
- disability access fund
- maintained nursery school supplementary funding

16 to 19 core funding includes funding for the provision of study programmes for young people. Providers can work through a wide range of establishment types including sixth form colleges, further education colleges, sixth forms in schools and academies, special schools, special academies, independent training providers, special post-16 institutions and some HEPs and also via LAs.

Apprenticeships funding supports the delivery of the apprenticeships programme for young people and adults.

Adult Education Budget funding aims to engage and provide the skills and learning adults need to progress into work or equip them for an apprenticeship or other learning.

The **Teachers' Pay Grant and Teachers' Pension Employer Contribution Grant** support schools and LAs with the cost of teachers' pay awards and increases in employer contributions into the sector's occupational pension scheme. These payments have been incorporated into NFF during the year.

5.4 Capital

	2021-22		2020-21	
	Department & Agencies	Group	Department & Agencies	Group
			(Re-presented)	
	£m	£m	£m	£m
Children's Services, Communications and Strategy Group				
Secure accommodation	3	3	3	3
Early Years and Schools Group				
School condition allocations	1,742	1,743	1,829	1,829
Free schools	906	906	1,339	1,339
Basic Needs Schools Capital	747	747	150	150
Priority Schools Building Programme	350	350	561	561
High needs funding	300	300	–	–
Schools capital improvement	230	230	95	99
Other	–	–	99	99
Higher Education and Further Education				
College condition improvement	5	5	240	240
Other	76	227	59	223
Education and Skills Funding Agency				
Other	133	133	–	–
Operations Group				
Get Help with Technology	156	156	374	374
Intra-government property transfer	–	–	214	214
Other	31	35	5	5
	4,679	**4,835**	**4,968**	**5,136**

School condition allocations spending above covers a group of separate allocations all aimed at improving the condition of the school estate across different school sectors. Schools and those responsible for school buildings are eligible for specific funding streams depending on their size and type. LAs, larger MATs and larger voluntary aided school bodies receive funding directly to invest across their schools. Smaller academy trusts, voluntary aided bodies and sixth-form colleges are instead able to bid for condition improvement funding.

School condition funding programmes include:

- condition improvement fund, is an annual bidding round for eligible academies, sixth-form colleges and voluntary aided schools to apply for capital funding for specific projects
- school condition allocations, with funds paid to eligible bodies responsible for maintaining school buildings to spend on projects that meet their own priorities
- devolved formula capital, is allocated for individual schools and other eligible institutions to spend on capital projects that meet their own priorities

Free school grants above include both the value of the AuC sites transferred to academy trusts, £108 million (2020-21: £213 million), and post-transfer spending on further development of sites.

Basic Needs School Capital funds the statutory duty to provide sufficient school places that sits with LAs. The Department provides LAs with funding for every place that is needed in their area, based on LAs' own data on pupil number forecasts. The variance from prior year to current year spending is primarily due to the prior year's balance being depressed due to an acceleration of funding to LAs recognised in 2018-19 and 2019-20. The current year spending is back on its expected profile.

PSBP is rebuilding and refurbishing school buildings in the worst condition across the country. There are two phases of the programme covering a total of 537 schools. The reduction in PSBP spending across 2021-22 and 2020-21 reflects the gradual completion of individual school projects in this programme.

The high needs funding system supports provision for children and young people with SEND from their early years to age 25, enabling both LAs and institutions to meet their statutory duties under the *Children and Families Act 2014*.

College Condition Improvement is predominantly FE Capital Transformation, which was launched in September 2020 as part of the government's broader £1.5 billion pledge to supporting FE institutions to tackle 'unsatisfactory' estate conditions. The first allocations were issued in 2020-21, while later phases will mainly be delivered from 2022-23 onwards.

Other further education includes the T Levels capital fund – to support eligible further education providers delivering T Levels from September 2023 onwards – and Institutes of Technology – collaborations between FE providers, HEPs and employers to deliver higher technical education that gives employers the skilled workforce they need.

The intra-government property transfer capital grant-in-kind represents the value of Old Admiralty Building which transferred to the Government Property Agency in March 2021.

6. COVID-19 response

The two tables below present the Group's COVID-19 response spending split by resource and capital budget types. In a change from the previous year the majority of planned COVID-19 response spending was funded through the Main Estimates. Only a small addition was sought through a Supplementary Estimates bid.

6.1 2021-22

6.1.1 Resource

Funding	Department & Agencies	Group
	£m	**£m**
CSCSG		
Other	1	1
EYSG		
Holiday activities and food	153	153
Dedicated school and college transport	47	47
Mental health support	14	14
Other	27	27
HEFE		
16 to 19 tuition fund	81	81
Adult education budget	52	52
Teaching grants	–	27
Other	34	34
ESFA		
Apprenticeships	209	209
Other	3	3
CRRG		
National Tutoring Programme	217	217
Catch-up premium – academies	145	145
Catch-up premium – schools	124	124
Recovery premium – academies	84	84
Recovery premium – schools	103	103
Summer school payments	75	75
Other	27	27
	1,396	**1,423**

6.1.2 Capital

Funding	Department & Agencies	Group
	£m	£m
HEFE		
Other	1	1
CRRG		
Air filtration/ventilation	35	35
Operations		
Get Help with Technology	155	155
	191	**191**

6.2 2020-21

6.2.1 Resource

Note 5 reference	Measure	Department & Agencies	Group
		£m	£m
Schools			
National funding formula	Exceptional costs incurred by schools in response to COVID-19	139	139
Universal free schools meals	Free school meals: supplementary grant (2020/21)	116	116
Universal free schools meals	COVID-19 grants	50	50
School improvement	School-to-school support recovery offer	1	1
School improvement	Oak National Academy	1	1
Life skills, disadvantage and SEND	Free school meals voucher scheme	475	475
Life skills, disadvantage and SEND	Holiday activity	20	20
Life skills, disadvantage and SEND	Family Fund Trust	14	14
Teacher supply	Initial teacher training retrieval placements	7	7
Other grants	Catch-up premium	376	376
Other grants	Home to school transport	99	99
Other grants	National Tutoring Programme	84	84
Other grants	Wellbeing for education return	8	8
Other grants	Workforce absence fund	6	6
Other grants	Oak National Academy	3	3
Other grants	Year 11 alternative provision	3	3
CSCSG			
Children in care	Adoption support fund	7	7
Children in care	Unaccompanied asylum seeking children funding	6	6
Children in care	Voluntary adoption agencies support	5	5
Children in care	Partners in Practice response programme	2	2
Other grants	Assessed and supported year in employment	5	5
Other grants	Childline and NSPCC Helpline grant	4	4
Other grants	Teaching partnerships	1	1
Early years			
Other grants	Early language intervention	8	8
Other grants	Early years and voluntary community grants	1	1
Other grants	National Literacy Trust	1	1
HEFE			
Core funding	Core funding	69	69
Adult education budget	Adult education budget	14	14
Adult education budget	Skills recovery package: National Careers Service	6	6
Apprenticeships	Jobs for a new decade – apprenticeships	44	44
Bursary funding	Free school meals	7	7
OfS teaching grant	Higher education hardship funding	–	68
OfS teaching grant	Additional grant	–	10
OfS teaching grant	Mental health and wellbeing platform	–	2
Construction and industry training	Train to retain	–	2
Other Post-16 and skills grants	EdTech	6	6
		1,588	**1,670**

6.2.2 Capital

Note 5 reference	Measure	Department & Agencies	Group
		£m	£m
Operations Group			
Get Help with Technology	Get Help with Technology	374	374
Higher Education and Further Education			
Other grants	Student number controls	–	10
		374	**384**

As mentioned previously, Get Help with Technology is the programme that supports remote learning for disadvantaged pupils through the provision of IT devices and broadband.

7. Operating expenditure

7.1 Purchase of goods and services

	2021-22		2020-21	
	Department & Agencies	Group	Department & Agencies	Group
			(Re-presented)	
	£m	£m	£m	£m
Staff related costs	16	19	17	19
Consultancy fees	6	7	8	9
Other professional fees	32	37	36	38
Building, maintenance and premises costs	11	21	14	26
IT and telecommunications costs	97	230	59	125
Rentals under operating leases:				
land and buildings	22	26	12	17
other operating leases	-	1	-	1
Advertising and publicity	24	26	18	20
Research and development costs	20	20	13	14
Other expenditure	16	38	5	29
	244	**425**	**182**	**298**

The prior year values for other professional fees have been re-presented through the reclassification of some costs as support costs to policy funding. Note 5.2 has more information.

7.2 Depreciation, impairment and other non-cash charges

	2021-22		2020-21	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Depreciation	8	13	7	14
Amortisation	30	62	19	52
Impairment	28	26	154	157
Provisions: net movement	103	123	122	146
Financial guarantees: net movement	(23)	(23)	26	26
Other expenditure	1	–	4	4
	147	**201**	**332**	**399**

Impairment for 2020-21 includes £41 million recognised in relation to Old Admiralty Buildings which was transferred to Government Property Agency in March 2021.

Included in other expenditure above are audit fees, presented in more detail below.

7.3 Audit fees

	2021-22		2020-21	
	Department & Agencies	Group	Department & Agencies	Group
			(Restated)	(Restated)
	£000	£000	£000	£000
Group audit:				
non-cash	1,057	1,057	1,046	1,046
cash – NAO	–	690	–	710
cash – non-NAO	–	20	–	22
SARA audit: cash – NAO	473	473	488	488

Non-cash audit fees for the Department and Agencies are included in note 7.2 above as other expenditure. Non-cash audit fees are charged by NAO but are not paid. The audit fees are recognised as an expense above but also as a credit to reserves in both SoCTEs. Cash audit fees for NDPB audit costs are included within Consultancy and other professional fees in note 7.1 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 fee for auditing SARA is recognised in the Group's ARA not SARA. The prior year SARA audit fees have been restated to include the audit fee applicable for auditing the whole of government accounts submission for the academy sector.

8. Other (gains)/losses

	2021-22			2020-21
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Annual valuation movements:				
student loans	(3,629)	(3,629)	8,320	8,320
investments	(5)	(3)	–	–
On de-recognition:				
write-off of student loans	87	87	60	60
write-off of non-student loans	4	4	17	17
Losses on student loans	5	5	4	4
	(3,538)	**(3,536)**	**8,401**	**8,401**

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 losses 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:

- £1.3 billion of unrealised losses (2020-21: £12.9 billion unrealised losses)
- £4.9 billion of capitalised interest gains (2020-21: £4.6 billion gains)

9. Property, plant and equipment

9.1 Analysis

9.1.1 2022

	Property	Other PPE	AuC	Investment property	Total
	£m	**£m**	**£m**	**£m**	**£m**
Cost or valuation					
1 April	40	69	416	–	525
Additions	–	8	75	–	83
Disposals	(2)	(4)	–	–	(6)
Reclassifications	2	(1)	(109)	12	(96)
Revaluations	2	–	–	–	2
Transfers regarding academy trusts:					
transfer in	–	–	21	–	21
transfer out	–	–	(129)	–	(129)
At 31 March	**42**	**72**	**274**	**12**	**400**
Depreciation					
1 April	(13)	(47)	–	–	(60)
Charged in year	(6)	(7)	–	–	(13)
Disposals	–	4	–	–	4
At 31 March	**(19)**	**(50)**	**–**	**–**	**(69)**
Carrying value as at:					
31 March 2022	**23**	**22**	**274**	**12**	**331**
31 March 2021	**27**	**22**	**416**	**–**	**465**
Of the total:					
Department & Agencies	8	11	273	12	304
NDPBs	15	11	1	–	27
	23	**22**	**274**	**12**	**331**

9.1.2 2021

	Property	Other PPE	AuC	Total
	£m	£m	£m	£m
Cost or valuation				
1 April	61	70	806	937
Additions	2	10	87	99
Donations	2	–	–	2
Disposals	(27)	(18)	(193)	(238)
Reclassifications	2	7	(30)	(21)
Impairment	–	–	(41)	(41)
Transfers regarding academy trusts:				
transfer in	–	–	16	16
transfer out	–	–	(229)	(229)
At 31 March	**40**	**69**	**416**	**525**
Depreciation				
1 April	(10)	(57)	–	(67)
Charged in year	(6)	(8)	–	(14)
Disposals	2	17	–	19
Reclassifications	1	1	–	2
At 31 March	**(13)**	**(47)**	**–**	**(60)**
Carrying value as at:				
31 March 2021	**27**	**22**	**416**	**465**
31 March 2020	**51**	**13**	**806**	**870**
Of the total:				
Department & Agencies	9	11	416	436
NDPBs	18	11	–	29
	27	**22**	**416**	**465**

The property asset class includes freehold sites as well as leasehold improvements on leased sites recognised as operating leases. The majority of AuC represents school building projects under the free school programme. Other PPE represents all other asset classes (such as motor vehicles, plant and machinery, and fixtures and fittings) not included in the other two classes presented above.

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 (even in advance of a formal lease agreement) with the academy trust, who will operate the free school from the site when operational, the Group de-recognises the asset as a transfer out. 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 academy trust as the Group regains control over the sites.

The Group operates from multiple sites, all but three of which were leased. The Group's surveyors revalue land and buildings in accordance with the Royal Institute of Chartered Surveyors' *Appraisal and Valuation Manual*. The owned properties and the most recent revaluations are: CITB's sites at Bircham Newton, Erith and Inchinnan, 31 March 2022 by Montagu Evans LLP.

In February 2021, ECITB's freehold site at King's Langley was successfully disposed of and de-recognised by ECITB in their ARA to 31 December 2021. Owing to ECITB's non-coterminous year end (31 December) the Group has recognised the disposal in this ARA through consolidation of ECITB's 2021 ARA.

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.

9.2 Academy sector leasing activities

As described more fully in note 1.13 above, the Group is involved in supporting the academy sector in locating and developing school 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. A portion 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 any land and building or AuC assets initially recognised on lease acquisition.

9.3 Impact of adopting IFRS 16

In line with FReM, the Group has not yet adopted IFRS 16 whose adoption date is 1 April 2022. However, the Group is required to disclose the expected quantified impact of adopting a new financial reporting standard in financial statements prior to transition. The disclosures below provide a summary of our approach to adopting the new standard and the management judgements applied where necessary.

9.3.1 Management judgements on implementation of IFRS 16

FReM adopts IFRS 16 with a number of adaptations and interpretations to reflect the public sector reporting environment. We describe how we will implement IFRS 16 below.

Transition approach

FReM requires departments to adopt the cumulative catch-up approach to adopting the new financial reporting standard. Consequently, there will be no restatement of prior periods through adopting the new standard, all impacts on prior year reported balances will be accounted for as movement in General Fund as at 1 April 2022.

Population of leases to transition

FReM requires departments to apply the practical expedient in identifying agreements to transition to IFRS 16. Departments are not required to make extensive reviews of agreements to identify those agreements in scope of the standard. Only those agreements previously accounted for as a lease are required to be transitioned to IFRS 16 as at 1 April 2022, with peppercorn leases being an exception. The Department has based its transition workings on leases accounted for under *IAS 17 Leases* and disclosed as such in this ARA in note 19.2 and the population of peppercorn leases.

Peppercorn leases

FReM provides clarity as to the treatment of peppercorn leases, which are brought into scope of the financial reporting standard if they meet the definition of a lease for all other aspects of the agreement. Peppercorn leases are described as leases with nil or significantly below market value rentals.

Management have reviewed the large number of academy sector leases with nil consideration entered into between the Department to support the academy sector as both landlord or tenant. Management consider that the agreements provide a degree of control over specified assets with the Department having no practical ability to substitute assets. Therefore, the Department considers the leases will be caught by the standard.

The absence of rental payments will result in a credit to the General Fund being recognised on the initial recognition of a right-of-use asset for peppercorn leases as at 1 April 2022.

Short-term leases

FReM has removed the choice in accounting for leases of less than twelve months duration (short-term leases). FReM requires all departments to adopt the exemption whereby neither a right-of-use asset not finance liability is recognised, instead rentals are expensed as incurred. This means that all leases of less than twelve months duration as at 31 March 2022 will retain their existing rental expense accounting approach.

Low value leases

The Group has entered into a small number of leases for office equipment such as printers and franking machines. At transition FReM requires departments to make use of the exemption available in the standard to retain an expense treatment for rentals for leases of assets classified as low value. Low value is not based on a monetary threshold, rather it is an assessment of the asset's inherent value to the reporting body. The standard removes motor vehicles from the scope of the exemption.

Management judges that leased office equipment to be low value in that the assets are ancillary to operation of the Group and the assets are consumable and generic. All office equipment leases have been classified as low value, and so no action will be required at transition.

Discount rate

FReM contains an interpretation applying to the discount rate applied to a lease's cash flows to calculate the right-of-use asset. Whilst the standard requires a lease's inherent discount rate to be applied, FReM allows departments to apply an HMT-provided rate if they are unable to readily determine a lease's rate.

The Department has taken advantage of this interpretation and applied the discount rate provided by HMT (0.95%) to calculate transition values.

De-recognition of superior asset

Where existing freehold or leasehold assets are leased out to third parties an assessment is made as to the nature of the lease. The assessment is based on the transfer of risks and rewards of ownership between the Department and its tenant. Where leases are judged to transfer the majority of risks and rewards the lease is classified as a finance lease, otherwise leases are considered to be operating leases.

Where the lease is judged to be a finance lease, the existing asset is de-recognised once the asset is judged to be controlled by the tenant. The Department considers control to pass once the lease has been signed with the tenant; or in the case of academy trusts a licence to occupy the site lawfully has been signed prior to signing the final long-term lease.

Where the lease is judged to be an operating lease the existing asset is reclassified to investment property. Under FReM's adoption of *IAS 40 Investment Properties* such assets will be held at fair value and not depreciated.

Re-recognition of AuC sites

The final significant adjustment is the re-recognition at 1 April 2022 of leasehold assets under construction (free school developments) previously de-recognised from the Group's SoFP under the existing accounting policy. Management judges that IFRS 16 provides clearer guidance to the recognition of leased AuC assets prior to control passing on completion of the outbound lease/licence. The Department will recognise a leasehold right-of-use asset when the development site is secured, which is then developed and ultimately leased to an academy trust. We expect the adoption of IFRS 16 will result in the recognition of leasehold AuC assets previously de-recognised to SARA.

9.3.2 Leasing activities

The Group has two distinct areas of leasing activities, which vary in complexity and scope. The smaller and simpler area is leasing assets, predominantly office space, for us in the normal course of Group activities. The second larger and more complex area is securing and developing sites to support free school openings.

Operational activities

Leases entered into in this area are commercial in nature and were classified as operating leases under IAS 17. The Group acts as tenant/lessee in all instances. Our current best estimate of the impact of adopting IFRS 16 for these leases is shown in the table below.

	Land and buildings	Motor vehicles	Office equipment	Total
	Number	**Number**	**Number**	**Number**
Number of leases held:				
No exemption applied	27	39	–	66
Short-term exemption applied	11	98	–	109
Low value exemption applied	–	–	4	4
Total lease numbers	**38**	**137**	**4**	**179**
Held by:				
Department	19	–	–	19
Agencies	–	–	–	–
NDPBs	19	137	4	160
	38	**137**	**4**	**179**
	£000	**£000**	**£000**	**£000**
Values of adopting IFRS 16 as at 1 April 2022				
Right-of-use asset recognised	191,817	281	–	192,098
Prepaid/accrued rentals removed	(6,376)	(53)	–	(6,429)
Financing liability recognised	(185,441)	(228)	–	(185,669)
Net impact on General Fund	**–**	**–**	**–**	**–**
Exemption values				
Annual rentals for exempted short-term and low value leases	912	324	44	1,280

Free school activities

Leases entered into in this sphere are predominantly very long dated peppercorns, although a small amount of shorter-term commercial leases have been entered into. These shorter-term leases are separate to those leases included in the short-term exemption and generally have terms from 5 to 25 years. Leases have been entered into to provide temporary accommodation to opened free schools whilst their permanent site is developed or for sitting tenants on mixed-use sites. In contrast to the operational sphere, the Department's interest in academy sector leases can be either landlord or tenant.

We have not yet finished our work on a suitable valuation approach for peppercorn leases. The issue is complex in the absence of cash flows to discount, which is made more difficult through sites often having restrictions to continuing educational use preventing comparison with nearby residential properties. We continue to work with LocatED colleagues and our academy sector valuers to identify a suitable valuation approach for use next year.

Our current best estimate of the scale of adopting IFRS 16 for our sector activities is summarised below. The numbers given below are after reflecting de-recognition of tenancies through finance leases existing prior to 1 April 2022. Owing to the number of academy sector leases held by the Department, as both landlord or tenant, management expect the impact of IFRS 16 to be significant on the Group's reporting.

			Tenant
	AuC asset	Investment property	Total
	Number	Number	Number
Number of leases held:			
No exemption applied	13	20	33
Short-term exemption applied	1	–	1
Lease de-recognised	36	–	36
	50	**20**	**70**

	Landlord
	Number
Leases classified as:	
Finance leases	144
Operating leases	77
	221

Of the 144 finance leases where the Department is landlord, 36 were sub-leases of head leases and so triggered the de-recognition of the head lease right-of-use asset. The remaining finance leases were of freehold properties.

9.3.3 Assets under construction

As well as the direct impact of IFRS 16 through recognition of right-of-use assets and associated financing, IFRS 16 may also have a significant indirect effect through AuC asset recognition. Up to and including 31 March 2022 the Group has de-recognised free school AuC assets as soon as the Department has confirmed future site occupation with the academy trust who will operate a free school from the completed site. Management considered this approach to be appropriate since the Group will not gain economic benefit from the sites when operational. AuC asset de-recognition has preceded the completion of the lease between the Department and the academy trust.

However, management considers FReM's adaptation of IFRS 16 changes the financial reporting environment since for the first time peppercorn leases are brought into scope. The Department has now a specific financial reporting standard to apply to its leasing activities. IFRS 16 requires landlords to only de-recognise assets (freehold or leasehold) when the lease is classified as a finance lease. Under the terms of IFRS 16, asset de-recognition will occur when the Department ceases to control leased assets. Control is taken to be when the lease is signed with the academy trust and the site is formally handed over for operational activities. These AuC assets are currently recognised by the SARA.

Our current estimation of the value of AuC recognised by SARA as at 31 March 2022 is £1.3 billion which can be split down by programme as follows:

	Carrying value
	£m
Free schools programme	1,033
School rebuilding programme	44
PSBP	203
	1,280

SARA AuC is driven by three separate programmes of which only the free schools programme is expected to involve departmental leases. PSBP and the school rebuilding programme focus on existing school sites, negating the need for the Department to enter into leases for existing school sites. Accordingly, the Department expects only the free school sites' AuC assets to migrate back to the Department. However, before a full review of the free school AuC balance has been completed there is uncertainty as to the value of AuC assets re-recognised by the Department as at 1 April 2022. The £1 billion value above is the maximum that will be re-recognised.

10. Financial instruments

10.1 Financial assets by category

	2022		2021	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Fair value through profit or loss				
Student loans	97,942	97,942	77,396	77,396
Investments	71	75	80	89
Amortised cost				
Other loans	201	720	208	735
Receivables	366	379	539	622
Cash at bank	920	1,078	1,013	1,153
	99,500	**100,194**	**79,236**	**79,995**

10.2 Financial liabilities by category

	2022		2021	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Amortised cost				
Payables	1,717	1,777	1,692	1,755
PF2 imputed lease liability	598	598	613	613
PF2 loan liabilities	–	524	–	549
Financial guarantees	85	85	144	144
	2,400	**2,984**	**2,449**	**3,061**

10.3 Fair value disclosures

Fair values	2022 Department & Agencies	2022 Group	2021 Department & Agencies	2021 Group
	£m	£m	£m	£m
Level 1				
Investments	–	4	–	9
Level 2				
None			–	–
Level 3				
Student loans	97,942	97,942	77,396	77,396
Retention note	71	71	80	80
	98,013	**98,017**	**77,476**	**77,485**

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. Other than the retention note, all the investments presented above are listed securities with values taken from public information as at the year end.

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. The retention note is also classified to Level 3 since its underlying pool of securities (student loans) is classified as Level 3.

There were no transfers between the different levels of the fair value hierarchy.

11. Financial risk

11.1 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 Plan 1 undergraduate 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 Plan 1 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 12 and annex C.

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 12.

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 small market valued investment portfolio held by its industry training boards. 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 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.

11.2 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 LA or academy trust 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	13	Receivable from regional batch consortia
PF2 senior debt	16 & 17	Loan financing
PF2 subordinated debt	16 & 17	Loan financing
PF2 lease liability	16 & 17	Payable to regional batch consortia
SoCNE		
Loan interest income		Receivable from regional batch consortia
Loan interest expense		Private sector investors
PF2 service costs	7.1	Payable to regional batch consortia
PF2 finance costs		Payable to regional batch consortia

12. Student loans

Loans for students in higher education and further education are originated and recognised by the Department. The Department's student loans can be split into different repayment plans depending upon which education sector the borrowers were members of and when the loans were taken out. The plans are as follows:

- Plan 1 loans – loans taken out for undergraduate courses that started before 1 September 2012 (previously called Pre-2012 loans)
- Plan 2 loans – loans taken out for undergraduate courses that started on or after 1 September 2012, including advanced learner loans
- Plan 3 loans – loans for postgraduate master's courses starting on or after 1 August 2016 and postgraduate doctoral courses starting on or after 1 August 2018

Features of student loans, such as repayment thresholds and interest rates can be found online.[45]

Annex C presents the following disclosures broken out across the three sub-portfolios.

45 https://www.gov.uk/government/publications/student-loans-a-guide-to-terms-and-conditions

12.1 Values of student loans

	2022		2021	
	Carrying value	Face value	Carrying value	Face value
	£m	£m	£m	£m
Balance at 1 April	77,396	156,750	69,235	135,666
New loans issued	20,020	20,020	19,014	19,014
Interest charged	–	4,685	–	4,603
Repayments	(3,016)	(3,016)	(2,473)	(2,473)
Write-offs	(87)	(87)	(60)	(60)
Fair value movement	3,629	–	(8,320)	–
Balance at 31 March	**97,942**	**178,532**	**77,396**	**156,750**
Analysed as:				
Undergraduate Plan 1	15,050	29,284	18,446	30,675
Undergraduate Plan 2	78,822	144,951	55,783	122,686
Postgraduate Plan 3	4,070	4,297	3,167	3,389
	97,942	**178,532**	**77,396**	**156,750**
Disclosed as				
Current assets	3,624		2,893	
Non-current assets	94,318		74,503	
	97,942		**77,396**	

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 face value is made up of the opening face value, plus additions and capitalised interest, and less repayments and write-offs. Face value excludes fair value adjustments.

12.2 Fair value movement analysis

The remeasurement of the fair value balance for 2021-22 is made up of the following:

Description	2022	2021
	£m	£m
Overall annual fair value movement – calculated	**3,629**	**(8,320)**
Which can be dis-aggregated into the following drivers:		
Deferral of the difference in fair value and amount advanced to students on new loans	(8,590)	(9,808)
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 1.3.3.		
Impact of changes in assumptions and modelling	11,462	656
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 12.4.		
Operational costs	442	(51)
In accordance with IFRS 9 operational costs of servicing the loan books have been included in the fair value calculation.		
Interest	6,619	1,293
Interest recognised over the life of the asset.		
Residual fair value movement	(6,304)	(410)
Portion of the overall fair value movement remaining after the identified drivers above have been dis-aggregated. The balance shows some inverse sensitivity to the interest balance above to absorb movements in interest to bring the overall fair value movement back to the calculated balance.		

The annual fair value movement is calculated through modelling as described elsewhere as a single value per Plan from known model inputs. In the table above, we have isolated the value movements attributable for the named factors from the overall calculated value movement. However, the annual value movement is not built-up through summing the lower-level movements shown above. The dis-aggregation results in a residual portion of the overall value movement that cannot be attributed to the drivers analysed above which is presented on the foot of the table. There is an informal relationship between the interest driver and the residual value, so that if interest value movement increases the residual value movement will need to decrease to bring the overall value movement back to that calculated.

The significant increase in the interest recognised over the life of the asset is a result of the increase in RPI in the year. As RPI this year has increased to 9.0% in March 2022, this has led to significantly more interest than in the year to March 2021 when RPI was 1.5%.

The impact of changes in assumptions and modelling is primarily a result of two new models in the year, a policy change, and the change in HMT discount rate which are explained further in note 12.4.

12.3 Valuation modelling

Forecasting models

The fair value of new loans is calculated using a forecasting model, which uses data on the demographics of higher education and further education students to predict their likely repayments of loans. There are also models for different loan types – undergraduate Plan 1 and Plan 2, and postgraduate Plan 3. 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 undergraduate Plan 2 and postgraduate Plan 3 loans as none of these loans were due for statutory repayment until 2016-17. Further information on the undergraduate model assumptions[46] 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 2022.

Assurance over the carrying fair value

Each year the carrying value of undergraduate loans is compared with the latest outputs from the student loan 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.

Assumptions used to calculate the student loan fair values

Key macroeconomic assumptions that affect the value of the student loan books are earnings growth, RPI inflation and, for Plan 1 loans the Bank of England base rate. These macroeconomic assumptions are based on OBR forecasts as they are considered to be the most reliable, as well as providing forecasts that span the length of time required for consideration for student loan repayments. Other assumptions, for example, that future graduate earnings will mimic the available data on historical graduate earnings cannot be easily verified.

In calculating the carrying value of the loan book, the FReM stipulates that the higher of the intrinsic rate to the financial instrument or HMT's current discount rates of RPI-1.1% and RPI-0.2% should be applied to cash flows out to February 2030 and post-February 2030 respectively. However, the OBR's RPI determinants applied in our modelling, from the March 2022 Economic and Fiscal Outlook, do not reflect the expected transition from RPI to CPI from 2030, and the discount rate of RPI-0.2% for post-February 2030 does. HMT have therefore provided approval for the discount rate of RPI-1.1% to be applied for all cashflows, because this means the -1.1% element is consistent with the RPI determinants in that neither reflect the transition to CPI.

46 https://www.gov.uk/government/collections/statistics-student-loan-forecasts

The sections below discuss the impacts on the 2021-22 carrying fair value as a result of changes in modelling, assumptions and other variables that impact the valuation, and also detail sensitivity analysis on the valuation.

12.4 Changes in assumptions and modelling

During 2021-22, the following changes in assumptions and modelling have had significant impacts on the fair value of student loans.

Impact of changes in assumptions and modelling on loan fair value

	2022	2021
	£m	**£m**
Remeasurements to existing loans arising from changes to		
Modelling improvements		
long-term earnings model	(12,751)	–
repayments model	(172)	–
other	392	–
HMT discount rate	19,793	–
Macroeconomic factors	4,514	1,702
Policy changes	1,534	(58)
New data/unwinding	(419)	(1,005)
Student number forecasts	(1,429)	17
Total loan remeasurement	**11,462**	**656**

Modelling improvements

In the year two new models have been implemented: the long-term earnings model and new repayments model.

The revised long-term earnings model addresses forecasts of earnings 11+ years post-statutory repayment due date and reflects improved data on earnings. In the year more accurate data became available via Longitudinal Employment Outcomes[47] and HMRC, as well as some of the forecasting techniques within the data science field. The new model has also meant moving to a new model platform and methodology, which supports identification of the cost of particular degree and student types and much more effective quality assurance processes.

The data used in the 2020-21 valuation relied on self-reported earnings from a combination of the British Household Panel Survey (a longitudinal survey from 1990-2008) and the Labour Force Survey (2001-2014). The data were considered to be best available and suitable for the 2020-21 valuation cycle, However, the age of the data suggested that it might be becoming less optimal for continued use. As well as the age of the data, there was concern over the quality of the data – it was known that survey respondents could overstate their earnings, response rates were declining, and the Labour Force Survey excluded information on self-reported income. Consequently, the Department identified the better newly available data sources mentioned above for use in this year’s valuation.

47 https://explore-education-statistics.service.gov.uk/find-statistics/graduate-outcomes-leo-provider-level-data

As part of the assurance processes undertaken, in line with the Department's and HMT's *Aqua Book* guidance, we have been able to compare actual earnings with our forecast and there is a close and improved match under the new model. For later ages, more than 20 years after graduation, where actual data on loan borrower earnings does not exist, we must use comparisons to HMRC earnings distributions and growth. The results show a plausible set of projections.

The results are that lifetime earnings across the borrower cohort peak earlier and at a lower level than the previous model suggested. This means that we are therefore estimating that repayments on student loans will be lower, as a result of earnings being lower. This has reduced the fair value of Plan 1 and 2 loans as a result.

The new repayments model incorporates a number of improvements from the previous model. The new model precisely models interest, investment income, voluntary repayments, overseas repayments and repayment frictions (ie the difference between theoretical annual repayments and actual annual repayments), especially borrowers who have multiple loans.

Back-testing has been completed on the model and the results show that the new model appears much more accurate in forecasting repayments than the previous model. For Plan 1 loans the new model more accurately forecasts voluntary, overseas repayments and repayment frictions, leading to higher forecast repayments and therefore an increase in the carrying value.

The same occurs for Plan 2, however Plan 2 repayments are also significantly impacted by the forecasting of borrowers with multiple loans. In the previous model earnings for borrowers with multiple loans were effectively double counted and the new model correctly splits repayments between different loans. This reduces repayment amounts, however there is an overall increase in the carrying value due to the higher voluntary and overseas repayments, and repayment frictions.

Macroeconomic factors

The valuation of the loan book is affected by revised short-term forecasts for Bank of England base rates, RPI and earnings growth as published by the OBR. There is a decrease in the fair value of Plan 1 loans as a result of the increases in RPI.

The Plan 1 repayment threshold is uprated by RPI each year, therefore the recent significant increases in RPI to 9.0% in March 2022, and in forecast RPI for March 2023, are projected to increase the repayment threshold. Where the repayment threshold increases, this leads to lower repayments being made and therefore reduces the fair value of the loan book.

Conversely, the main driver of the increase in the carrying value Plan 2 and Plan 3 loans was the change in relative growth of earnings compared to the repayment threshold, which increases the fair value because it suggests repayments will increase. Plan 2 repayment thresholds have been frozen for 2022-23, and Plan 3 repayment thresholds have been frozen in recent years.

Short-term increases in RPI have a minor impact on the loan book valuation in comparison with changes in earnings which are a much bigger driver of the valuation. However, longer term changes in RPI, as are shown in the sensitivity analysis, can have a much bigger impact on the valuation of the loan book because they impact the long-term discounting to arrive at the net present value.

Change in HMT discount rate

FReM stipulates that “the discount rate to be used in discounting future cash flows to measure fair value should be the higher of the rate intrinsic to the financial instrument and the real financial instrument discount rate set by HM Treasury”. For all student loan products, other than master’s loans (which form part of the postgraduate Plan 3 loan book), the HMT rate is used as this is higher. HMT amended the rate this year from RPI+0.7% to RPI-1.1% for cash flows until February 2030, after which the rate is RPI-0.2%. The change reflects the already published changes to RPI in February 2030.

The Department uses a discounted cash flow model to determine the valuation of the student loan book. Using a lower discount rate increases the value of future cash flows and thereby increases the fair value of each loan book. The discount rate is set by HMT and reflects the government’s cost of borrowing. The Department received approval from HMT to apply just the pre-2030 rate of RPI-1.1% to all future cash flows to calculate the year end valuation. We expect to apply both discount rates in the 2022-23 valuation cycle.

Policy changes

The most significant policy change in the year which has increased the fair value of Plan 2 loans is the freeze of the Plan 2 repayment threshold for 2022-23. This has increased the fair value because, as a result of the freeze, it is expected that repayment will be greater due to the increase in repayments that exceed the repayment threshold. Other smaller policy changes have had minor impacts.

Other changes

The following are routine changes that occur annually and have had a minimal impact on the fair value in the year:

- **New data/unwinding:** this reflects the variances that can arise due to slight variations in the sample of borrowers used in modelling.
- **Student number forecasts:** updated forecasts based on the number of students within the student loans system that are forecast through a separate model. There has been a reduction in the forecast student numbers for academic year 2021/22 due to more accurate data showing the reduction in EU-domiciled loan borrowing students, due to the removal of EU student finance, and lower growth rates in postgraduate loans than were seen in earlier stages of the COVID-19 pandemic.

12.5 Sensitivity analysis

The analysis below shows the changes in carrying value from quantified changes in valuation factors that we know can vary and have a significant impact on the loan fair value. Factors are split between those that are external to the Department, which include HMT’s discount rate and macroeconomic factors, and internal policy areas which the Department can influence. Whilst the Department notes that external factors may have some degree of overlap, the sensitivity analysis presents the effect of changes in factors in isolation. For instance, a short-term rise in RPI may cause a rise in the Bank of England base rate as well as a longer-term weakening of earnings growth. The interplay of factors is nuanced, and the Department is not intending to present economic forecasts.

- External factors:
  - discount rate: a 1% and 2% change in the applied discount rate, which is set by HMT
  - macroeconomic factors: a 1% and 2% change in RPI, earnings growth and the Bank of England base rate
- internal policy factors: a 1% change in the interest rate applied to student loans, repayment rate, and £1,000 movement in the repayment threshold

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 12.1 above. Annex C presented the overall sensitivities disclosed below analysed by plan.

In 2019-20, the Department included sensitivity analysis based on three economic scenarios issued by OBR in July 2020 which reflected differing COVID-19 impacts on the economy. These disclosures were included exceptionally as part of the Department's discussion of the valuation of student loans in the uncertain economic conditions presented from early COVID-19. The Department has not repeated the exercise this year. We feel that the individual model inputs presented below are sufficient for readers to understand potential variability of student loan valuations.

12.5.1 External factors

Discount rate

	2022
	£m
Carrying value	97,942
Increase rate by 1%	(11,590)
Decrease rate by 1%	13,970
Increase rate by 2%	(21,270)
Decrease rate by 2%	30,930

The HMT discount rate is used to calculate the remeasurements on student loans. It is the long-term cost of government borrowing. There have been infrequent changes to the discount rate in the past, with the last change occurring in 2015-16. However, a change to the rate was announced during 2021-22 which reduced it by 1.8% and had a significant impact on the fair value of the loan books in the year, as detailed earlier in the note. This is something that is determined by HMT, and over which the Department has no control.

In accordance with IFRS 9, the Group accounts for the student loan book as FVTPL. Therefore, there may be an expectation from readers 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 FReM's interpretation of IFRS 9 and is therefore the rate as promulgated by HMT annually to all government departments. 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

	2022
	£m
Carrying value	97,942
Increase RPI by 1%	(9,230)
Decrease RPI by 1%	9,630
Increase RPI by 2%	(17,830)
Decrease RPI by 2%	19,850

RPI has fluctuated significantly since the pandemic, after a period of being broadly stable (at between 2-4%) in the three years beforehand. The rate dipped to 0.5% in August 2020, rose to 1.5% as at March 2021, has since risen to 9.0% at the year end and continued to rise to 12.3% in August 2022.

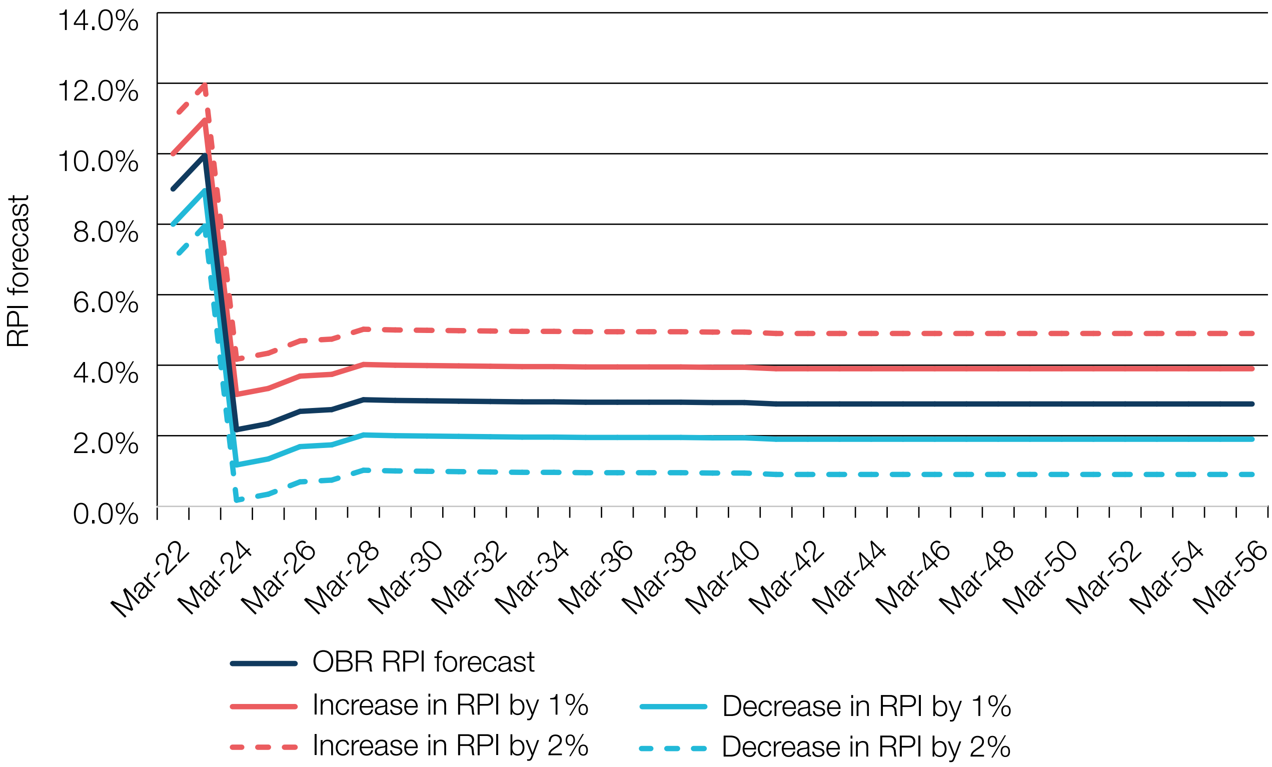
An increase in RPI leads to:

- a higher discount rate, which will lower the carrying value of loan books
- increased interest on borrowers' balances in the following year for Plan 2 and postgraduate Plan 3 loans
- increased interest for Plan 1 loans, unless RPI is higher than the base rate +1%, in which case RPI does not determine the interest rate
- increased repayment threshold for Plan 1 loans, which results in lower repayments

The outturn for March 2022 RPI for 2021-22 is 9.0% and is forecast to rise to 10.0% by March 2023, then stabilise at 2.9% in the long-term (2020-21: 1.5%, forecast to rise to 2.9% over the long-term). Long-term is considered to be 30 years for these purposes. The table above shows the impact of a 1 or 2% change to each RPI forecast in each of the forecast cash flow years. An increase in RPI reduces the valuation of the loan book, and a decrease in RPI increases the valuation.

The percentage movements above are not against the year end RPI value. The +/- margins are against the OBR's central forecast of RPI which was used in the year end valuation modelling across the full 30-year life of the loans. The graph below shows the OBR RPI central forecast across period and the margins used to quantify the above sensitivities.

RPI sensitivities



Earnings growth

	2022
	£m
Carrying value	97,942
Increase by 1%	8,810
Decrease by 1%	(8,810)
Increase by 2%	17,620
Decrease by 2%	(17,220)

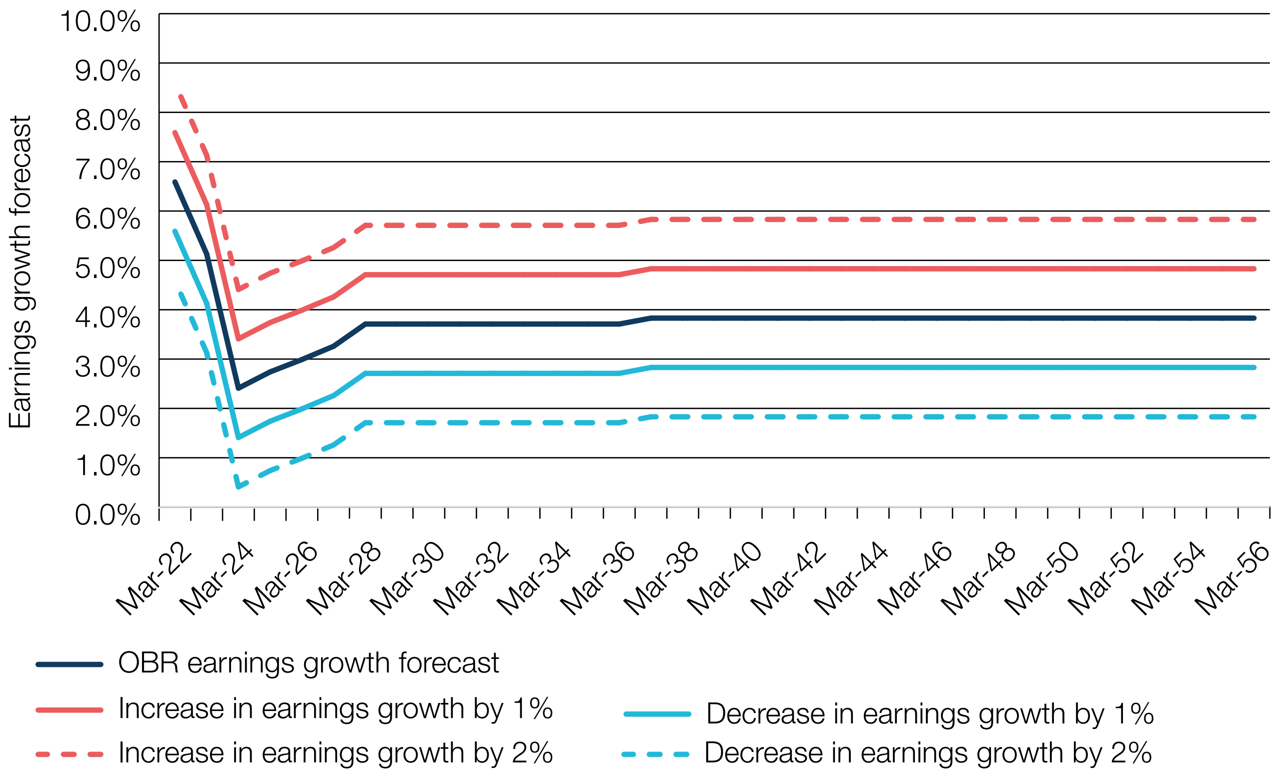
Earnings growth in the last five years has mostly been between 2-3% with some variation during the pandemic, including a decrease of 1.6% in April-June 2020.

Higher earnings growth leads to:

- increased repayments for all loan books, as repayments are linked to earnings
- increased interest applied to students' accounts, and therefore due for repayment for Plan 2 loans, as the variable element of the interest rate is linked to the borrower's earnings

The OBR outturn for 2021-22 average earnings growth is 4.2% and is forecast to decrease to 2.4% in the short-term (next five years) and stabilise at 3.83% in the long-term, considered to be the next thirty years (2020-21: 4.6%, forecast to decrease to 3.83% over the long-term). The table above shows the impact of a 1 or 2% change to each earnings growth forecast in each of the forecast cash flow years. An increase in earnings growth increases the valuation of the loan book as a result of the increased repayments arising from the growth. The graph below presents the earnings forecast and margins applied for the sensitivities above.

Earnings growth sensitivities



Bank of England base rate

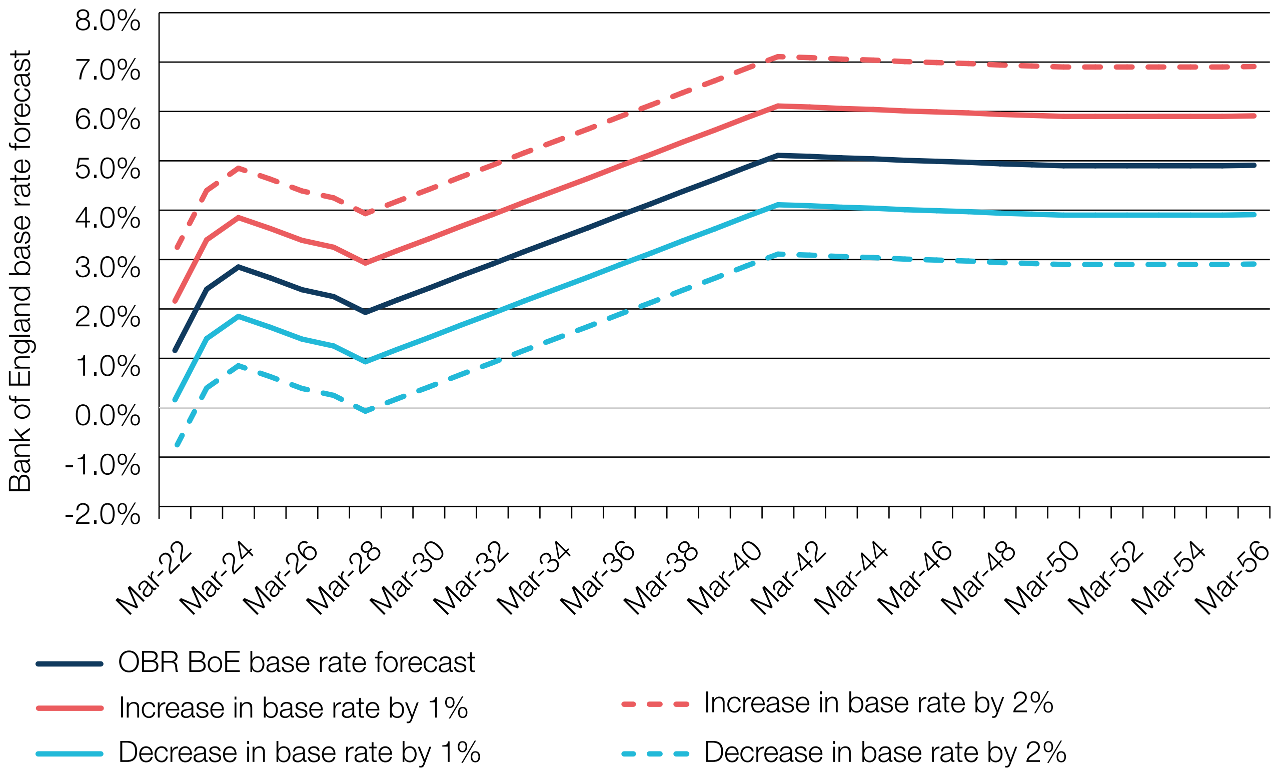
	2022
	£m
Carrying value	97,942
Increase by 1%	340
Decrease by 1%	(520)
Increase by 2%	610
Decrease by 2%	(780)

The Bank of England base rate has been held at below 1% since 2009 when it reduced to 0.5% and has been increasing since December 2021 to combat rising inflation, rising to 1.25% in June 2022.

A higher base rate will increase interest for Plan 1 loans, unless RPI is lower than the base rate +1%, in which case the loan interest rate is determined by RPI. The base rate only impacts Plan 1 loans and not other plan types.

The OBR outturn for the Bank of England base rate in March 2022 was 0.75% (March 2021: 0.1%), and this is forecast to rise to between 3% and 4% in the long-term (2020-21: 4.00% and 4.17% in the long-term). The table above shows that changes to the base rate would have a minimal impact on the valuation of the loan book, which is due to the impacts being restricted to Plan 1 and restricted further to interest on Plan 1 loans. The graph below presents the base rate forecast and margins applied for the sensitivities above.

Base rate sensitivities



12.5.2 Internal policy factors

Interest rate applied to student loans

	2022
	£m
Carrying value	97,942
Increase by 1%	5,270
Decrease by 1%	(5,240)

The interest rate applied to student loans impacts the amount that students can be expected to repay to the government. Interest rates for each plan type are set differently and are set with regards to RPI, Bank of England base rate for Plan 1, and earnings for Plan 2 graduates. Interest on Plan 1 loans have varied between 1.1% and 1.75% in the last five years, and between 6.3% and 4.1% for Plans 2 and 3.

Borrower repayment rate

	2022
	£m
Carrying value	97,942
Increase by 1%	3,850
Decrease by 1%	(4,550)

Repayment rates are set at 9% of earnings over the repayment threshold for Plans 1 and 2, and 6% over the repayment threshold for Plan 3. Repayment rates have not been changed since the plan types were established however the Department retains the ability to change the rates. The table shows that increasing the repayment rate by 1% increases the carrying value of the loan book, because this increases the repayments made to government by borrowers. Reducing the rate reduces the carrying value.

Loan repayment threshold

	2022
	£m
Carrying value	97,942
Increase threshold by £1,000	(3,400)
Decrease threshold by £1,000	3,480

The repayment threshold determines the earnings level above which borrowers repay their student loans. For Plan 1 this is uprated each year in line with RPI, for Plan 2 this has been frozen for 2022-23 but has previously been uprated by average earnings, and for Plan 3 this has been frozen in recent years.

The table shows that increasing the repayment threshold reduces the carrying value of the loan book, because this reduces the repayments made to government by borrowers. Reducing the rate increases the carrying value.

13. Other loans

13.1 Current loans

	2022		2021	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
PF2 loan assets	–	37	–	26
Loans to academy trusts	31	31	24	24
Loans to FE sector	14	14	7	7
Intra-Group loans	–	–	10	–
Other loans	–	–	–	–
	45	**82**	**41**	**57**

13.2 Non-current loans

	2022		2021	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
PF2 loan assets	–	478	–	507
Loans to academy trusts	103	103	108	108
Loans to FE sector	53	53	59	59
Intra-Group loans	–	–	–	–
Other loans	–	4	–	4
	156	**638**	**167**	**678**

13.3 Analysis

13.3.1 2022

	FE sector	Academy trusts	Intra-Group	PF2	Other
	£m	£m	£m	£m	£m
Opening balance	66	132	10	533	4
New lending	5	29	–	–	–
Effective interest	–	(4)	–	19	–
Repayments	(17)	(25)	(10)	(37)	–
Write-offs	(2)	(2)	–	–	–
Impairment movement in year	15	4	–	–	–
	67	**134**	**–**	**515**	**4**
Gross value	125	146	–	516	4
Closing impairment allowance	(58)	(12)	–	(1)	–
	67	**134**	**–**	**515**	**4**
Disclosed as:					
Current loans	14	31	–	37	–
Non-current loans	53	103	–	478	4
	67	**134**	**–**	**515**	**4**

13.3.2 2021

	FE sector	Academy trusts	Intra-Group	PF2	Other
	£m	£m	£m	£m	£m
Opening balance	123	125	–	550	11
New lending	22	31	10	–	–
Effective interest	(7)	4	–	20	–
Repayments	(21)	(28)	–	(36)	(7)
Write-offs	(9)	(8)	–	–	–
Impairment movement in year	(42)	8	–	(1)	–
	66	**132**	**10**	**533**	**4**
Gross value	141	148	10	539	4
Closing impairment allowance	(75)	(16)	–	(6)	–
	66	**132**	**10**	**533**	**4**
Disclosed as:					
Current loans	7	24	10	26	–
Non-current loans	59	108	–	507	4
	66	**132**	**10**	**533**	**4**

13.4 Loan types

13.4.1 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.

13.4.2 Loans to academy trusts

Loans issued to academy trusts comprise the following types:

- Deficit funding 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.
- Estate condition loans, to allow academy trusts to address estate condition issues.
- Voluntary aided capital project loans, issued to voluntary aided schools for capital projects under Schedule 3 of the *Schools Standards and Framework Act 1998*.

13.4.3 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% (2020-21: 3.56%).

13.4.4 Intra-Group loans

The Department made a short-term loan to CITB to cover an expected working capital shortfall arising from a fall in levy receipts as a result of COVID-19. CITB, along with ECITB, is levy funded from the construction industry which was severely impacted by COVID-19 in 2020-21. The loan was fully repaid in June 2021.

13.4.5 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.

14. Receivables

14.1 Amounts falling due within one year

	2022		2021	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Trade receivables	30	38	25	101
VAT receivables	15	12	2	–
Other receivables – student loans	243	243	413	413
Other receivables	18	23	9	16
Prepayments	51	65	29	37
Accrued income	198	201	190	196
	555	**582**	**668**	**763**

Trade receivables presented above are after applying impairment allowances of £27 million (Department and Agencies) and £126 million (Group) (2020-21: £24 million and £101 million respectively).

Other receivables – student loans refers to funds from borrowers recovered by HMRC through the PAYE system and yet to be passed across to the Group.

14.2 Amounts falling due after one year

	2022		2021	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Other receivables – student loans	71	71	85	85
Other receivables	4	4	7	7
	75	**75**	**92**	**92**

Other receivables – student loans relate to student loan grant overpayments owed to the Group. The closing net position is made up of an impairment provision of £365 million (2020-21: £351 million) applied against gross overpayments of £436 million (2020-21: £437 million).

15. Cash and cash equivalents

15.1 Analysis

	2022		2021	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Balance at 1 April	1,013	1,153	1,015	1,123
Net change in cash and cash equivalent balances	(93)	(75)	(2)	30
Balance at 31 March	**920**	**1,078**	**1,013**	**1,153**
The following balances are held as cash at bank and in hand				
Government Banking Service	906	931	967	993
Commercial banks	–	133	–	114
Cash held by third parties on behalf of Group	14	14	46	46
Balance at 31 March	**920**	**1,078**	**1,013**	**1,153**

Third parties holding cash for the Group include solicitors as part of land transactions, managing agents for rentals and RPA's corporate services provider to support claim payments. Cash held by third parties is held short-term to support the underlying transactions.

15.2 Reconciliation of liabilities arising from financing activities

15.2.1 2022

			Non-cash changes			
	2021	Cash flows	Acquis'n	Fair value changes	Other changes	2022
	£m	£m	£m	£m	£m	£m
Supply	1,012	(92)	–	–	–	920
PF2 lease liabilities	613	(15)	–	–	–	598
PF2 loan liabilities	549	(25)	–	–	–	524
Total liabilities from financing activities	**2,174**	**(132)**	**–**	**–**	**–**	**2,042**

15.2.2 2021

			Non-cash changes			
	2020	Cash flows	Acquis'n	Fair value changes	Other changes	2021
	£m	£m	£m	£m	£m	£m
Supply	1,015	(3)	–	–	–	1,012
PF2 lease liabilities	625	(12)	–	–	–	613
PF2 loan liabilities	563	(14)	–	–	–	549
Total liabilities from financing activities	**2,203**	**(29)**	**–**	**–**	**–**	**2,174**

16. Current payables

	2022		2021	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
VAT payables	–	–	–	3
Tax and social security payables	28	31	10	14
Trade payables	76	86	29	37
Other payables	573	576	618	622
Accruals	1,296	1,341	1,155	1,206
Deferred income	50	59	15	26
IFRS 15 contract liabilities	–	–	11	11
Amounts issued from the Consolidation Fund for Supply but not spent at year end	920	920	1,012	1,012
PF2 imputed lease liability	14	14	13	13
PF2 loan liabilities	–	27	–	34
Consolidated Fund extra receipts due to be paid to the Consolidated Fund:				
received	–	–	1	1
	2,957	**3,054**	**2,864**	**2,979**

17. Non-current payables

17.1 Analysis

	2022		2021	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
PF2 imputed lease liability	584	584	600	600
PF2 loan liabilities	–	497	–	515
Other payables	340	342	388	390
Deferred income	2	2	2	2
	926	**1,425**	**990**	**1,507**

PF2 senior debt relates to five bank notes and five bond subscriptions. The borrowing facilities are for a total value of £563.3 million (2020-21: £563.3 million) and as at 31 December 2021 £473 million (2020: £494.9 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 £12.6 million (2020: £9.5 million) of accrued interest and an unamortised effective interest adjustment of £6.1 million (2020: £6.5 million) as at the Aggregator's year end of 31 December 2021.

The loans are repayable in six-monthly instalments commencing on 31 March 2018, 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% (2020: 3.56%).

The PF2 subordinated debt has been provided by a party related to the Aggregator Vehicle PLC. As at 31 December 2021 £2.3 million (2020: £7.2 million) interest has been accrued.

17.2 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.

	2022		2021	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Not later than one year	14	41	13	47
Later than one year and not later than five years	66	160	62	156
Later than five years	518	921	538	959
	598	**1,122**	**613**	**1,162**

18. Retirement benefit obligations

SLC operated the Group's only funded defined benefit scheme. Until 1 March 2020, SLC operated the SLC Pension Scheme for all permanent staff. This scheme was a defined benefit scheme that provides benefits based on final pensionable salary. The assets of the scheme have been held separately from those of the Group.

On 29 February 2020, the scheme closed to future accrual of benefits and most active members were transferred to the PCSPS on 1 March 2020 where they retained their salary link.

A residual SLC scheme still exists and has some retained members, and the reduced-scope scheme's surplus as at 31 March 2022 was £2.0 million (2021: deficit of £2.3 million). Further details of the pension scheme transfer can be found in SLC's 2020-21 ARA.[48]

19. Capital and other commitments

19.1 Capital commitments

Contracted and approved commitments at 31 March not otherwise included in these financial statements:

	2022		2021	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Group assets:				
property, plant and equipment	–	1	–	–
intangible assets	–	3	1	5
Programmes:				
free schools	3,218	3,218	2,696	2,696
school rebuilding programme	259	259	6	6
PSBP	199	199	284	284
secure accommodation	38	38	1	1
FE transformation	26	26	–	–
strategic school improvement	9	9	37	37
	3,749	**3,753**	**3,025**	**3,029**

The majority of capital commitments relate to school and college projects managed by the Group and will not generate assets recognised on the Group's SoFP under the relevant accounting policies. Capital commitments do not include the cost of contract workers engaged in the delivery of the programmes.

48 https://www.gov.uk/government/publications/slc-annual-report-and-accounts-2020-to-2021

19.2 Commitments under operating leases

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

	2022		2021	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Land and buildings				
Not later than one year	17	22	18	24
Later than one year and not later than five years	60	62	64	70
Later than five years	239	239	253	253
	316	**323**	**335**	**347**
Expected receipts from sub-leases	–	–	–	–
	316	**323**	**335**	**347**
Other				
Not later than one year	–	–	–	1
Later than one year and not later than five years	–	–	–	–
Later than five years	–	–	–	–
	–	**–**	**–**	**1**

19.3 Obligations under PFI contracts (on-balance sheet)

The total amount charged in the SoCNE in respect of the service element of on-balance sheet PFI or other service concession transactions was £7,000 (2020–21: £6,000). Total future obligations under on-balance sheet PFI and other service concession arrangements are given in the table below for each of the following periods.

	2022		2021	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Minimum lease payments				
Due within one year	50	50	51	51
Due later than one year and not later than five years	199	199	200	200
Due later than five years	722	722	767	767
	971	**971**	**1,018**	**1,018**
Less interest element	(593)	(593)	(640)	(640)
Present value	**378**	**378**	**378**	**378**
Service elements due in future periods				
Due within one year	18	18	17	17
Due later than one year and not later than five years	79	79	76	76
Due later than five years	409	409	430	430
	506	**506**	**523**	**523**
Total commitments	**884**	**884**	**901**	**901**

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.

19.4 Other financial commitments

The Group has entered into non-cancellable contracts (which are not leases, PFI contracts or other service concession arrangements), which include but are not limited to the previous student loan debt sale, technical adviser fees for school development sites and marking key stage tests. The payments to which the Group are committed are as follows.

	2022		2021	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Non-cancellable contracts				
Not later than one year	91	95	58	60
Later than one year and not later than five years	140	140	180	180
Later than five years	1	1	25	25
	232	**236**	**263**	**265**

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.

19.5 Education funding commitments

	2022		2021	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Not later than one year	5,570	6,021	5,075	5,529
Later than one year and not later than five years	4,170	5,700	4,021	5,474
Later than five years	5,305	5,305	6,022	6,022
	15,045	**17,026**	**15,118**	**17,025**

Education funding commitments include those for private finance initiative grants to LAs and voluntary aided schools; those with training providers including apprenticeship training providers.

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 remainder of the courses but will only crystallise when the apprenticeship training has taken place.

20. Contingent liabilities

20.1 IAS 37 contingent liabilities

20.1.1 Quantifiable

The Group holds one quantifiable contingent liability as described by IAS 37 (2020-21: none). Proceedings have formally commenced in an employment tribunal against ESFA, which is expected to conclude in 2023-24. The assessment of likely damages is £50,000 for loss of earnings and injury to feelings and costs are estimated to be up to £25,000.

20.1.2 Unquantifiable

The Group has identified the following unquantifiable contingent liabilities.

Guarantee to the Local Government Pension Scheme

A guarantee to Local Government Pension Scheme funds to meet pension deficits if an AT closes. The Department considers the guarantee to be unquantifiable due to the extent of the academy sector and the uncertainty over whether an academy will fail without being able to transfer staff to the successor academy trust.

The guarantee is unlimited, but the Department has agreed with HMT that we can pay out up to £20 million in any given year before requiring additional HMT approval. During the year, the Department settled £5.5 million (2020-21: £3.1 million) under the guarantee. This liability was reclassified from quantifiable to unquantifiable during 2021-22 to reflect its unlimited nature.

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.

21. Related party transactions

The Department is the parent of the Agencies and sponsor of the NDPBs shown in note 22. 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 trust-level which is the corporate body. Therefore, only Departmental board members who are trustees of academy trusts are classified as being a related party. The Department considers governors of local governing bodies for individual academies are insufficiently influential at the trust-level, not being trustees, to be classified as related parties. We also take the same view on governors of LA maintained schools. Local governorship is too distant from a LA's decision-making process to trigger a related party relationship to the governor.

In addition, the Group has had a number of transactions with other government departments, other central government bodies and LAs. Most of these transactions have been with the Government Property Agency and LAs. 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 the accounting standard. 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 transaction disclosures for those board members in post at year end:

- Ian Ferguson's partner is chief executive of Edmonton Academy Trust and head teacher of one of the trust's academies, Edmonton County School
- Mike Green is:
  - a governor at Nottingham College
  - a non-executive board member of the Government Property Agency
- Richard Pennycook is chair of Howdens Joinery PLC
- Nick Timothy is a non-executive director of the Birmingham 2022 Commonwealth Games Organising Committee

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.

- Nick Gibb's spouse is:
  - a non-executive governor at CityLit
  - the Chief Executive Officer of Yonder Consulting Limited (previously Populus Limited to October 2020)
- Baroness Ruby McGregor-Smith is:
  - pro-chancellor of the University of Surrey
  - President of the British Chamber of Commerce
- Irene Lucas-Hays is chair and owner of Hays Travel Limited

The following table shows the value of material related party transactions entered into during the year and the closing amounts due to or from the counterparty. Where individuals left the Group in the year, the balances disclosed are as at their leaving date.

	2021-22		2020-21	
	Net payments/ (receipts)	Receivable/ (payable)	Net payments/ (receipts)	Receivable/ (payable)
	£000	£000	£000	£000
Academy trusts				
Edmonton Academy Trust	19,700	–	20,628	–
Other education sector bodies				
CityLit	520	–	1,849	–
Nottingham College	59,000	7,291	59,719	9
University of Surrey	16,821	8	15,404	7
Non-government bodies				
Yonder Consulting Limited	91	(24)	–	125
The National Centre for Young People with Epilepsy	–	–	969	–
Hays Travel Limited	287	–	462	–
Howden Joinery Group PLC	469	–	10	–
British Chamber of Commerce	18	–	–	–
Birmingham 2022 Commonwealth Games Organising Committee	40	–	–	–

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.

22. Entities within the Group boundary

22.1 Closing position

The entities within the boundary during 2021-22 comprise Supply financed Agencies and those entities listed in the Designation and Amendment Orders presented to Parliament.

A disaggregation across reporting bodies of operating income, operating expenditure and net expenditure for the year is presented in annex E.

They are:

Executive Agency:

- Education and Skills Funding Agency (ESFA)*
- Standards and Testing Agency (STA)*
- Teaching Regulation Agency (TRA)*

Executive NDPB:

- Construction Industry Training Board (CITB)*
- Engineering Construction Industry Training Board (ECITB)*
- 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)

Other:

- Aggregator Vehicle PLC
- Office of the Schools Adjudicator

* The ARAs of these bodies can be found on GOV.UK. Student Loans Company Limited, Aggregator Vehicle PLC and Located Property Limited's ARAs are available on Companies House. Neither the STRB nor the Office of the Schools Adjudicator produce their own separate ARAs.

22.2 Movement in the year

Social Mobility Commission moved to Cabinet Office from 1 April 2021, and the Film Industry Training Board (FITB) was closed down in April 2021. Owing to the small size of SMC and FITB's inactivity, the movements did not have a material impact on the Group's performance.

22.3 Movements after the year

The Department has launched a new non-departmental public body Oak National Academy Limited, a company limited by guarantee with the Secretary of State as sole member. The new body will, from 1 September 2022, take over the activities of the existing organisation (also called Oak National Academy) which was managed by Reach Foundation.

23. Events after the reporting period

23.1 Student loan valuation

The valuation of student loans is complex and reliant upon forecasts of economic factors both near-term and longer-term over the life of the loans. Economic uncertainty has continued since the year end with economic measures deteriorating, RPI has continued to increase and stood at 12.6% in September 2022.

Management judges the change in economic values post-year end to be a non-adjusting event because the conditions causing the changes occurred after the year end. Therefore, no adjustment has been paid to the carrying values of student loans in this ARA. Whilst the Department has not quantified the potential impact of the changes close to authorisation of these accounts, the size of the student loans portfolio means it could be material.

23.2 Reclassification of the FE sector

On 29 November 2022 the Office for National Statistics reclassified further education corporations, sixth form college corporations and designated institutions in England from the non-profit institutions serving households sector to the central government sector. The reclassification comes into effect, retrospectively from 1 April 1993 for further education corporations and designated institutions, and from 1 April 2012 for sixth form college corporations.

Management judge this to be a non-adjusting event as the 2021-22 consolidation boundary was already set via the designation order. As such there is no change to the Group.

As at the date of this publication it is yet to be confirmed with HMT the timing of the first consolidation.

23.3 Authorisation

These accounts were authorised for issue by Susan Acland-Hood (Accounting Officer) on the date they were certified by the Comptroller and Auditor General. There have not been any significant post year end events that have required disclosure in the accounts.

Annexes

Annex A – Additional performance reporting

Better regulation

The Department is committed to the principles of better regulation while recognising the need to balance this with its responsibilities to safeguard children and young people, ensure they have a good education and enforce standards. We do this through internal scrutiny 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 providers and FE colleges.

The Department has continued to promote effective policy making through robust assessment of evidence and proportionate, impact assessments.

Business Impact Target (BIT)

The *Better Regulation: Government's Annual Report 2020-2021*[49] reported that one regulatory provision was delivered against the Business Impact Target during the second reporting period of this parliament. The *Education (Student Fees, Awards and Support) (Amendment) Regulations 2021* removed home fee status and access to student finance England for EU, other EEA, and Swiss nationals. The impact saved business £700 million.

Legislative non-qualifying regulatory provisions that came into force or ceased to be in force that fell within the +/-£5 million de minimis threshold included:

- *The Electronic Commerce Directive (Education, Adoption and Children) (Amendment etc.) Regulations 2021*
- *Keeping Children Safe in Education 2021* (statutory guidance)
- *Statutory Framework for the Early Years Foundation Stage*
- *The Early Years Foundation Stage (Learning and Development Requirements) (Coronavirus) (Amendment) Order 2021*
- *The Childcare (Childminder Agencies) (Registration, Inspection and Supply and Disclosure of Information)* and *Her Majesty's Chief Inspector of Education, Children's Services and Skills (Fees and Frequency of Inspections) (Children's Homes etc.) (Coronavirus) (Amendment) Regulations 2021*

Post implementation reviews

The Department did not have any statutory post-implementation reviews due in the reporting period.

49 https://www.gov.uk/government/publications/better-regulation-annual-report-2020-to-2021

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 how people make decisions, why people behave the way they do and what we might do to change behaviour. 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 high-quality behavioural research and build the Department's knowledge and ability to apply behavioural insights.

Sustainability

Greening Government Commitments reporting

The Department subscribes to a number of targets including the mandatory Greening Government Commitments (GGC) for reducing energy, water, paper, reducing travel emissions and managing waste. These targets were updated during 2021-22 with a new target period to 2025. The greenhouse gas emissions target for the Department is a reduction of 56% in total emissions and 36% in direct emissions compared to a 2017-18 baseline. These targets are restricted to our corporate operations.

Alongside these departmental corporate commitments, we developed our Sustainability and Climate Change Strategy for the education and children's services systems, which launch in April 2022. This covers the education system as a whole, but in particular the drive to achieve Net Zero and environmental sustainability. Whilst the strategy is focused on environmental sustainability, it is strongly linked to the economic and social sustainability delivered departmental main policy themes.

Definition

Sustainability recognises that the three pillars of the economy, society and the environment are interconnected. It is a long-term, integrated approach, to achieving quality of life improvements while respecting the need to live within environmental limits.

Scope

This report sets out the Department's present position for 2021-22 against a 2017-18 baseline (unless otherwise stated) for the Department's Corporate Estate. Environmental data from the estate is recorded and reported on a calendar year basis, ie January 2021 to December 2021. In accordance with annual reporting conventions across other government departments, the Department's non-financial indicators are compiled and presented here using data from the final quarter of the previous reporting year plus the first three quarters of the current reporting year. Non-financial indicators for 2020-21 have been restated to include actual environmental performance for 2020-21.

Governance and data validation

The Government Property Agency (GPA) was responsible for managing the Department's property portfolio in 2021-22. However, overall responsibility for sustainability remains with the Department. Internal data validation checks are carried out by Avieco, who are retained by our landlord (GPA) to monitor performance. In order to report the greenhouse gas emissions associated with activities, 'activity' data such as distance travelled, litres of fuel used or tonnes of waste disposed has been converted into carbon emissions. The greenhouse gas conversion factors used in this report can be found in the government environmental impact reporting requirements for business.[50]

Summary of GGC performance within the Department's Corporate Estate

In 2021-22, we saw a decrease in gas and water use, and an increase in electricity use compared to 2020-21.

Overall GGC performance within the Corporate Estate

	Actual performance against baseline					
Requirement	2021-22	2020-21	2019-20	2018-19	2017-18 Baseline	Achievement against target
Reduce overall greenhouse gas emissions by 56% (tCO_2e)	48%	48%	11%	4%	11,436	Emissions have reduced compared to the baseline. The target is yet to be met
Reduce direct greenhouse gas emissions by 36%	(20%)	(20%)	(16%)	(30%)	1,702	Emissions have increased for this element from the baseline and this target is yet to be met
Reduce the overall amount of waste generated by 15%	49%	55%	(30%)	(39%)	738	Overall waste has reduced, and this target is being met
Reduce the amount of waste going to landfill to less than 5% of overall waste	6%	1%	5%	6%	22%	Less waste is going to landfill than in the baseline year. The target is yet to be met. Further details can be found in the waste section below
Increase the proportion of waste which is recycled to at least 70% of overall waste	66%	70%	82%	83%	59%	More waste is recycled than in the baseline year. The target is yet to be met. Further details can be found in the waste section below
Reduce water consumption by at least 8%	45%	19%	(5%)	(20%)	71,154	Water consumption has reduced, and this target is currently being met

50 https://www.gov.uk/government/collections/government-conversion-factors-for-company-reporting

Greenhouse gas emissions within the Corporate Estate

The Department has decreased its total in-scope gross greenhouse gas (GHG) emissions (total emissions – Scope 1, 2 & 3) by 48% since the 2017-18 baseline year. It is worth noting that travel emissions were heavily reduced during periods of COVID-19 restrictions. The scopes can be explained as:

- Scope 1 – this one covers the emissions that an organisation makes directly, for example while running its boilers and vehicles
- Scope 2 – these are the emissions it makes indirectly, like when the electricity or energy it buys for heating and cooling buildings, is being produced on its behalf
- Scope 3 – in this category are all the emissions associated, not with the organisation itself, this is primarily business travel emissions

CO_2e

		Actual performance				
		2021-22	2020-21 (Restated)	2019-20	2018-19	2017-18 Baseline
Non-financial indicators in tonnes (tCO_2e)	Total gross Scope 1 (direct) GHG emissions	2,035	2,043	1,981	2,206	1,699
	Total gross Scope 2 (energy indirect) emissions	3,277	3,460	5,049	5,684	6,132
	Total gross Scope 3 (other indirect from official business travel) emissions	603	461	3,164	3,060	3,602
	Total emissions – Scopes 1, 2 & 3	**5,915**	**5,964**	**10,194**	**10,950**	**11,433**
Non-financial indicators (KWh)	Electricity: non-renewable	13,979,000	13,708,000	18,560,000	19,530,000	16,708,000
	Electricity: renewable	820,000	615,000	710,000	84,000	283,000
	Gas	11,020,000	11,080,000	10,436,000	11,708,000	8,993,000
	Gas oil	–	–	–	–	2,000
	Steam	790,000	702,000	702,000	702,000	802,000
	Diesel	–	–	–	15,000	13,000
	Total energy	**26,609,000**	**26, 105,000**	**30,408,000**	**32,039,000**	**26,801,000**

GHG – financial information

The Department has been unable to collect financial information for the sustainability disclosures for 2021-22. The Department continues to work with the third-party suppliers who manage the Department's sustainability activities with the aim to provide the disclosures for 2022-23.

Waste minimisation and management within the Corporate Estate

			Actual performance				
			2021-22	2020-21	2019-20	2018-19	2017-18 Baseline
				Restated			
Non-financial indicators (tonnes)	Hazardous waste		–	–	–	–	–
	Non-hazardous waste	Landfill	23	5	44	66	146
		Reused/recycled	221	231	787	832	444
		Composted	37	33	15	21	8
	ICT waste	Reused	–	–	–	–	–
		Recycled	29	3	4	27	13
	Waste incinerated with energy from waste		66	62	112	83	127
	Total waste		**376**	**334**	**962**	**1,029**	**738**

Waste generated has decreased by 49% since 2017-18 (from 738 to 376 tonnes), and 6% (23 of the 376 tonnes) of waste is currently sent to landfill compared to 19% in 2017-18. Where data is not available on waste routes for a site a conservative approach has been taken to assume 100% goes to landfill. For sites where actual data is available, or confirmation of waste routes is available to establish an estimate, the amount to landfill is 2.9%.

Waste minimisation and management – financial information

The Department has been unable to collect financial information for the sustainability disclosures for 2021-22. The Department continues to work with the third-party suppliers who manage the Department's sustainability activities with the aim to provide the disclosures for 2022-23.

Water consumption within the Corporate Estate

		Actual performance				
		2021-22	2020-21	2019-20	2018-19	2017-18 Baseline
			Restated			
Non-financial indicators (m^3)	Total water consumption	39,446	57,324	74,393	85,588	71,154

Since 2017-18, the Department has decreased water use by 45%.

Non-estate based items relating to our corporate operations

		Actual performance				
		2021-22	2020-21 Restated	2019-20	2018-19	2017-18 Baseline
Paper	Reams	12,385	12,369	22,348	34,374	27,250
	(Reduction)/increase on baseline	(55%)	(55%)	(18%)	26%	N/A
Domestic flights	Emissions (tCO_2e)	2	1	88	136	130
International flights	Emissions (tCO_2e)	3	N/A	N/A	N/A	N/A
CSUPs	Number of items	105,568	N/A	N/A	N/A	N/A
ULEVs	% of overall fleet	3.6%	N/A	N/A	N/A	N/A

Data for CSUPs (Consumer Single Use Plastics) and ULEVs (Ultra Low Emission Vehicles) was not collated prior to 2021-22; data for CSUPs only comprises of Q1-3 procurement.

Broader sustainability commitments

During 2021-22 the Department has been working on the development of a strategy for sustainability and climate change for the education and children's services systems. The strategy's vision is for the United Kingdom to be the world-leading education sector in sustainability and climate change by 2030. This will be achieved through four strategic aims:

- Excellence in education and skills for a changing world: preparing all young people for a world impacted by climate change through learning and practical experience.
- Net Zero: reducing direct and indirect emissions from education and care buildings, driving innovation to meet legislative targets and providing opportunities for children and young people to engage practically in the transition to Net Zero.
- Resilient to climate change: adapting our education and care buildings and system to prepare for the effects of climate change.
- A better environment for future generations: enhancing biodiversity, improving air quality and increasing access to, and connection with, nature in and around education and care settings.

To deliver these aims – five specific action areas have been established to support delivery of the strategy. These are:

- **Climate education:** focus on providing support to ensure excellent teaching in climate change and a greater emphasis on nature. This will ensure all children and young people have robust knowledge. Practical co-curricular opportunities (such as biodiversity monitoring) will enable young people can translate knowledge into positive action.

- **Green skills and careers:** reflecting the broad range of jobs and skills needed for the future (for the transition to Net Zero and for nature's recovery). Recognises the need for not only young people to choose careers in this space but also that many adults will need to re-train.
- **The education estate and digital infrastructure:** sets out an 'innovate, test, invest' approach to tackling the huge challenge of making the education estate meet Net Zero and become resilient to climate change. Will deliver standardised reporting frameworks to monitor progress to Net Zero.
- **Supply chains and operations:** ensures education settings consider the environment in all they do, from their choice of suppliers and products (such as energy and food) and in reducing the use of single use plastics and the impact of the school commute.
- **International:** recognises that in achieving our vision we must be internationally focused – we will both learn from others and share our experience in delivering the strategy. We will look to influence and inspire action.

The Department is committed to procuring sustainably and reports against a number of transparency commitments as part of the GGC framework. Progress is summarised below across three key initiatives.

1) National Education Nature Park

2) Climate Leaders Award – which will enable the education estate to play its part in increasing biodiversity and give children and young people the opportunity to take positive action to improve their environment and be recognised for their contribution.

3) Sustainability Leadership – ensuring all education settings have a lead that can coordinate a whole-setting approach to sustainability and climate change (from what is taught in the classroom, and extra-curricular activity to identifying action needed to adapt to climate change and decarbonise). We will support them in their action by providing carbon literacy training and by 2025 we will have supported education settings to put in place Climate Action Plans.

With our Sustainability and Climate Change Strategy now published, we are committing to publishing a focused corporate strategy by the end of the year, which will explain how we can make changes over the next few years to better embed sustainability into our operations – from Finance and Commercial, through to HR, IT and Digital. So, whilst low on specifics within this ARA around metrics/benefits/lead indicators from our strategy – this will be something we continue to work on and track throughout 2022-23.

Consumer single use plastics

Within our corporate estate, the Department remains committed to removing consumer (avoidable) single use plastics from its office estate in line with the government's pledge in the 25-year environmental plan. Considerable success has already been achieved across the Department's core office estate, where possible we have made every effort to remove plastic cutlery, cups, straws and to improve the recyclability of takeaway containers. Other initiatives included the introduction of "bring your own" policies so that reusable coffee cups, containers and cutlery is used over other disposable or recyclable alternatives. The Department plans to expand on these initiatives to further reduce plastics as well as work more closely with

NDPBs and reach out to landlords and their caterers, where facilities are indirectly managed, to make stakeholders aware of the elimination scheme and encourage their participation.

More broadly by 2025, we have committed to eradicating single-use plastics and encourage the use of reusable and recyclable materials in schools and encourage all other education settings to match this target.

Sustainable procurement

Within the Department we take account of social value in the award of central government contracts. *Procurement Policy Note 06/20* is applied to all new in scope procurements from January 2021, with at least one of five social value themes being assessed in the procurement and subsequent contract with supplier/s. Themes are selected which are most relevant to the subject matter of the contract and one of the themes is fighting climate change. In addition, new contracts require that suppliers meet the Government Buying Standards. We have implemented *Procurement Policy Note 06/21: Taking account of carbon reduction plans in the procurement of major government contracts*, which came into effect on 30 September 2021 for all in scope procurements. Commercial staff involved in letting and managing contracts undertake Chartered Institute of Procurement & Supply ethics e-learning which covers three key pillars of the ethical procurement and supply profession, one of which is environmental procurement.

More broadly, by 2023 we will ensure sustainability is part of the assessment and validation criteria for including suppliers on procurement frameworks, to support sustainable purchasing of products and services (including energy) in schools. We will also support schools to purchase from procurement frameworks that offer sustainable goods and services.

Procurement of food and catering services

Within the Department, food provided in catering outlets is local and in season, where possible. The Department buys food from farming systems that minimise harm to the environment, such as produce certified by LEAF (Linking Environment and Farming), the Soil Association or Marine Stewardship Council. Fairly traded and ethically sourced products are also available. The amount of food of animal origin eaten is being reduced, as livestock farming is one of the most significant contributors to climate change, and caterers ensure that meat, dairy products and eggs purchased are produced to high environmental and animal welfare standards. The amount of palm oil used is also being reduced.

More broadly, we will encourage and support education settings to gather data and take action on food waste, to share their evidence-based best practice for sustainable waste prevention and management. To also work with Defra and the Waste and Resources Action Programme to share resources for schools and children that support food waste prevention.

Natural recovery and biodiversity action planning

As part of the Department's strategy for sustainability and climate change for the education and children's services systems, during 2021-22 we have been developing an initiative, the National Education Nature Park. The aim is to engage children and young people with the natural world, directly involving them in measuring and improving biodiversity in their nursery, school, college or university, helping reinforce their connection with nature. Young participants will be able to see how the park is 'growing' while increasing their knowledge of species and developing important skills, such as biodiversity mapping, data collection and analysis. We have committed to launching this initiative in Autumn 2022.

Climate change adaptation

Within the education sector, climate resilient designs are incorporated in retrofit projects and new builds. In addition, robust business continuity plans are in place to manage occurrences of extreme weather events. The Department has invested £9.4 million in 20 flood partnership projects and 31 sustainable urban drainage school initiatives, with the Environment Agency's Flood and Coastal Erosion Risk Management partnerships, to reduce and mitigate flood risk in schools and their communities. We are piloting water efficiency measures in several schools, collaborating with water companies, to evaluate the impact of the measures. We have helped over 200 schools produce heat decarbonisation plans, as part of BEIS's Low Carbon Skills fund initiative, to enable the school to identify works and projects that facilitate the implementation of low carbon heating solutions, reducing their overall greenhouse gas emissions. As part of our strategy, we are piloting several low carbon heating projects, the first is due for completion in August 2022. In addition, the Department is committed to improve energy efficiency in schools, by supporting the conversion of analogue meters to smart meters, to assist energy monitoring.

Reducing environmental impacts from ICT and digital

The Department continues to utilise technology to improve our overall environmental impact. Recent initiatives include replacing desk phones with softphones (software for making telephone calls over the internet) and encouraging the use of softphones over mobiles further supports a reduction in our physical impact and footprint. In addition, improvements to our videoconferencing provision seeks to aid and enable effective hybrid working, reducing the need for travel.

More broadly, sustainable ICT solutions will be integrated into new build schools as standard, via sustainable procurement, design, implementation, and management.

Sustainable construction

The Department is committed to achieving BREEAM (Building Research Establishment Environmental Assessment Method) excellent/very good, for new builds or major refurbishment of our corporate sites in line with the government buying standards.

Additionally, as part of our strategy for sustainability and climate change for the education and children's services systems the Department is committed to Net Zero carbon in operation for all centrally delivered capital programmes including the school rebuilding and free school programmes. The programmes will also be resilient to climate change under a 2º Celsius global warming scenario and future proofed to a 4º Celsius scenario. Plus piloting a range of projects to test the application of biophilic design for future school buildings to increase the connectivity to the natural environment, for the installation of low carbon heating solutions and to help understanding on future Net Zero school builds.

Rural proofing

Defra's rural proofing impact assessment is an integral part of the Department's approach to developing regulation. When developing a policy staff are required to consider sustainable development, environmental impacts, and social impacts such as rural proofing. These issues are built into the impact assessments, ensuring that they are fully evaluated as part of any new policy. For example, the National Funding Formula includes a sparsity factor that targets funding to small and remote schools, which we know often play a crucial role in the communities they serve.

Governance

The Department undertakes a stringent monitoring regime in relation to GGC performance management working closely with the Government Property Agency as property asset managers and our NDPBs.

This is supplemented by periodic audits conducted by the GIAA, reported to the Accounting Officer via the Department's Finance function.

Internal and cross-governance arrangements are also in place for the phases of development and delivery of initiatives set out within the Department's sustainability and climate change strategy for the education and children's services systems. These are regularly reviewed by the GIAA.

In addition to the internal governance process, external audits are also undertaken to assure processes and systems including methodologies for recording, analysing and verifying data, as well as the calculations for quarterly GGC returns. These external validation audits are carried out on Defra's behalf by Carbon Smart. The vast majority of this report has been compiled using accurately measured data, verified through internal controls. This includes checking samples of automatically generated meter-reading data with manual meter reads. Where complete data sets have not been available, (for example through lack of detail, or due to landlord service charges), internal benchmark figures have been applied based on known parameters and data sets.

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.

During this financial year we have produced a health and safety strategy alongside other updated health and safety policies to really bring health and safety to the core of our business. Improving health and safety culture is important to the Department and we will continually look to improve this through the course of our work. Alongside this we improved accident reporting procedures, increased staff training to ensure that in the current hybrid working world we are maintaining our legal responsibilities, produced a statement on how we intend to manage health and safety as well as improving health and safety and fire safety provision in our offices across our estate.

Category	2021-22	2020-21	2019-20	2018-19
Total number of employee accidents/incidents	1	4	18	11
Total number of non-employee/member of public/ detainee accidents/incidents	2	22	–	–
Total number of near misses	4	1	3	1
Total number of reporting of injuries, deaths and dangerous occurrences regulations	–	–	–	–
	7	**27**	**21**	**12**

The Department's accident and incident data illustrates a decrease in the total number of reported accidents and incidents overall in comparison to last year's data. This was to be expected owing to the disbursed nature of working during the year.

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. The disclosures below cover the Department and its three executive agencies since the Department's Office of Data Protection Officer (ODPO) is responsible for data reporting for all four bodies.

A 'personal data related incident' is defined as a loss, unauthorised disclosure or insecure disposal of protected personal data. Protected personal data related incidents formally notified to the Information Commissioner's Office (ICO) in 2021-22 are summarised in the table below:

Date of incident	July 2021
Nature of incident	Processing personal data relating to work on a non-departmental computer.
Nature of data involved	The Department was sent staff personal data securely from our ex-shared services provider on encrypted disks. The data was uploaded securely into a storage account from within the Department's datacentre. Concerns were raised that the third-party supplier was holding departmental data on their devices, outside of the Department's IT perimeter and our control – introducing risk. The data at risk would include all of the data supplied by the ex-shared services provider stored on the Department's IT platform, including HR data relating to staff working for the Department over the past ten years. As well as procurement and contract information relating to commercial and operational systems.
Number of people potentially affected	Unknown
Notification steps	1 July 2021: This incident was reported to our Security Incident Management (SIM) team, and the Threat and Vulnerability manager. It was immediately sent on to the ODPO. 21 July 2021: ODPO confirmed that they will be submitting this incident to the ICO.
Further action on information risk	1 November 2021: ICO requested further information from ODPO. 11 November 2021: ICO decision received today stating that no further action is required for this incident. As per decision made on 16 July 2021, this incident has now been closed but remedial investigations will continue in the background.

Date of incident	July 2021
Nature of incident	Data posted or faxed to incorrect recipient.
Nature of data involved	Our ex-shared services provider's document management team discovered a series of historic errors that took place in 2020 when the provider's staff had been completing a DWP file return process and included approximately 24 files for five departmental employees to DWP's external document storage provider in error. Following further investigation, the team identified one further departmental employee file that was sent to DWP on 5 March 2020, bringing the total number of employees affected to six and the number of files to 29. The data included names, National Insurance numbers, staff numbers, date of births, and potentially addresses.
Number of people potentially affected	6
Notification steps	7 July 2021: Incident was reported to our SIM team and was immediately sent on to the ODPO. 9 July 2021: The incident has been referred to ICO by ODPO.
Further action on information risk	28 July 2021: Update received from our ex-shared services provider stating that they had managed to find all of the files for five of the six employees. 19 August 2021: Incident update received stating that the provider is still unable to locate the files for one of the users affected. ODPO and ICO were notified. 14 September 2021: ICO decision received today stating that no further action is required on this incident. As no further action is required, this incident has now been closed. 9 November 2021: Update received stating that the final missing file has been located and recovered.

Date of incident	July 2021
Nature of incident	Other
Nature of data involved	Thirty early years providers and childminders were contacted about a final reminder for the Survey of Childcare and Early Years Providers 2021 despite the fact that they had earlier opted out of the survey. Their names should have been removed from the contact list, but they were re-contacted in error by an external research contractor.
Number of people potentially affected	30+
Notification steps	16 July 2021: The sample member informed the contractor that they had contacted the ICO about a breach of GDPR. Acknowledgement sent to user and incident referred to the ODPO for an ICO submission decision. 19 July 2021: ODPO team replied that they have reported the incident to ICO.
Further action on information risk	4 August 2021: ICO have decided on no further action but have made recommendations as to what the Department can do to mitigate against this type of incident. 6 August 2021: As no further action required, this incident has been closed.

Date of incident	July 2021
Nature of incident	Data sent by email to incorrect recipient.
Nature of data involved	Three emails have been sent to an incorrect email address. It had been brought to the TRA's attention that the incorrect email address had been entered onto the Teacher Misconduct System in April 2019. This was the result of a spelling mistake due to misreading the handwriting on the referral form.
Number of people potentially affected	11
Notification steps	29 July 2021: The system was updated to show the correct spelling of the email address. 30 July 2021: Incident was reported to our SIM team who immediately sent this on to the ODPO. ODPO have reported the incident to the ICO and have also asked the user some follow up questions.
Further action on information risk	3 August 2021: User has responded to the questions asked by ODPO team. 1 November 2021: ODPO advised that they had received a decision from the ICO that no further action is required for this incident.

Date of incident	August 2021
Nature of incident	Other
Nature of data involved	A TRA incident where users of the Teacher Services – Employer Access web portals were logging into the portal and viewing data associated with another school. The personal data exposed included: name; date of birth, teacher reference number; teacher status; induction status; qualification information; employment information and alert details.
Number of people potentially affected	600+
Notification steps	24 August 2021: Incident reported to senior management and our SIM team. 25 August 2021: Incident was reported to the ODPO and later sent the same day to the ICO.
Further action on information risk	28 September 2021: The root cause has been found and actions have been put in place to prevent a repeat of the issue. ICO will not be taking any further action on this. As no further action required from an incident management point of view, this incident has now been closed.

Date of incident	November 2021
Nature of incident	Other
Nature of data involved	A user set up an online registration form for an event hosted on 3 November 2021. Someone had imported the event into their Google calendar and somehow become a meeting organiser, receiving “accepts/declines”.
Number of people potentially affected	1,000+
Notification steps	18 November 2021: SIM team notified. The user and their team took steps to delete the calendar event and changed the registration process, so it does not include the “.ics” file. Their team wrote to 1,000+ attendees to explain what has happened. 19 November 2021: The incident has been referred to the ODPO who have asked additional questions regarding the process used to send the calendar invite, which have been answered by the user. ODPO have referred this to the ICO due to the volume of data compromised.
Further action on information risk	6 December 2021: ICO decision received by ODPO and has also been sent directly to the user responsible for reporting this incident initially. ICO have decided not to take any further action but have stipulated five actions the team responsible need to take to prevent future incidents of this nature. Email sent to user and ESFA Security with closure proposal. 8 December 2021: Confirmation received from both parties that they are happy to close this incident later the same day. As no further action required, this incident was then closed.

Date of incident	November 2021
Nature of incident	Other
Nature of data involved	On 31 July 2020, an individual tried to access a TPS member's online pension account but couldn't remember the username. An account reset email was received by TPS. The individual claiming to hold power of attorney did not pass all of the Data Protection Act (DPA) checks but was still allowed to proceed with the reset to the online account. The email address attached to the online account was changed and the banking account details amended. This is a breach of GDPR because the initial reset should not have been performed due to the individual not passing the relevant DPA checks.
Number of people potentially affected	1
Notification steps	26 November 2021: SIM team were notified who referred this to the ODPO team. There has been a detailed review of the email reset process, as well as a response provided to the TPS member, who has contacted the police to report this matter as fraud. 30 November 2021: ODPO team decided to refer the incident to the ICO. Incident type changed from Cyber to Information.
Further action on information risk	20 December 2021: ICO decided that they will not be taking any further actions in relation to this breach, recommendations from ICO have been passed to TPS. No further action required so incident has been closed.

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 2021-22 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.

		2022	2021
Category	Nature of incident	Total	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured government premises	1	–
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured government premises	–	–
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	–	–
IV	Unauthorised disclosure	–	–
V	Other	204	142

Nearly half of other incidents above were due to data sent by email to incorrect recipients. Other incidents also included failure to redact data and data posted or faxed to an incorrect recipient.

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 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. For a second year, the COVID-19 pandemic resulted in fluctuations in volumes in the first half of the year. The departmental recovery plan has helped to ensure that performance improved this year and substantial improvements will be achieved in 2022-23 and will be documented in quarterly returns to Cabinet Office.

Freedom of information requests have a deadline of 20 working days as governed by the Information Commissioner's Office.

Treat official correspondence

	2021-22	2020-21	2019-20	2018-19
Internal 15-day deadline				
Number	22,977	30,904	21,765	23,037
Deadline met	51%	51%	89%	92%
20-day deadline				
Deadline met	64%	61%	95%	96%

Ministerial correspondence

	2021-22	2020-21	2019-20	2018-19
Internal 18-day deadline				
Number	10,014	28,298	7,267	8,584
Deadline met	71%	24%	91%	93%
20-day deadline				
Deadline met	74%	39%	93%	95%

Freedom of Information requests

	2021-22	2020-21	2019-20	2018-19
20-day deadline				
Number	2,237	2,330	3,133	2,825
Deadline met	73%	78%	88%	85%

Communications, publicity and advertising

In 2020-21, the Department continued to deliver communications activity in support of ministerial priorities and the wider government communications plan. This focused on the communications response to the COVID-19 pandemic's impact on the education system and the launch of new, joined up campaigns to support the government's ambitious skills reform programme.

We also engaged with a significant new change programme initiated by the Cabinet Office to reshape the Government Communications Service and change how the Department uses paid-for and in-house communications to achieve its objectives in the future. As part of this work, we have aligned our communications with the government priority communications theme of Build Back Better and its sub-themes of Fairer, Greener, Safer and Stronger as well as the immediate priority theme of responding to COVID-19.

The work of the Department is crucial to the country's efforts to recover from the pandemic and level up opportunities across the country. Communications continued to play an important role in both its accountability and as a lever for change by delivering against five strategic objectives:

- mitigate the impacts of COVID-19 on children and young people by supporting parents to engage with vaccine, testing and catch-up programmes
- change the behaviour of parents, teachers, young people, employers, and others to support the achievement of the Department's objectives
- provide an effective service to parliament, the public, teachers and the education sector and meet our responsibilities as a department of state
- 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
- contribute to stronger democracy by explaining our policies to the public, our stakeholders and the media and actively tackling disinformation and misinformation

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 focused on three priorities throughout the year:

- recovering from COVID-19 – our communications campaigns supported programmes that are helping children catch up on missed learning
- helping young people and adults get the skills that employers need to close skills gaps and improve productivity through reform to skills provision, higher and further education
- to increase the number of teachers joining or returning to schools and further education settings and improve retention in the profession

Most communications continue to be delivered in-house at no additional cost, as part of cross-government campaigns or at low cost by supporting and co-ordinating partners' activity.

Communications Directorate had the following staff and spend on centrally commissioned activity (not including campaigns funded by business areas). This spend falls within budget.

	2021-22	2020-21	2019-20	2018-19
Number of staff	75	83	80	79
Spend on activity (£000)	£288	£1,422	£580	£646

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 and Agencies prompt payment data can be found online.[51]

Complaints policy

The Department's complaint policy and guidance on how to make a complaint can be found online.[52]

Guidance[53] on how to complain about a maintained school, academy or free school and how the Department will consider your complaint is also published.

Complaints to the Parliamentary Ombudsman

The Parliamentary and Health Service Ombudsman 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 LAs and schools (where most of the services are delivered to the public) are normally outside the Ombudsman's jurisdiction.

The table below shows the complaints about the Group that the Ombudsman processed in 2020-21. This is the most up-to-date information at the time of reporting. This year's data include complaint volumes relating to SLC and OfS, which were previously published under the Department for Business, Innovation and Skills and then the Department for Business, Energy and Industrial Strategy. There were no recorded complaints against the Office of the School's Adjudicator in the 2020-21 reporting year.

51 https://www.gov.uk/government/publications/prompt-payment-data-for-dfe
52 https://www.gov.uk/government/organisations/department-for-education/about/complaints-procedure
53 https://www.gov.uk/complain-about-school

				2020-21
	Depart	Agencies	NDPBs	Group
Enquiries received	28	28	116	172
Concluded at initial checks and preliminary investigation	28	24	112	164
General discretion	4	5	17	26
Specific discretion	–	2	3	5
Premature complaints	6	5	31	42
Complaints not properly made	15	7	50	72
Complaints out of remit	–	3	4	7
Complaints withdrawn	3	–	2	5
Other	–	1	–	1
Complaints resolved through intervention	–	1	–	1
Complaints accepted for investigation	–	–	5	5
Detailed investigations concluded	–	1	5	6
Investigations upheld or partly upheld	–	1	5	6
Investigations not upheld	–	–	–	–
Investigations resolved without a finding	–	–	–	–
Investigations discontinued	–	–	–	–

				2019-20
	Depart	Agencies	NDPBs	Group
Enquiries received	36	28	2	66
Complaints assessed	10	15	–	25
Complaints resolved through intervention	–	5	–	5
Complaints accepted for investigation	1	1	–	2
Investigations upheld or partly upheld	1	–	–	1
Investigations not upheld	–	–	–	–
Investigations resolved without a finding	–	–	–	–
Investigations discontinued	–	–	–	–
Number of recommendations	–	–	–	–
Number of recommendations complied with	–	–	–	–

The Enquiries Received row is the number of enquiries the Ombudsman received in 2020-21; qualifying complaints are then assessed and either closed, resolved through intervention or accepted for investigation.

Investigations resolved without a finding are complaints where the Ombudsman starts an investigation but is 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.

Following minor amendments to the Department's whistleblowing policy to reflect recommendations from GIAA following their audit in December 2020, the Department reviewed and published a revised whistleblowing policy in March 2021. This makes the process more transparent and streamlined so that employees who 'blow the whistle' know they are protected from any potential repercussions and that their concerns will be impartially and independently investigated.

The Department also has a dedicated whistleblowing mailbox and ensures that cases are monitored and progressed without undue delay.

Nine whistleblowing cases have been raised in the past twelve months, seven of which are currently still under investigation. One of the two cases resolved to date was closed with no case to answer or no evidence of wrongdoing.

This shows a reduction in cases from 17 cases last year. 12 of the 13 cases resolved by this time last year were closed with no case to answer or no evidence of wrongdoing.

Sponsorship agreements over £5,000

There were no sponsorship agreements in the year (2020-21: none).

Annex C – Student loan analysis

This annex contains breakdowns of the overall student loan disclosures from note 12 analysed across the different loan portfolios.

Loans for students in higher education and further education are originated and recognised by the Department. The Department's student loans can be split into different repayment plans depending upon which education sector the borrowers were members of. The plans are as follows:

- Plan 1 loans – loans taken out for undergraduate courses that started before 1 September 2012 (previously called Pre-2012 loans)
- Plan 2 loans – loans taken out for undergraduate courses that started on or after 1 September 2012, including advanced learner loans
- Plan 3 loans – loans for postgraduate master's, courses starting on or after 1 August 2016 and postgraduate doctoral courses starting on or after 1 August 2018

We have revised the disclosures for student loans to split out Plan 3 loans from Plan 2 loans, which in previous years were presented in aggregate as Post-2012 loans.

Carrying values of student loans

				2022
	Plan 1 loans	Plan 2 loans	Plan 3 loans	Total
	£m	£m	£m	£m
Balance at 1 April	18,446	55,783	3,167	77,396
New loans issued	–	19,116	904	20,020
Repayments	(1,704)	(1,131)	(181)	(3,016)
Write-offs	(23)	(63)	(1)	(87)
Fair value movement	(1,669)	5,117	181	3,629
Balance at 31 March	**15,050**	**78,822**	**4,070**	**97,942**
Disclosed as				
Current assets	1,851	1,509	264	3,624
Non-current assets	13,199	77,313	3,806	94,318
	15,050	**78,822**	**4,070**	**97,942**

				2021
	Plan 1 loans	Plan 2 loans	Plan 3 loans	Total
	£m	£m	£m	£m
Balance at 1 April	19,552	47,326	2,357	69,235
New loans issued	–	18,145	869	19,014
Repayments	(1,961)	(422)	(90)	(2,473)
Write-offs	(19)	(40)	(1)	(60)
Fair value movement	874	(9,226)	32	(8,320)
Balance at 31 March	**18,446**	**55,783**	**3,167**	**77,396**
Disclosed as				
Current assets	1,822	916	155	2,893
Non-current assets	16,624	54,867	3,012	74,503
	18,446	**55,783**	**3,167**	**77,396**

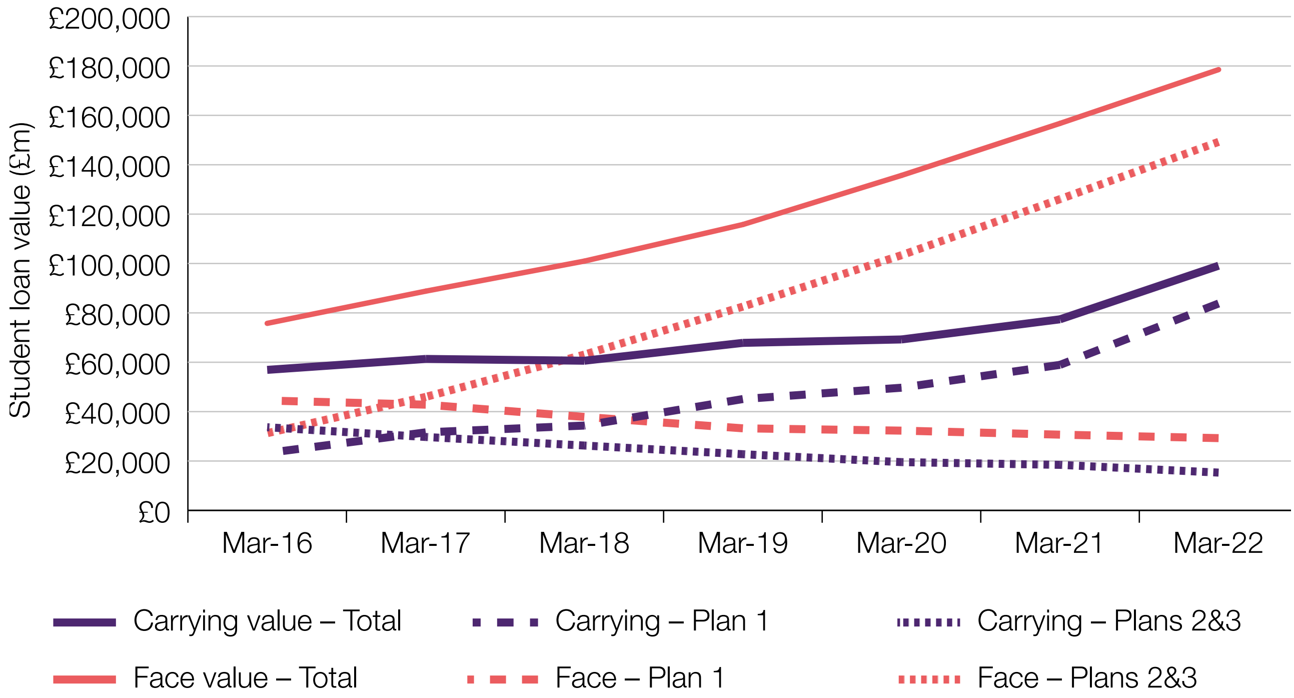
Face values of student loans

				2022
	Plan 1 loans	Plan 2 loans	Plan 3 loans	Total
	£m	£m	£m	£m
Balance at 1 April	30,675	122,686	3,389	156,750
New loans issued	–	19,116	904	20,020
Interest charged	336	4,343	186	4,865
Repayments	(1,704)	(1,131)	(181)	(3,016)
Write-offs	(23)	(63)	(1)	(87)
Balance at 31 March	**29,284**	**144,951**	**4,297**	**178,532**

				2021
	Plan 1 loans	Plan 2 loans	Plan 3 loans	Total
	£m	£m	£m	£m
Balance at 1 April	32,306	100,902	2,458	135,666
New loans issued	–	18,145	869	19,014
Interest charged	349	4,101	153	4,603
Repayments	(1,961)	(422)	(90)	(2,473)
Write-offs	(19)	(40)	(1)	(60)
Balance at 31 March	**30,675**	**122,686**	**3,389**	**156,750**

The chart below compares the face value of student loans (which equates to what borrowers see) against their carrying value in the ARA, split into Plan 1 and Plans 2&3 loan books, over the last five years. Note 12.1 provides a reconciliation between face and carrying values. The table illustrates the closed nature of the Plan 1 loan book, which is now in run-off, and the active status of the Plans 2&3 loan books which are still advancing loans.

Comparison of student loans carrying values to face values



Fair value movement analysis

Description	Plan 1 loans	Plan 2 loans	Plan 3 loans	Total
				2022
	£m	£m	£m	£m
Overall annual fair value movement – calculated	**(1,669)**	**5,117**	**181**	**3,629**
Which can be dis-aggregated into the following drivers:				
Deferral of the difference in fair value and amount advanced to students on new loans	–	(8,577)	(13)	(8,590)
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 1.3.3.				
Impact of changes in assumptions and modelling	(1,858)	12,478	842	11,462
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 12.4.				
Operational costs	107	328	7	442
In accordance with IFRS 9 operational costs of servicing the loan books have been included in the fair value calculation.				
Interest	1,165	5,115	339	6,619
Interest charged on borrower balances				
Residual fair value movement	(1,083)	(4,227)	(994)	(6,304)
Portion of the overall fair value movement remaining after the identified drivers above have been dis-aggregated. The balance shows some inverse sensitivity to the interest balance above to absorb movements in interest to bring the overall fair value movement back to the calculated balance.				

Description	Plan 1 loans	Plan 2 loans	Plan 3 loans	Total
				2021
	£m	£m	£m	£m
Overall annual fair value movement – calculated	**874**	**(9,226)**	**32**	**(8,320)**
Which can be dis-aggregated into the following drivers:				
Deferral of the difference in fair value and amount advanced to students on new loans	–	(9,789)	(19)	(9,808)
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 1.3.3.				
Impact of changes in assumptions and modelling	407	125	124	656
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 12.4.				
Operational costs	33	(80)	(4)	(51)
In accordance with IFRS 9 operational costs of servicing the loan books have been included in the fair value calculation.				
Interest	419	816	58	1,293
Interest charged on borrower balances				
Residual fair value movement	15	(298)	(127)	(410)
Portion of the overall fair value movement remaining after the identified drivers above have been dis-aggregated. The balance shows some inverse sensitivity to the interest balance above to absorb movements in interest to bring the overall fair value movement back to the calculated balance.				

Impact of changes in assumptions and modelling on loan fair value

				2022
	Plan 1 loans	Plan 2 loans	Plan 3 loans	Total
	£m	£m	£m	£m
Remeasurements to existing loans arising from changes to:				
modelling improvements:				
long-term earnings model	(2,732)	(10,019)	–	(12,751)
long-term repayments model	22	(194)	–	(172)
others	(640)	1,032	–	392
HMT discount rate	1,839	17,128	826	19,793
macroeconomic factors	(838)	5,071	281	4,514
policy changes	–	1,841	(307)	1,534
new data/unwinding	491	(878)	(32)	(419)
student number forecasts	–	(1,503)	74	(1,429)
Total loan remeasurement	**(1,858)**	**12,478**	**842**	**11,462**

				2021
	Plan 1 loans	Plan 2 loans	Plan 3 loans	Total
	£m	£m	£m	£m
Remeasurements to existing loans arising from changes to:				
modelling improvements	–	–	–	–
macroeconomic factors	145	1,508	49	1,702
policy changes	–	(78)	20	(58)
new data/unwinding	262	(1,244)	(23)	(1,005)
student number forecasts	–	(61)	78	17
Total loan remeasurement	**407**	**125**	**124**	**656**

Sensitivity analysis

External factors

Discount rate

				2022
	Plan 1 loans	Plan 2 loans	Plan 3 loans	Total
Value applied in year end valuation	RPI-1.1%	RPI-1.1%	10.1% or RPI-1.1%	
	£m	£m	£m	£m
Year end carrying value	15,050	78,822	4,070	97,942
Increase discount rate by 1%	(950)	(10,320)	(320)	(11,590)
Decrease discount rate by 1%	1,060	12,540	370	13,970
Increase discount rate by 2%	(1,800)	(18,880)	(590)	(21,270)
Decrease discount rate by 2%	2,260	27,880	790	30,930

Plan 1 and Plan 2 loans apply HMT's promulgated discount rate of RPI-1.1%. Plan 3 postgraduate loans have different discount rates: master's loans – 10.1% and doctoral loans – RPI-1.1%.

RPI

				2022
	Plan 1 loans	Plan 2 loans	Plan 3 loans	Total
Value applied in year end valuation	9.0%	9.0%	9.0%	
	£m	£m	£m	£m
Year end carrying value	15,050	78,822	4,070	97,942
Increase RPI by 1%	(1,700)	(7,380)	(150)	(9,230)
Decrease RPI by 1%	1,660	7,820	150	9,630
Increase RPI by 2%	(3,130)	(14,410)	(290)	(17,830)
Decrease RPI by 2%	3,310	16,240	300	19,850

Earnings growth

				2022
	Plan 1 loans	Plan 2 loans	Plan 3 loans	Total
Value applied in year end valuation	4.2%	4.2%	4.2%	
	£m	£m	£m	£m
Year end carrying value	15,050	78,822	4,070	97,942
Increase earnings growth by 1%	1,420	7,330	60	8,810
Decrease earnings growth by 1%	(1,470)	(7,270)	(70)	(8,810)
Increase earnings growth by 2%	2,790	14,720	110	17,620
Decrease earnings growth by 2%	(2,760)	(14,300)	(160)	(17,220)

Bank of England base rate

				2022
	Plan 1 loans	Plan 2 loans	Plan 3 loans	Total
Value applied in year end valuation	0.75%	N/A	N/A	
	£m	£m	£m	£m
Year end carrying value	15,050	78,822	4,070	97,942
Increase base rate by 1%	340	–	–	340
Decrease base rate by 1%	(520)	–	–	(520)
Increase base rate by 2%	610	–	–	610
Decrease base rate by 2%	(780)	–	–	(780)

Internal policy factors

Interest rate applied to student loans

				2022
	Plan 1 loans	Plan 2 loans	Plan 3 loans	Total
Maximum rate applicable as at year end	1.5%	4.5%	4.5%	
	£m	£m	£m	£m
Year end carrying value	15,050	78,822	4,070	97,942
Increase interest rate by 1%	670	4,300	300	5,270
Decrease interest rate by 1%	(650)	(4,300)	(290)	(5,240)

Loan repayment rate

				2022
	Plan 1 loans	Plan 2 loans	Plan 3 loans	Total
Value applied in year end valuation	9.0%	9.0%	6% or 9%	
	£m	£m	£m	£m
Year end carrying value	15,050	78,822	4,070	97,942
Increase repayment rate by 1%	330	3,520	–	3,850
Decrease repayment rate by 1%	(450)	(4,070)	(30)	(4,550)

Plan 3 postgraduate loans have different repayment rates: master's loans – 6% and doctoral loans – 9%.

Loan repayment threshold

				2022
	Plan 1 loans	Plan 2 loans	Plan 3 loans	Total
Value applied in year end valuation	£19,895	£27,295	£21,000	
	£m	**£m**	**£m**	**£m**
Year end carrying value	15,050	78,822	4,070	97,942
Increase threshold by £1,000	(520)	(2,840)	(40)	(3,400)
Decrease threshold by £1,000	480	2,970	30	3,480

Annex D – Core 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 2022, OSCAR reflects the position agreed at the 2021 Budget. This does not 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

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Outturn	Outturn	Outturn	Outturn (Restated)	Outturn	Plans	Plans	Plans
	£m	£m	£m	£m	£m	£m	£m	£m
Budget								
Resource DEL	73,333	67,900	79,409	75,220	72,946	71,904	88,624	90,037
Resource AME	(1,589)	(1,029)	(1,739)	1,768	(5,180)	(9,594)	(9,594)	(9,594)
Total resource	**71,744**	**66,871**	**77,670**	**76,988**	**67,766**	**62,310**	**79,030**	**80,443**
Capital DEL	4,908	5,402	4,865	4,830	4,798	6,364	7,035	6,095
Capital AME	15,771	15,631	19,947	21,144	21,863	28,738	28,738	28,738
Total capital	**20,679**	**21,033**	**24,812**	**25,974**	**26,661**	**35,102**	**35,773**	**34,833**
	92,423	**87,904**	**102,482**	**102,962**	**94,427**	**97,412**	**114,803**	**115,276**
Less depreciation	(11,386)	(6,453)	1,608	(65)	(75)	5,172	(9,408)	(9,408)
Total Departmental spending	**81,037**	**81,451**	**104,090**	**102,897**	**94,352**	**102,584**	**105,395**	**105,868**
Of which:								
total DEL	66,856	66,850	84,178	79,985	77,669	83,440	86,251	86,724
total AME	14,181	14,601	19,912	22,912	16,683	19,144	19,144	19,144

Total Departmental Group spending is the sum of resource spending and capital expenditure 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 spending and capital AME expenditure less depreciation in AME.

The 2020-21 outturn in these Core Tables has been restated to reflect the budgetary prior year adjustment described in the SOPS, on page 185.

Resource spending

	2017-18 Outturn	2018-19 Outturn	2019-20 Outturn	2020-21 Outturn (Restated)	2021-22 Outturn	2022-23 Plans	2023-24 Plans	2024-25 Plans
	£m	£m	£m	£m	£m	£m	£m	£m
Resource DEL								
Activities to Support all Functions	350	348	364	442	530	552	1,044	639
Early Years and Schools (Department)	–	–	1,364	1,996	1,382	1,788	2,345	1,999
School Infrastructure and Funding of Education (Department)	179	214	–	–	–	–	–	–
Education Standards, Curriculum and Qualifications (Department)	4,236	4,438	–	–	–	–	–	–
Early Years and Schools (ALB) (net)	–	–	1	2	2	1	1	1
School Infrastructure and Funding of Education (ALB) (net)	22	(17)	–	–	–	–	–	–
Social Care, Mobility and Disadvantage (Department)	192	321	347	382	363	469	504	585
Social Care, Mobility and Disadvantage (ALB) (net)	21	4	9	10	12	19	13	12
Standards and Testing Agency	53	61	57	22	25	51	48	50
Teaching Regulation Agency	–	6	6	7	8	11	11	12
National College for Teaching and Leadership	398	–	–	–	–	–	–	–
Education and Skills Funding Agency	3,271	3,404	2,068	2,022	2,603	2,775	2,735	2,708
Grants to Local Authority Schools via ESFA	30,027	29,642	29,560	31,049	31,591	34,211	33,523	33,492
Grants to Academies via ESFA	18,661	20,705	22,904	25,252	27,177	28,745	26,608	27,400
Higher Education	13,934	7,132	16,327	7,242	2,325	(4,538)	10,627	11,483
Further Education	242	107	4,801	5,174	5,293	6,194	9,513	9,964
Higher Education (ALB) (net)	1,739	1,522	1,582	1,599	1,612	1,596	1,625	1,664
Further Education (ALB) (net)	8	13	19	21	23	30	27	28
Total resource DEL	**73,333**	**67,900**	**79,409**	**75,220**	**72,946**	**71,904**	**88,624**	**90,037**
Of which:								
staff costs	362	490	563	606	659	684	674	676
purchase of goods and services	593	641	697	614	868	1,371	1,373	1,327
income from sale of goods and services	(162)	(138)	(210)	(139)	(82)	(105)	(14)	(13)
current grants to central government (net)	–	–	–	25,854	27,540	29,414	27,685	28,310

	2017-18 Outturn	2018-19 Outturn	2019-20 Outturn	2020-21 Outturn (Restated)	2021-22 Outturn	2022-23 Plans	2023-24 Plans	2024-25 Plans
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
current grants to local government (net)	30,456	30,098	30,411	32,127	32,595	35,080	35,571	36,122
current grants to persons and non-profit bodies (net)	11,982	9,582	32,022	9,272	9,724	10,723	14,014	14,303
current grants abroad (net)	(202)	(197)	(134)	(108)	(104)	(105)	–	–
subsidies to private sector companies	–	–	13	–	–	–	–	–
subsidies to public corporations	–	2	–	–	–	–	–	–
rentals	22	21	15	16	25	52	2	2
depreciation	11,385	6,452	96	64	75	114	65	67
impairment	–	–	–	(8)	–	–	–	–
student loan impairment	–	–	–	6,614	1,647	(5,286)	9,343	9,341
interest payable to private sector	–	–	–	53	48	–	–	–
take up of provisions	–	84	97	124	–	15	–	–
profit/loss on disposal of assets	–	–	–	5	–	–	–	–
other resource	18,897	20,865	15,839	126	(49)	(53)	(89)	(98)
Resource AME								
Activities to Support all Functions (Department)	(10)	(8)	11	46	15	14	14	14
Activities to Support all Functions (ALB)	–	–	5	–	–	–	–	–
Executive Agencies	(5)	6	(13)	1	(15)	–	–	–
Higher Education	(1,621)	(1,031)	(1,725)	1,778	(5,170)	(9,615)	(9,615)	(9,615)
Further Education	(13)	(12)	(6)	(4)	(42)	(17)	(17)	(17)
Higher Education (ALB) (net)	(14)	2	(54)	(2)	1	1	1	1
Further Education (ALB) (net)	74	14	43	(51)	31	23	23	23
Total resource AME	**(1,589)**	**(1,029)**	**(1,739)**	**1,768**	**(5,180)**	**(9,594)**	**(9,594)**	**(9,594)**
Of which:								
staff costs	64	58	43	48	39	12	12	12
purchase of goods and services	74	87	112	9	24	–	–	–
income from sales of goods and services	(110)	(244)	(268)	–	–	–	–	–

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Outturn	Outturn	Outturn	Outturn (Restated)	Outturn	Plans	Plans	Plans
	£m	£m	£m	£m	£m	£m	£m	£m
current grants to central government (net)	–	–	–	(4)	–	–	–	–
current grants to persons and non-profit bodies (net)	284	144	148	97	101	(6)	(6)	(6)
subsidies to private sector companies	–	–	4	–	–	–	–	–
rentals	2	2	2	1	1	–	–	–
depreciation	1	1	(1,704)	1	1	–	–	–
impairment	–	–	–	49	(1,727)	–	–	–
student loan impairment	–	–	–	1,771	1,427	–	–	–
levies, licences and regulatory fee income	–	–	–	(220)	(137)	(13)	(13)	(13)
fees and charges	–	–	–	(1)	(1)	–	–	–
take up of provisions	25	35	50	17	(47)	–	–	–
release of provisions	(44)	(64)	(95)	–	–	–	–	–
unwinding of discount on provisions	–	–	–	(2)	(3)	–	–	–
change in pension scheme liabilities	(15)	–	(42)	–	–	–	–	–
unwinding of the discount rate on pension scheme liabilities	–	8	10	–	–	(3)	(3)	(3)
interest payable to private sector (net)	–	–	–	(3)	(4,862)	7	7	7
profit/loss on disposal of assets (net)	–	–	–	2	–	–	–	–
other resource	(1,870)	(1,056)	1	3	4	(9,591)	(9,591)	(9,591)
Total resource budget	**71,744**	**66,871**	**77,670**	**76,988**	**67,766**	**62,310**	**79,030**	**80,443**
Of which:								
depreciation	11,386	6,453	(1,608)	65	75	(5,172)	9,408	9,408

Capital spending

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans	Plans	Plans
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Capital DEL								
Activities to Support all Functions	42	86	72	33	58	174	208	126
Early Years and Schools (Department)	–	–	1,835	2,122	1,430	1,690	2,015	2,020
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)	(30)	(29)	(16)	(16)	(15)
School Infrastructure and Funding of Education (ALB) (net)	68	–	–	–	–	–	–	–
Social Care, Mobility and Disadvantage (Department)	–	7	17	3	3	75	97	77
Social Care, Mobility and Disadvantage (ALB) (net)	1	2	3	2	2	3	2	2
Standards and Testing Agency	2	2	3	2	1	5	7	7
Education and Skills Funding Agency	1,478	190	37	6	125	154	222	205
Grants to Local Authority Schools via ESFA	2,320	2,301	1,846	1,126	1,888	2,542	2,942	2,322
Grants to Academies via ESFA	763	1,023	819	1,041	1,032	1,133	542	540
Higher Education	18	120	16	13	41	29	12	11
Further Education	–	8	101	312	95	406	781	581
Higher Education (ALB) (net)	214	167	147	199	151	167	222	218
Further Education (ALB) (net)	–	–	1	1	1	2	1	1
Total capital DEL	**4,908**	**5,402**	**4,865**	**4,830**	**4,798**	**6,364**	**7,035**	**6,095**
Of which:								
staff costs	–	–	–	3	4	3	4	4
purchase of goods and services	1	12	12	2	7	23	13	13
capital support for central government (net)	–	–	–	3,062	2,405	2,829	4,664	3,719
capital support for local government (net)	2,345	3,421	2,055	1,292	1,998	2,642	2,091	2,003
capital grants to persons & non-profit bodies (net)	385	1,577	2,714	606	404	144	610	616

	2017-18 Outturn	2018-19 Outturn	2019-20 Outturn	2020-21 Outturn	2021-22 Outturn	2022-23 Plans	2023-24 Plans	2024-25 Plans
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
capital grants to private sector companies (net)	2,060	105	214	114	18	582	85	126
purchase of assets	116	472	(54)	(222)	35	186	(381)	(337)
income from sales of assets	(1)	–	–	–	–	–	–	–
net lending to the private sector and abroad	–	27	(23)	(42)	(50)	(36)	(35)	(35)
other capital	2	(212)	(53)	15	(23)	(9)	(16)	(14)
Capital AME								
Higher Education AME	15,565	15,417	19,717	20,942	21,708	28,547	28,547	28,547
Further Education AME	205	212	212	203	159	188	188	188
Further Education (ALB) (net)	1	2	18	(1)	(4)	3	3	3
Total capital AME	**15,771**	**15,631**	**19,947**	**21,144**	**21,863**	**28,738**	**28,738**	**28,738**
Of which:								
purchase of assets	–	–	–	(1)	(1)	3	3	3
net lending to the private sector and abroad	15,771	15,629	19,950	21,146	21,867	–	–	–
other capital	–	2	(3)	(1)	(3)	28,735	28,735	28,735
Total capital budget	**20,679**	**21,033**	**24,812**	**25,974**	**26,661**	**35,102**	**35,773**	**34,833**

Depreciation in the table above also includes amortisation, non-financial instrument 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.

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 differ 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

	2017-18 Outturn	2018-19 Outturn	2019-20 Outturn	2020-21 Outturn	2021-22 Outturn	2022-23 Plans	2023-24 Plans	2024-25 Plans
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Resource DEL								
Activities to Support all Functions	320	329	336	370	396	401	400	400
Early Years and Schools (ALB) (net)	–	–	2	1	2	2	2	2
School Infrastructure and Funding of Education (ALB) (net)	2	(1)	–	–	–	–	–	–
Social Care, Mobility and Disadvantage (ALB) (net)	16	2	2	2	2	3	3	3
Standards and Testing Agency	4	3	3	2	2	3	3	3
National College for Teaching and Leadership	15	–	–	–	–	–	–	–
Education and Skills Funding Agency	98	77	81	75	72	79	75	76
Higher Education (ALB) (net)	68	74	56	48	56	54	52	52
Further Education (ALB) (net)	5	7	10	11	10	11	11	11
Total administration budget	**528**	**491**	**490**	**509**	**540**	**553**	**546**	**547**
Of which:								
staff costs	362	337	368	386	413	429	427	427
purchase of goods and services	157	141	140	120	116	119	73	74
income from sales of goods and services	(21)	(51)	(61)	(59)	(48)	(73)	–	–
rentals	20	19	13	14	23	–	–	–
depreciation	35	25	34	35	33	63	46	46
other resource	(25)	20	(4)	13	3	15	–	–

Annex E – Analysed performance reporting

Body	Total operating income	Total operating expenditure	Other expenditure	Net expenditure for the year (including financing)	Permanently employed staff: Number of employees	Permanently employed staff: Staff costs	Other staff: Number of employees	Other staff: Staff costs
	£m	**£m**	**£m**	**£m**	**Number**	**£m**	**Number**	**£m**
Department	(225)	8,953	(3,494)	5,234	5,851	326	319	36
Executive agencies								
Education and Skills Funding Agency	(106)	65,558	10	65,462	1,773	104	52	–
Standards and Testing Agency	–	25	–	25	96	5	2	–
Teaching Regulation Agency	–	7	–	7	73	3	–	–
Non-departmental public bodies								
Aggregator Vehicle PLC	–	–	–	–	–	–	–	–
Construction Industry Training Board	(148)	178	–	30	627	31	17	2
Engineering Construction Industry Training Board	(31)	34	–	3	75	5	4	–
Institute for Apprenticeships and Technical Education	(1)	25	–	24	256	18	–	–
Located Property Limited*	–	9	–	9	51	4	3	–
Office of the Children's Commissioner*	–	3	–	3	19	2	12	–
Office for Students	(29)	1,499	–	1,470	377	24	–	–
Student Loans Company Limited*	(1)	292	3	294	3,124	119	–	2
Social Work England	(10)	20	–	10	205	9	20	–
Group	**(551)**	**76,603**	**(3,481)**	**72,571**	**12,527**	**650**	**429**	**40**

The balances above show current year Group balances dis-aggregated across Group bodies based on their published annual reports and accounts. Where intra-Group activities occur, these balances have been removed against the individual bodies involved. Consequently, the balances disclosed here may differ from those presented in each body's own ARA. The balances reported above for ESFA differ from those reported through the ESFA business segment in the Performance Report because ESFA's ARA includes policy funding payments which are mapped to other Group segments for the purposes of internal Group reporting.

Group bodies marked with an asterisk in the table above have not yet finalised their ARAs at the date this Group ARA was published. In such instances draft numbers are included above for those bodies. Management does not consider the use and disclosure of unaudited balances in these limited circumstances to have a material impact on reported Group performance and/or balances.

Annex F – 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/CAME/RAME	Annually Managed Expenditure (capital/resource)
AP	Alternative provision
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, an NDPB of the Department
CRRG	COVID Response and Recovery Group, a business group of the Department
CSC	Children's social care
CSCSG	Children's Services, Communications and Strategy Group, a business group of the Department
DDaT	Digital, Data and Technology
DEL/CDEL/RDEL	Departmental Expenditure Limit (capital/resource)
Department, DfE	The core Department for Education, excluding executive agencies, non-departmental public bodies and academy trusts
Department and 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
DLUHC	Department for Levelling Up, Housing and Communities
DWP	Department for Work and Pensions
ECITB	Engineering Construction Industry Training Board, an NDPB of the Department
EHCP	Education Health and Care Plans
ESFA	Education and Skills Funding Agency, a business group and executive agency of the Department
Estimates	Group funding, as approved by HM Treasury and subject to specific limits by category of spending
EYSF	Early Years Foundation Stage
EYSG	Early Years and Schools Group, a business group of the Department
FE	Further education
FITB	Film Industry Training Board, a now closed NDPB of the Department
FReM	Financial Reporting Manual, issued by HM Treasury
FSM	Free School Meals
GGC	Greening Government Commitments
GIAA	Government Internal Audit Agency
HE	Higher education
HEFE	Higher Education and Further Education Group, a business group of the Department
HEP	Higher education provider
HMT	HM Treasury
IFATE	Institute for Apprenticeships and Technical Education, an NDPB of the Department
LA	Local authority
LocatED	Located Property Limited, an NDPB of the Department

Abbreviation or term	Description
MAT	Multi-academy Trust
NAO	National Audit Office
NDPB	Non-departmental public body
NELI	Nuffield Early Language Intervention
NRF	Non-ringfenced budget control
NTP	National Tutoring Programme
OCC	Office of the Children's Commissioner, an NDPB of the Department
OfS	Office for Students, an NDPB of the Department
ONS	Office for National Statistics
Operations Group	Operations Group, a business 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
RBA	Reception baseline assessment
RF	Ringfenced budget control
RPA	Risk Protection Arrangement
RPI	Retail Price Index
SARA	Sector annual report and accounts, the standalone annual report and accounts for the academy sector
SAT	Single Academy Trust
SCSCG	Social Care, Strategy and Communications Group, a business group of the Department
SCS	Senior Civil Servant
SEND	Special Educational Needs and Disability
SoCF	Statement of Cash Flows
SoCNE	Statement of Comprehensive Net Expenditure
SoCTE	Statement of Changes in Taxpayers' Equity
SoFP	Statement of Financial Position
SOPS	Statement of Outturn against Parliamentary Supply
SLC	Student Loans Company Limited, an NDPB of the Department
SR21	Spending Review 2021
STA	Standards and Testing Agency, an executive agency of the Department
STEM	Science, Technology, Engineering and Mathematics
SWE	Social Work England, an NDPB of the Department
TME	Total Managed Expenditure
TRA	Teaching Regulation Agency, an executive agency of the Department
UN SDGs	UN Sustainable Development Goals
VCYP	Vulnerable children and young people
2020-21 & 2021-22	Financial years, ending on 31 March
2020/21 & 2021/22	Academic years, ending on 31 August

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