Department for Education

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Consolidated annual report and accounts

For the year ended 31 March 2017

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for Education

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Accounts presented to House of Commons pursuant to
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This is part of a series of departmental publications which, along with the Main Estimates 2016-17 and the document Public Expenditure: Statistical Analyses 2016, present the Government's outturn for 2016-17 and planned expenditure for 2017-18

Any enquiries regarding this publication should be sent to us at Department for Education, Sanctuary Buildings, Great Smith Street, London. SW1P 3BT

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Performance report

1. Permanent Secretary's overview

1.1 This Annual Report and Accounts (ARA) sets out the Department's key achievements and progress against our strategic and corporate objectives over the 2016-17 financial year.

1.2 It has been another busy year for the Department. Following the result of the EU referendum and the appointment of the Rt Hon Theresa May MP as Prime Minister, we welcomed the Rt Hon Justine Greening MP, as our new Secretary of State and Minister for Women and Equalities. I would like to thank the outgoing Secretary of State, Minister for Women and Equalities the Rt Hon Nicky Morgan MP, for her leadership of the Department during the first part of the year.

1.3 The Department is responsible for children's services and education, apprenticeships and wider skills in England and has been expanded to include Higher and Further Education policy, transferring from the Department for Business, Innovation and Skills (BIS) under a Machinery of Government (MoG) change.

1.4 This transfer has enabled the Department to bring responsibility for all elements of education, children's services and skills together in to one place, creating the opportunity for a seamless policy and delivery function.

1.5 The Department has also removed the Academy Trust (AT) balances from this ARA and will produce the Academy Trust Sector Annual Report and Accounts (SARA) aligning reporting of financial results with educational performance. This will provide greater visibility of academies funding and spending.

1.6 The Department's vision is that individuals from all backgrounds have the best possible educational opportunities at all stages of their life and to provide greater coherence across the whole education system.

1.7 I am impressed daily by the quality of our work on flagship government initiatives, delivering the value for taxpayers' money. Achievements over the last year include:

- achievement of targets regarding the creation of apprenticeships. The Department is on course for three million apprenticeship starts by 2020;
- 96% of four year-olds and 93% of three year-olds are accessing our funded places, and 71% of disadvantaged two year-olds receive 15 hours free

childcare a week. As of December 2016, the proportion of early years' providers judged good or outstanding is at its highest ever at 93%;

- over seven million children are now in schools rated good or outstanding. We have continued to open new free schools to increase access to high quality education, with 56 newly-opened free schools that will collectively provide over 35,000 new school places;
- the proportion of 18 year-olds from disadvantaged backgrounds applying for Higher Education (HE) in England rose to a record 22.5%;
- in 2016, the gender pay gap was 18.1%, down from 19.3% in 2015. This is the largest year-on-year drop since 2010, and in April we launched the gender pay gap reporting portal, which will improve transparency and encourage employers to take action to close their pay gaps. We have also made progress in the representation of women on company boards; 23% of FTSE 350 board positions were held by women in November 2016, up from 21.9% in 2015. Following the success of the Davies Review, the Hampton-Alexander Review was published in November 2016, and set out recommendations to further increase representation;
- between April 2016 and March 2017, the apprenticeship programme saw over 526,300 apprenticeship starts. Of these, around 128,800 starts were young people aged 16-18 years old[1]; and
- we made significant progress over the financial year with our legislative programme, with the Children and Social Work Bill, the Technical and Further Education Bill and the *Higher Education and Research Act* all receiving Royal Assent in April 2017.

1.8 To ensure we continue to deliver our priorities as effectively as possible, the Department embarked on its transformation programme during the year – 'Building our Department Together'. The programme aims to enhance Departmental capability in effective delivery of policies and services, and has started to be a key contributor to the Department's performance since its launch in June 2016.

[1] Note that the data included for August 2016 to March 2017 is provisional data.

1.9 I am proud of all the dedicated staff in the Department, its executive agencies (Agencies) and our non-departmental public bodies (NDPBs) who have worked hard to deliver through a period of major change. I am confident – as ever – that the Department will continue to serve Ministers, Parliament and the public well in the future.

Jonathan Slater 13 July 2017
Permanent Secretary

2. About the Department for Education

Strategic aims

2.1 Our aim is to build a country that works for everyone, removing barriers to enable everyone to go as far as their talents can take them, regardless of their background, and championing a more equal and just society.

2.2 Education plays the central role in these aims. By enabling children, young people and adults to have the best possible education, we can help people in all parts of the country to achieve their full potential, including those that have not felt the benefits of economic growth. We aim to drive better access to good teachers, better access to good school places, and targeted efforts to improve school performance in the parts of the country which have fallen behind.

2.3 Education must equip people with the knowledge and skills to build a strong economy, which means we will renew our focus on building skills and technical education, so that any education route after school is a viable, valuable and worthwhile option for a young person or adult. The education system at all levels must also be fair for ordinary working families and their children, giving them the quality early years, school, further and higher education places enjoyed by their more advantaged peers.

Responsibilities

2.4 The Department is responsible for:

- teaching and learning for children in the early years and in primary schools;
- teaching and learning for young people under the age of 19 years, in secondary schools and in further education;
- teaching and learning for adults in further and higher education;
- work-based learning and apprenticeships;
- supporting professionals who work with children and young people;
- helping disadvantaged children and young people to achieve more;
- making sure that local authority children services protect and support children; and
- addressing the barriers that prevent women and lesbian, gay, bisexual and transgender people fulfilling their potential; and fulfilling our domestic and international obligations to protect and promote equality.

Our priorities

2.5 The Department's strategic priorities for 2016-17 were as follows:

- **Safety and wellbeing:** all children and young people are protected from harm and enabled to flourish, and vulnerable children are supported to succeed with opportunities as good as those for any other child.
- **Early years:** all children are prepared for school and working families are supported with the cost of childcare.
- **Schools that work for everyone:** every child has a place at a good school and achieves to the best of his or her ability regardless of location, prior attainment and background.
- **Education post-16 and preparation for adult life:** all 19 year-olds complete school or college with the skills and character to contribute to the UK's society and economy and are able to access high-quality work or study options through apprenticeships or further and higher education.
- **Equality of opportunity:** ensuring fairness and equality of opportunity for everyone regardless of their personal characteristics.

2.6 Performance against these strategic priorities are assessed in Section 3.

Structure of the Department

2.7 The Department separates its strategic responsibilities and priorities to enable delivery into several directorates. Since the last ARA, the Management Committee has reconfigured Director General responsibilities to enable clearer accountability and oversight. The key changes are the Children's Services, Equalities and Communications directorate being replaced with the Social Care, Mobility and Equalities directorate and the Strategy and Resources directorate being replaced with the Insight, Resources and Transformation directorate. As a result of these changes, directorate responsibilities are:

Insight, Resources & Transformation Directorate	Social Care Mobility & Equalities	Infrastructure & Funding Directorate
• Leads on the main corporate functions for the Department including: Analysis & Analytics, Digital, Data & Technology, Resources: Finance, HR, Commercial, Estates, Security & Business Continuity, Transformation and Change, and International Work	• Children's Social Care • Strategy & Social Mobility • Government Equalities Office • Private Office • Communications Group (including the Ministerial and Public Communications Division)	• Delivery of academies and free schools programmes • Reform of the funding system for pre/post-16 education, and policy on capital funding • Ensure the schools system supports delivery of, and access to, more good and outstanding school places • Improve resilience of the school system to keep children safe, including from extremism
Education and Skills Funding Agencies	**Education Standards Directorate**	**Higher & Further Education Directorate**
• Fund the education and training sectors, assuring that public funds are spent properly • Operate key services including education capital, the Careers Service, the Apprenticeship Service, and the Learning Records Service • Regulate academies, Further Education and sixth-form colleges, and training providers, intervening where there is risk of failure or evidence of mismanagement of public funds	• Improving the supply and retention of talented teachers and leaders • Strengthening system leadership • The design, delivery and implementation of reforms including special educational needs and disability (SEND), Assessment & Accountability, Curriculum & Qualifications (GCSE & A-Level) and curriculum tests for primary school children • Ensuring character education and life skills in the curriculum, including PSHE, mental health, bullying and careers education • Delivering the new entitlement to 30 hours free childcare to working parents of 3 and 4 year-olds	• Skills and Lifelong Learning • Implementation of Higher Education reforms including Teaching Excellence Framework (TEF), Office for Students (OfS) and regulatory framework • Taking forward the Careers Strategy • Widening participation in Higher Education • Lead on Student Finance • Delivery of the apprenticeships target

2.8 On 1 April 2017, the Education Funding Agency (EFA) and Skills Funding Agency (SFA) merged to become the Education and Skills Funding Agency (ESFA). The new agency assumed all responsibilities of the previous agencies.

2.9 The Department is supported by a number of Agencies and NDPBs. Further details on these bodies can be found in Note 28.

The Group's status as a going concern

2.10 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 2016-17 or following the year end, that may affect this status. The 2015 Spending Review confirmed this assumption, with funding allocated to the Group for the next four financial years.

2.11 In July 2016, as part of a wider set of MoG changes, responsibility for higher education and for vocational education were transferred from the Department for Business Innovation and Skills to the Department for Education. The Department's funding increased to reflect and support its increased responsibilities.

3. Performance analysis

3.1 This chapter provides commentary on our performance against our goals. The datasets used to monitor performance generally relate to the academic year ending 31 August 2016 but more up to date information has been provided where available. Latest performance data will be published after the current academic year has ended; full details for each dataset are available on GOV.UK through the links provided below.

Safety and wellbeing

Performance indicator: 26% of local authority children's services are rated good or outstanding by Ofsted[2]

3.2 In 2013, Ofsted introduced a new inspection framework for local authority (LA) children's services. By March 2016, Ofsted had published 87 inspections under this new framework, meaning 57% of all LAs have now been reviewed against the new standard. Of the authorities so far inspected, 26% were judged good or better, including two authorities who received an outstanding rating. These were the first authorities to receive outstanding under the new framework. Ofsted still needs to inspect a further 65 authorities under the new framework so these figures are only a partial picture of performance.

3.3 Whilst some examples of excellence have emerged in the provision of children's social care services, it remains the case that there are too many examples of failure or of organisations struggling to deliver strong services. Structural solutions and stronger accountability have an important role to play in driving change; our reforms in this area focus on supporting the emergence of innovative organisational models for children's social care; ensuring sharper and more focused accountability; and intervening decisively in cases of failure. Statistics from Ofsted's inspections[3] of children's services are available.

Performance indicator: 547 days, on average, between a child entering into care and their placement with adoptive parents

3.4 The average amount of time a child has to wait between entering care and being placed with adoptive parents fell in 2016, from 19 months to 18 months (or 547 days). The overall number of children adopted from care decreased in 2015-16. In total, 4,690 looked-after-children were adopted in the year, down 12% on a

[2] This figure only reflects outcomes for the 87 local authorities so far inspected under Ofsted's Single Inspection Framework, which was introduced in November 2013. Data available at: https://www.gov.uk/government/statistics/childrens-social-care-data-in-england-2016
[3] Data available at: https://www.gov.uk/government/statistics/childrens-social-care-data-in-england-2016

high of 5,350 in 2014-15. This change in trend was anticipated as placement orders had reduced in the previous year.

3.5 In March 2016, the Department published a new adoption strategy Adoption - a vision for change[4] and work has been ongoing to deliver on the commitment set out in the strategy. This includes:

- the roll-out of Regional Adoption Agencies (RAAs), with over 130 LAs across England involved with RAAs, the first of which went live in April 2017;
- delivering on the commitment to amend the *Children Act 1989* in order to promote the educational achievement of previously looked after children who left care, to ensure that court decisions about adoption or other long term placement options are informed by the current and future needs of the child and their relationship with their mother, father and prospective adopter; and
- publishing a research review which examines the effects of abuse and neglect on children, and whether different placement types affect their outcomes[5].

Other indicators for safety and wellbeing

	2016-17	2015-16
Percentage of children's homes rated good or outstanding by Ofsted	81%[6]	75%[7]
Percentage of care leavers aged 19-21 in education, employment or training[8]	Not yet available[9]	55%
Percentage of referrals to children's social care within 12 months of previous referral[10]	Not yet available[11]	22%

3.6 Additional statistical releases are available on our website[12].

Early years

Performance indicator: take up of free childcare for three and four year-olds

3.7 The latest published figures show that in January 2017, 93% of three year-olds and 96% of four year-olds were benefitting from up to fifteen hours a week of free early education provision[13].

[4] https://www.gov.uk/government/publications/adoption-a-vision-for-change
[5] https://www.gov.uk/government/publications/childhood-neglect-and-abuse-comparing-placement-options
[6] As at 30 September 2016
[7] As at 30 September 2015
[8] Excludes young people for whom information is not known. Data available at: https://www.gov.uk/government/statistics/children-looked-after-in-england-including-adoption-2015-to-2016
[9] 2016-17 data is expected to be published in September 2017.
[10] Data available at: https://www.gov.uk/government/collections/statistics-children-in-need
[11] 2016-17 data is expected to be published in September 2017.
[12] https://www.gov.uk/government/collections/statistics-children-in-need
[13] https://www.gov.uk/government/statistics/education-provision-children-under-5-years-of-age-january-2017

3.8 From September 2017 working parents of three and four year-olds will be entitled to an additional 15 hours of free childcare for 38 weeks of the year. Data for this will be published in June 2018 as part of the provision for children under 5 statistical first release.

Performance indicator: take up of free childcare for disadvantaged two year-olds

3.9 The latest published figures show that in January 2017, 71% of eligible two year-olds were taking up the entitlement[13]. This percentage has risen from 68% in January 2016 and from 58% in January 2015.

3.10 The Department continues to provide LAs with lists of parents of two year-olds who are potentially eligible for a free early education place to support local authorities in marketing the free entitlement for two year-olds and increasing take up of free places. The lists are provided seven times a year.

Performance indicator: percentage of group early education providers rated good or better by Ofsted

3.11 The latest published figures show that over one million three and four year-olds received funded early education in settings judged good and outstanding in January 2017[13]. As at March 2017, the percentage of early years providers judged good or outstanding is at its highest ever at 93%[14].

Performance indicator: percentage of children reaching a Good Level of Development in the Early Years Foundation Stage profile assessment

3.12 The latest published 2015/16 Early Years Foundation Stage profile results[15] show that the percentage of children achieving a 'good level of development' is improving year on year – in 2016, 69.3% achieved a good level of development compared to 66.3% in 2015, 60.4% in 2014 and 51.7% in 2013. The new headline figures will be published towards the end of October 2017 and the results by pupil characteristics (free school meals eligibility, ethnicity, etc) towards the end of November 2017.

3.13 The gap between disadvantaged children and others achieving a good level of development has narrowed – from 19.0 percentage points in 2013 to 17.3 percentage points in 2016.

[14] https://www.gov.uk/government/statistics/childcare-providers-and-inspections-as-at-31-march-2017
[15] https://www.gov.uk/government/statistics/early-years-foundation-stage-profile-results-2015-to-2016

Schools that work for everyone

Performance indicator: percentage of pupils reaching the expected standard in reading, writing and maths at the end of Key Stage 2

3.14 In 2016, the Department introduced a new accountability system for primary schools. The headline accountability measures for schools are:

- percentage of pupils achieving the expected standard in reading, writing and Maths at key stage 2;
- percentage of pupils achieving a higher standard in reading, writing and Maths at key stage 2;
- progress in reading, progress in writing, progress in Maths; and
- average scaled score in reading, average scaled score in Maths.

3.15 In 2017, the percentage of pupils achieving the expected standard in reading, writing and maths is 61%, up from 53% in 2016.

Performance indicator: the national average Attainment 8 score

3.16 In 2016, we introduced a new accountability system for secondary schools. The headline accountability measures for schools are now:

- Progress 8;
- Attainment 8;
- English Baccalaureate (EBacc) entry and achievement; and
- destination measures.

3.17 Progress 8 is a relative measure which is used for school level accountability. At national level, the average will always be zero. We are, therefore, using Attainment 8 as the main national indicator of secondary performance.

3.18 Attainment 8 measures the achievement of a pupil across eight qualifications including Maths (double weighted) and English (double weighted), three further qualifications that count in the EBacc measure and three further qualifications that can be GCSE qualifications (including EBacc subjects) or technical awards from the Department's approved list. The average Attainment 8 score per pupil in 2015-16 was 48.5 in all schools, and 49.9 in state-funded schools. 2016/17 provisional data will be available in October 2017.

Performance indicator: Over 39% of pupils in state-funded schools entered the English Baccalaureate

3.19 The EBacc is made up of English, Maths, science, a language and history or geography. To achieve the EBacc, a pupil must achieve an A*-C grade in each of these subjects. In 2016, 39.7% of pupils in state-funded schools entered the EBacc and 24.7% achieved the EBacc. These both reflect small increases compared to 2015. The methodology for this measure has changed in 2016. This is responsible for the majority of the increase seen since 2015. Further data on these measures and school performances are available[16].

Performance indicator: 89% of schools judged 'good' or 'outstanding' at their most recent inspection

3.20 As at 31 December 2016, 89% of schools were rated 'good' or 'outstanding' overall at their most recent inspection. This is five percentage points higher than in August 2015. Overall, 91% of primary schools and 79% of secondary schools are now 'good' or 'outstanding'. These have also increased since August 2015, continuing upward trends in school performance in recent years for the performance indicator above.

Other indicators for schools that work for everyone

	2016	2015
Average Attainment 8 score for children in state-funded schools[17]	49.8%	48.4%
Percentage of pupils achieving A*-C GCSEs in English and Maths in state-funded schools[18]	63.0%	59.2%

Education post-16 and preparation for adult life

Performance indicator: 1.1 million people of all ages started apprenticeships (between May 2015 and April 2017)

3.21 The government has an overall target for three million new apprenticeship starts between 2015 and 2020. This means an additional 800,000 starts over this period compared to the previous five years. Apprenticeship starts are tracked on an academic year basis and in 2015/16, 509,400 people began apprenticeships in England. An additional 440,300 people began apprenticeships between August 2016 and April 2017.

[16] Data available at: https://www.gov.uk/government/statistics/revised-gcse-and-equivalent-results-in-england-2015-to-2016https://www.gov.uk/government/statistics/revised-gcse-and-equivalent-results-in-england-2015-to-2016
[17] Data available at: https://www.gov.uk/government/statistics/gcse-and-equivalent-results-2015-to-2016-provisional
[18] Data available at https://www.gov.uk/government/statistics/revised-gcse-and-equivalent-results-in-england-2015-to-2016

3.22 Following the July 2016 MoG changes the functions of the Department extended to encompass higher and further education policy, apprenticeships and skills. Prior to this, the Department had responsibility for 16 to 18 year-old apprenticeships funding, and since this date the Department has had responsibility for the entire programme.

3.23 In March 2017 the Department published its Apprenticeship Reform Programme Benefits Realisation Strategy outlining a wide range of high level indicators of success for the programme including measures around progression into employment and learning at higher levels, widening participation, meeting employer skills' needs and quality. The Department remains committed to raising the quality of apprenticeships as well as increasing numbers of apprenticeship starts.

Performance indicator: over a third of apprentices are 16 to 18 years old

3.24 In 2015/16, 131,400 young people began an apprenticeship, representing over a quarter (25.8%) of all apprenticeship starts that year. A further 108,600 young people began apprenticeships between August 2016 and April 2017, comprising 24.6% of all starts in that period. A growing proportion of young people are now choosing advanced or higher level apprenticeships: 33.9% in 2015-16 compared to 31.9% in 2014-15.

Performance indicator: 66.4% of young people have an A*-C in English and Maths GCSE at 19

3.25 The latest data shows attainment for 19 year-olds has continued to rise. The proportion of 19-year-olds with an A*-C in English and Maths at GCSE rose from 64.1% to 66.4% in 2016. A further 4.9% of 19 year-olds have equivalent qualifications. In addition, the proportion of young people who fail to reach this level at 16, but have done so by 19, rose from 22.4% in 2015 to 24.1% in 2016.

Other indicators for prepared for adult life

	2015/16	2014/15	2013/14
Number of advanced level under-19 Science, Technology, Engineering & Maths (STEM) apprenticeships[19]	18,210	17,040	15,520

[19] Based on published, rounded figures for Engineering & Manufacturing Technologies, Information & Communication Technology and Science & Mathematics. Data available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/601882/apprenticeships-level-SSA-framework-data-tool-starts-v1.xlsm

	2015	2014
Percentage of 18 year-olds in employment, education or training[20]	88.6%	86.6%
Percentage of young people achieving a technical level by age 19[21]	12.2%	11.1%
Number of pupils achieving the Technical Baccalaureate[22]	243	N/A
Level 3 attainment of students aged 16 to 18 in state-funded schools and colleges[23]		
Academic students – average points score	30.36	N/A
Tech level students – average points score	30.82	N/A
Applied general students – average points score	34.67	N/A

Performance indicator: doubling the proportion of people from disadvantaged backgrounds entering Higher Education (HE) in 2020 compared with 2009

3.26 The government has a goal of doubling the proportion of students from disadvantaged backgrounds progressing to HE in 2020 compared to 2009. The goal is measured by data from Universities and Colleges Admissions Service (UCAS) using Participation of Local Areas, an area-based measure of progression to HE, covering full-time young undergraduate entrants.

3.27 In 2009, 13.6% of full-time undergraduate applicants were from the lowest participation quintile. Latest data, published in December 2016, showed that this had risen to 19.5%. Further data, for entry 2017, will be available from UCAS in December 2017.

3.28 As well as the measures highlighted further below, which are common to this and the black, Asian and minority ethnic (BAME) goal, the Higher Education Funding Council for England (HEFCE) £120 million National Collaborative Outreach Programme commenced this year. It targets, at a ward level, those areas where progression to HE by those from disadvantaged backgrounds is low overall and lower than expected given levels of educational attainment levels.

Performance indicator: increase black, Asian and minority ethnic (BAME) participation in HE

3.29 The government has a goal to increase BAME participation in HE by 20% between 2014 and 2020. This goal is measured using full-time undergraduate enrolments at UK HE providers, from the Higher Education Statistics Agency.

[20] Data available at: https://www.gov.uk/government/statistics/participation-in-education-training-and-employment-2015
[21] Data available at: https://www.gov.uk/government/statistics/a-level-and-other-16-to-18-results-2015-to-2016-revised
[22] Data available at: https://www.gov.uk/government/statistics/a-level-and-other-16-to-18-results-2015-to-2016-revised
[23] Data available at: https://www.gov.uk/government/statistics/a-level-and-other-level-3-results-2015-to-2016-provisional

3.30 The 2015/16 academic year showed 287,270 full-time undergraduate BAME enrolments at UK Higher Education Institutions (HEIs). This has increased from 268,300 in 2014/15. Data for 2016/17 will be available in early 2018.

Measures to support wider participation in HE

3.31 In our most recent guidance to the independent Director of Fair Access (DfA) we set out our expectation that HE providers focus on these goals as part of their activity to widen participation through their access agreements. Providers expect to spend £833.5 million on measures to widen access and success in HE through these agreements in 2017-18. Any provider wishing to charge higher fees must have an access agreement agreed with the DfA.

3.32 In addition to work already underway, we are in the process of implementing new policy in support of these goals, through the *Higher Education and Research Act*, and our other reforms:

- from April 2018, by merging HEFCE and OFFA, establishing a new regulator for HE in England, the Office for Students (OfS), which will have a statutory duty to consider the need to promote equality of opportunity for students as it relates to access and participation in HE;
- introducing a transparency duty on institutions which will require them to publish application, offer, acceptance, drop-out and attainment rates broken down by socio-economic background, ethnicity and disadvantage; shining a spotlight on those HEIs who need to go furthest; and
- enabling the provision of alternative student finance consistent with the principles of Islamic finance.

Performance indicator: Teaching Excellence Framework (TEF)

3.33 In 2016, we developed a new framework to assess higher education providers on the quality of their teaching, in order to drive up the standard of their teaching and provide clear information to students about where they are likely to achieve the best teaching and outcomes. Assessment is based on key metrics including student feedback, non-continuation rates and progression to highly skilled employment and further study, as well as additional information submitted by the provider.

3.34 The TEF assessment framework was published to schedule in September 2016. 299 providers opted in for the first round of TEF assessments in January 2017, including all English Russell Group universities.

Performance indicator: 81% of further education (FE) and skills providers were rated 'good' or 'outstanding' overall

3.35 As at 31 August 2016, 81% of FE and skills providers were rated 'good' or 'outstanding' overall at their most recent inspection – the same as August 2015. Overall, 71% of General Further Education Colleges, 82% of Independent Learning Providers (including Employer Providers), and 89% of Sixth Form Colleges were 'good' or 'outstanding'[24]. At the Spring Budget, the government announced investment of over £500 million a year in technical education for 16-19 year-olds, to enhance the quality of provision[25]. Further details on inspection outcomes are published online[26].

Performance indicator: 44 colleges subject to formal intervention due to poor financial health.

3.36 As at 31 March 2017, there were 44 colleges in formal intervention due to poor financial health. This is three times higher than in March 2016. Recommendations from the programme of local area-based reviews of post-16 education and training institutions will help improve the financial sustainability of colleges, for example through bringing together financially weak colleges with other stronger providers. Further details of providers subject to intervention are available[27]. The recommendations from area reviews are published[28].

Equality of opportunity

3.37 Tackling barriers to the fulfilment of potential for women and lesbian, gay, bisexual and transgender people through policy work, equality legislation and our international obligations in five key areas:

- women's equality and economic empowerment;
- lesbian, gay, bisexual and transgender equality;
- education;
- building the evidence base; and
- international role in promoting gender and LGBT equality.

[24] https://www.gov.uk/government/statistics/further-education-and-skills-inspection-outcomes-as-at-31-august-2016
[25] https://www.gov.uk/government/publications/spring-budget-2017-documents/spring-budget-2017
[26] https://www.gov.uk/government/publications/spring-budget-2017-documents/spring-budget-2017
[27] https://www.gov.uk/government/publications/esfa-current-notices-of-concern
[28] https://www.gov.uk/government/collections/post-16-education-and-training-area-reviews#about-the-area-reviews

Performance indicator: 18.1% difference between the median earnings of men and women as a percentage of men's earnings[29]

3.38 The overall gender pay gap, which includes full-time and part-time employees is measured using data from the Office for National Statistics' *Annual Survey of Hours and Earnings*. It is calculated as the difference between men and women's hourly earnings (excluding overtime) as a proportion of men's earnings.

3.39 In 2016, the gender pay gap was 18.1%, down from 19.3% in 2015. This is the largest year-on-year drop since 2010 and the lowest overall gap since 1997, when the Office for National Statistics first calculated the gap in this way.

3.40 In April 2017 we implemented regulations requiring large employers to publish their gender pay gap information, and launched an online portal where employers will publish their data annually. We have been raising awareness of the reporting requirements by closely engaging with employers and business groups. We have also published guidance for all employers who are subject to the new reporting obligations, including employers in the public sector, as well as a separate guidance note highlighting some of the key issues for the public sector. The Department published its gender pay gap and bonus pay gap on 28 June 2017, see paragraph 8.67 for further information.

3.41 We have also been taking action to address the causes of the gender pay gap related to education, participation in work, policies to support family life, and women in managerial and board roles.

3.42 Other indicators for the Government Equalities Office are set out below:

Government Equalities Office	2016	2015
Percentage of FTSE 350 board positions held by women	23.0%[30]	21.9%
Percentage of FTSE 100 senior executive leadership positions held by women	25.1%[31]	N/A
Number of same-sex marriages, including civil partnership conversions[32]	N/A	15,098
Number of schools participating in capacity-building projects to prevent homophobic, biphobia, and transphobic bullying	1,200+	N/A

[29] Source: ONS Annual Survey of Hours and Earnings, available at: http://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/annualsurveyofhoursandearnings/2016provisionalresults
[30] Source: Hampton-Alexander FTSE Women Leaders Report November 2016, available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/574540/ftse-women-leaders-review.pdf
[31] Source: Hampton-Alexander FTSE Women Leaders Report November 2016, available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/574540/ftse-women-leaders-review.pdf
[32] Source: ONS 2015: http://webarchive.nationalarchives.gov.uk/20160105160709/http://www.ons.gov.uk/ons/rel/vsob1/marriages-in-england-and-wales--provisional-/for-same-sex-couples--2014/index.html - no more recent data available.

Sustainability performance

3.43 During 2016-17, the Department has focused on targets which were proving more difficult to meet such as reducing waste to landfill and increasing recycling. The Department has worked closely with its facilities management provider to identify poorly performing sites and improve efficiency.

3.44 The Department agreed new Greening Government Commitments for 2016-20 and has exceeded all the targets for 2016-17 demonstrating considerable reductions against greenhouse gas emissions, waste and water as well as reducing associated financial costs.

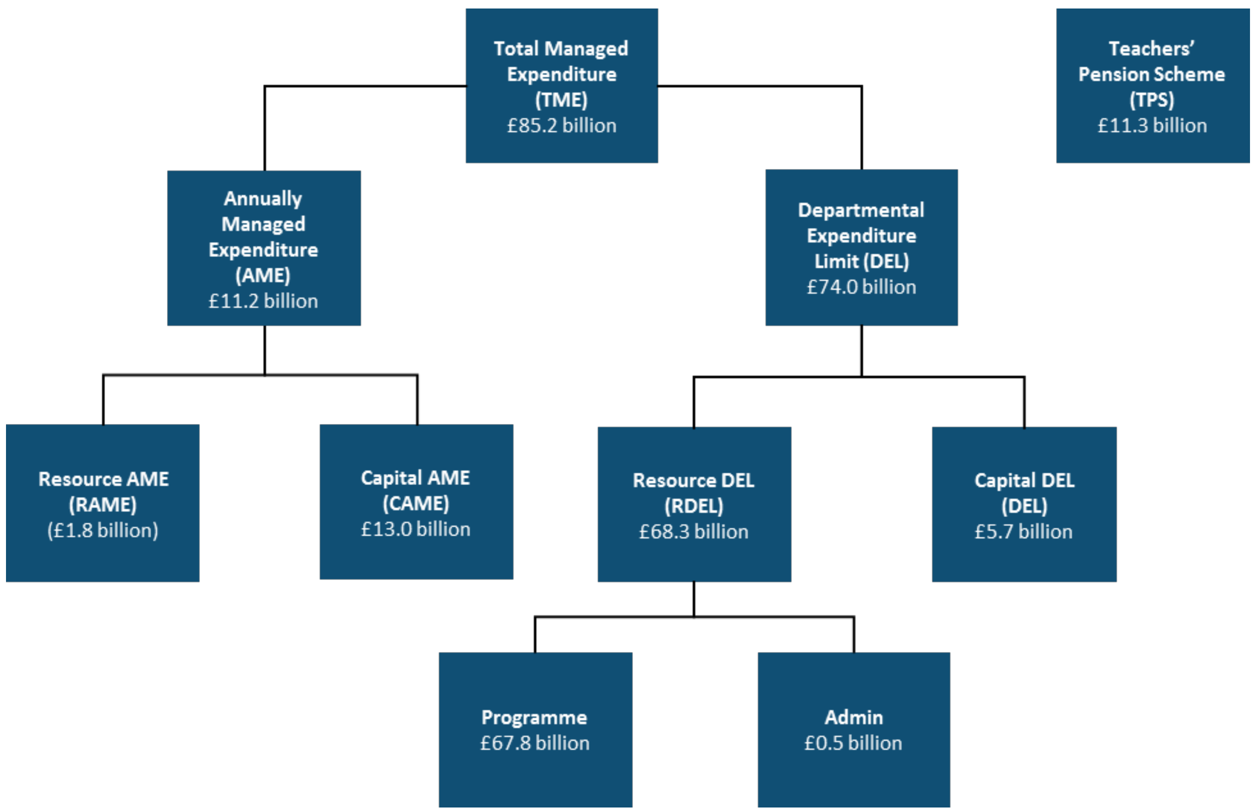
3.45 Detailed commentary and metrics on sustainability performance can be found in Annex B.

4. Financial overview

4.1 In 2016-17, following the MoG changes, the Total Managed Expenditure that the Department is accountable for was £85.2 billion up from the £71.0 billion reported in 2015-16.

4.2 Each year Parliament approves the total funds available to the Department to spend. The Department is accountable to Parliament for its performance and use of taxpayers' funds. The Secretary of State and Permanent Secretary are also accountable for the Teacher's Pension Scheme for England and Wales (TPS), which is accounted for via a separate vote from Parliament.

4.3 The diagram below explains the different segments of the Department's outturn.



4.4 Figures in brackets in the above diagram represent income. For explanations of the budget type, see HM Treasury (HMT) Managing Public Money[33].

Outturn compared to Estimate

4.5 Total outturn in 2016-17 was £85.2 billion against the Total Parliamentary Supply Total of £93.6 billion (see Section 9 for further details). The variance of £8.4 billion is primarily a result of £4.1 billion non-cash resource expenditure because of unused non-cash budget provision to cover volatility in student loan valuations.

33 https://www.gov.uk/government/publications/managing-public-money

These are impacted by changes in the Office for Budget Responsibility (OBR) forecasts (see Note 14 for further details). The further £1.6 billion variance on AME relates to the student loan outlay netted off by repayments. The cash resource variance is mainly driven by lower than budgeted uptake on both the Apprenticeships programme and Adult Education programme.

Type of spend (£m)	Estimate 2016-17	Outturn 2016-17	Variance
Departmental Expenditure Limit	**80,209**	**74,013**	**6,196**
Resource	**74,233**	**68,281**	**5,952**
Of which cash	60,105	59,473	632
Of which non-cash	14,128	8,808	5,320
Capital	**5,976**	**5,732**	**244**
Annually Managed Expenditure	**13,422**	**11,231**	**2,191**
Resource	(1,209)	(1,841)	632
Capital	14,631	13,072	1,559
Total Managed Expenditure	**93,631**	**85,244**	**8,387**

Trends in Total Managed Expenditure

4.6 Since 2012-13, Departmental spending has increased by £12.7 billion. The table below shows how spending has changed over the past five years (previous years have been restated). Over the period, the cash DEL position has been relatively stable. The variances in non-cash resource expenditure and capital AME, is a result of increased expenditure on student loans over the period.

	2012-13 Outturn	2013-14 Outturn	2014-15 Outturn	2015-16 Outturn	2016-17 Outturn
Departmental Expenditure Limit					
Administration	**614**	**572**	**542**	**485**	**510**
Of which cash	574	517	501	455	478
Of which non-cash	40	55	41	30	32
Programme	**61,895**	**64,071**	**61,659**	**61,985**	**67,771**
Of which cash	58,441	58,643	60,309	58,866	58,995
Of which non-cash	3,454	5,428	1,350	3,119	8,776
Capital	**4,635**	**4,120**	**4,764**	**5,068**	**5,732**
Of which cash	4,635	4,120	4,764	5,068	5,732
Total DEL	**67,144**	**68,763**	**66,965**	**67,538**	**74,013**
Of which cash	63,650	63,280	65,574	64,389	65,205
Of which non-cash	3,494	5,483	1,391	3,149	8,808
Annually Managed Expenditure	**5,384**	**7,984**	**9,426**	**3,446**	**11,231**
Resource	(864)	(499)	(1,137)	(8,196)	(1,841)
Capital	6,248	8,483	10,563	11,642	13,072
Total Managed Expenditure	**72,528**	**76,747**	**76,391**	**70,984**	**85,244**

Year on year comparison

4.7 Total expenditure in 2016-17 was £85.2 billion compared with £71.0 billion in 2015-16, an increase of £14.2 billion. The increase is largely due to changes in the impairment of student loans. In 2015-16 there was an impairment reversal of £3.6 billion and in 2016-17 there was an impairment of £8.7 billion, a net swing of £12.3 billion. The value of impairments (or impairment reversal) relates to the cost of new loans being issued and the revaluation of existing loans (for further details see Note 14.3). The remaining movement is mainly an increase in capital grants of £2.1 billion in relation to Basic Needs School Capital Grants and Higher Education and Further Education Grants (see Note 6.2).

4.8 The Department's Total Managed Expenditure is spent across five directorates: Education Standards; Higher & Further Education; Infrastructure & Funding; Insight, Resources and Transformation; and Social Mobility & Equalities. The table below shows the outturn broken down by directorate (see Note 3.1 for further details).

Directorate	2016-17 Net expenditure £000	2015-16 Net expenditure Restated £000	Variance £000
Education Standards	9,720,537	7,023,075	2,697,462
Higher & Further Education	26,722,999	13,610,605	13,112,394
Infrastructure & Funding	48,215,557	49,851,402	(1,635,845)
Insight, Resources & Transformation	213,066	127,874	85,192
Social Mobility & Equalities	371,515	371,194	321
	85,243,674	**70,984,150**	**14,259,524**

Education Standards Directorate

4.9 Spending on Education Standards - which includes design and delivery of the national curriculum, tests for primary children, GSCE and A-Levels, and teacher supply and training - has increased to reflect the transfer of responsibility for Early Years to Education Standards Directorate in 2016-17 from the Infrastructure & Funding Directorate. The total spend on Early Years in 2016-17 was £2.7 billion.

Higher & Further Education Directorate

4.10 The Department spent £26.7 billion on Higher and Further Education, including student loans, in 2016-17 compared with £13.6 billion in 2015-16, an increase of £13.1 billion. This is due to a £12.3 billion movement in student loan impairment mentioned above. The remaining increase is due to higher spend on the Apprenticeships programme and Further Education Skills Sector.

Infrastructure & Funding Directorate

4.11 Spending on Infrastructure and Funding for Schools includes the Dedicated Schools Grant (DSG) for LA schools; delivery of the Academies and Free Schools Programme; and capital spending on schools, totalling £48.2 billion, a decrease of £1.6 billion from the prior year. This is mainly due to Early Years funding of £2.7 billion transferring to the Education Standards Directorate in 2016-17 (2015-16 budgets have not been restated to reflect this structural change). The underlying movement is an increase of approximately £1.0 billion mainly due to increases in capital spending for improving the condition of the existing estates, rebuilding schools and building new schools.

Insight, Resources & Transformation Directorate

4.12 Costs incurred in Insight, Resources & Transformation relate to the corporate functions of the Department, including: Digital, Data and Technology; Finance; Commercial; Estates and Security; HR; Analysis; and Departmental Transformation. During 2016-17, the corporate centre was extended to include all functions to deliver coherent and centralised services to the rest of the Department. The expenditure increase reflects the resources transferred, in addition to a bigger estates portfolio and investment in modern and flexible ways of working.

Social Mobility & Equalities Directorate

4.13 Overall spending has remained constant at approximately £371 million, with the majority of spending on the Government Equalities Office, Strategy and Social Mobility and Children's Social Care.

Departmental Expenditure Limit (DEL) Admin

4.14 Included in the costs of each directorate, the Department spent £510 million on administration costs (i.e. costs incurred in running the Department), reflecting the expanded portfolio of delivery programmes directly undertaken by the Department particularly related to the rising number of academies. Of the £510 million, £317 million was spent on workforce (see Annex C) with the remaining expenditure on corporate services including estates and IT.

Annually Managed Expenditure (AME)

4.15 The Department’s reported Annually Managed Expenditure for 2016-17 is £11.2 billion, which largely comprises of the student loan outlay net of repayments, which is part of the Higher & Further Education directorate.

Cash outturn

4.16 The Department's cash outlay after restating for the MoG expansion has remained stable at £75.5 billion (2015-16: £75.2 billion). The Department did not utilise all the available Exchequer funds in 2016-17. The main reason for the £2.1 billion variance is that student loans issued were lower than budgeted, and the loan repayments were higher than budgeted for in the Supply Estimate. This resulted in the Department not requiring a net £1.5 billion for student loans. The remaining £0.6 billion variance is the net effect of over and underspends on other programmes.

Forward look and key risks

4.17 Looking ahead to 2017-18 the main changes to the Department relates to structural changes that include the merger of EFA and SFA into the ESFA.

4.18 The Department will continue to transform via the Building our Department Together programme.

4.19 The Department is working with other government departments to support the Brexit negotiations and understand the financial implications from exiting the EU. As macroeconomic changes impact the education sector, we will continue to carry out the necessary reforms of Further Education and Skills Sector to improve capability and productivity within the UK, supporting the UK to compete in the global market. The Department will also continue to drive social mobility with its funding and programmes targeted to areas which offer the greatest opportunity.

4.20 The Department is implementing a very large number of complex programmes across the education and children services sectors and is operating in a challenging environment of limited resources. The finance function will play a critical role in supporting ministers and the Department to allocate resources effectively to deliver its strategic objectives.

Jonathan Slater
Accounting Officer

13 July 2017

Accountability report

5. Corporate governance report

Report from the Chair of the Audit and Risk Committee

5.1 In 2016-17, the Department's remit expanded to include higher and further education, apprenticeships and skills. In this context the Departmental Board supported delivery of an ambitious programme of reforms and the organisational change required to deliver.

The Departmental Board

5.2 The Board met five times in 2016-17. Its agenda covered organisational and implementation issues that included: Departmental performance; strategic priorities; risk management; equalities and the progress of delivery programmes. The Board paid particular attention to Building our Department Together, the Department's transformation programme.

5.3 The non-executives met with the Secretary of State prior to board meetings and with each other after Performance Committee meetings. Individual non-executive board members also continued to offer external perspectives, challenge and support on specific issues outside formal meetings. These included commercial matters, and the governance and performance of Agencies. We also contributed to the Department's first delivery academy training programme.

5.4 Ruby McGregor-Smith led the annual review of Board effectiveness, which this year included external input, as required by the corporate governance code. The evaluation showed that overall the Board and its committees were felt to be operating effectively. Recommendations to review the information the Board receives on performance, to refresh the role of Performance Committee and to improve the visibility of the Board and its committees, are being taken forward as part of a wider review of Departmental governance.

Membership

5.5 There were changes to ministerial Board members in 2016-17 including, in July 2016, the Rt Hon Justine Greening MP as a new Secretary of State and new ministers Jo Johnson MP and the Rt Hon Robert Halfon MP. Since the end of the financial year, following the general election in June 2017, we have welcomed the Rt Hon Anne Milton MP and Robert Goodwill MP to the Board.

5.6 The non-executive team of David Meller, Marion Plant, Ruby McGregor-Smith and myself has remained stable over the year. Recruitment for a new lead non-executive has not yet concluded.

Committees

5.7 The Audit and Risk Committee (ARC) met six times in 2016-17. The committee has had significant focus on reviewing and making recommendations on the 2015-16 accounts and also resolving the complex accounting issues arising from the consolidation of academy trusts by the introduction of a new reporting framework in 2016-17. It also regularly reviewed the risk management framework as well as risks, issues and near misses. Following the MoG changes in July 2016, the committee restructured to reflect the Department's expanded family of NDPBs, including adding the chair of the Student Loans Company audit committee to its membership.

5.8 The Performance Committee met nine times in 2016-17. The committee has continued to adopt a problem-solving approach to challenges affecting the Department's main delivery priorities and plans for delivery. It has provided advice on the development and review of these plans, and the use of data, and has scrutinised the risks associated with implementation of major programmes.

5.9 As chair of the ARC, I also attended the monthly Management Committee, which provides the day-to-day operational leadership of the Department.

Looking ahead

5.10 2016-17 was a year of change for the Department that included an increased remit, changes in executive personnel and developing new ways of work via the transformation programme. The non-executive team will continue to help the Department consolidate and benefit from these changes as it navigates and responds to the delivery challenges in the year ahead.

Ian S Ferguson 13 July 2017

Non-executive board member, chair of Audit and Risk Committee

Ministers and the Departmental Board

Ministers at 31 March 2017

The Rt Hon Justine Greening MP – Secretary of State for Education, Minister for Women and Equalities

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

Caroline Dinenage MP – Parliamentary Under Secretary of State for Women, Equalities and Early Years

Jo Johnson MP – Minister of State for Universities, Science, Research and Innovation

Edward Timpson MP – Minister of State for Vulnerable Children and Families

The Rt Hon Robert Halfon MP – Minister of State for Apprenticeships and Skills

Lord Nash – Parliamentary Under Secretary of State for Schools

Departmental board members at 31 March 2017

Jonathan Slater – Permanent Secretary

Indra Morris – Director General, Social Care, Mobility and Equalities

Philippa Lloyd – Director General, Higher and Further Education

Paul Kett – Director General, Education Standards

Andrew McCully – Director General, Infrastructure and Funding

Howard Orme – Chief Financial and Operating Officer, Insight, Resources and Transformation

Peter Lauener – Chief Executive, Education and Skills Funding Agency

Non-executive board members

David Meller – Non-executive board member

Marion Plant OBE – Non-executive board member

Baroness Ruby McGregor-Smith CBE – Non-executive board member

Ian Ferguson CBE – Non-executive board member

Overview

5.11 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 officials in 2016-17

5.12 The Group's ministers and officials for 2016-17 were:

Ministers

Rt Hon Nicky Morgan MP (to 13 July 2016)	Secretary of State for Education, Minister for Women and Equalities
Rt Hon Justine Greening MP (from 14 July 2016)	Secretary of State for Education, Minister for Women and Equalities
Rt Hon Nick Gibb MP	Minister for State for School Standards
Edward Timpson MP	Minister of State for Vulnerable Children and Families
Lord Nash	Parliamentary Under Secretary of State for Schools
Sam Gyimah MP (to 15 July 2016)	Parliamentary Under Secretary of State for Childcare
Nick Boles MP (to 18 July 2016)	Minster of State for Skills and Enterprise (jointly with the Department for Business, Innovation and Skills)
Rt Hon Robert Halfon MP (from 15 July 2016)	Minister of State for Apprenticeships and Skills
Jo Johnson MP (from 15 July 2016)	Minister of State for Universities, Science, Research and Innovation
Caroline Dinenage MP	Parliamentary Under Secretary of State for Women and Equalities and Family Justice (jointly with the Department for Ministry of Justice) (to 16 July 2016)
	Parliamentary Under Secretary of State for Women, Equalities and Early Years (solely for the Department for Education) (from 17 July 2016)

Executive board members

Chris Wormald (to 2 May 2016)	Permanent Secretary
Jonathan Slater (from 3 May 2016)	Permanent Secretary
Andrew McCully	Director General, Infrastructure & Funding Directorate
Peter Lauener	Chief Executive, Education and Skills Funding Agency
Shona Dunn (to 24 June 2016)	Director General, Education Standards
Juliet Chua (from 27 June 2016 to 22 January 2017)	Acting Director General, Education Standards
Paul Kett (from 23 January 2017)	Director General, Education Standards
Tom Shinner (to 13 July 2016)	Director, Strategy
Philippa Lloyd (from 29 July 2016)	Director General, Higher & Further Education
Howard Orme (from 10 October 2016)	Director General, Insight, Resources and Transformation
Richard Calvert (to 31 October 2016)	Director General, Strategy & Resources
Paul Kissack (to 9 December 2016)	Director General, Children's Services, Equalities and Communications
Indra Morris (from 9 January 2017)	Director General, Social Care, Mobility and Equalities

Non-executive board members

Sir Paul Marshall (to 3 July 2016)	Lead non-executive board member
David Meller	Non-executive board member
Marion Plant	Non-executive board member
Ian Ferguson	Non-executive board member
Baroness Ruby McGregor-Smith	Non-executive board member

Register of interests

5.13 The Department maintains a register of interests which contains details of company directorships and other significant interests held by executive and non-executive board members. The Department publishes the register at the same time as laying this ARA in July 2017.

5.14 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[34].

Remuneration paid to auditors for non-audit work

5.15 For 2016-17, as in previous years, the audit of the Group and its component entities, except for The Student Loans Company Limited and Aggregator Vehicle PLC, was undertaken by the Comptroller and Auditor General (C&AG). Limited non-audit work was performed by the C&AG in respect of pension assurance engagements for ECITB and CITB.

	2016-17		2015-16	
	Department & Agencies £000	Group £000	Department & Agencies £000	Group £000
Audit work:				
non-cash	939	939	1,141	1,141
cash	-	382	-	369
Non-audit work (cash)	-	186	-	253

Data management

5.16 There was one protected personal data related incident in 2016-17 (2015-16: nil) which was reported to the Information Commissioner's Office. On subsequent investigation, there was no evidence to suggest that any loss or compromise of personal data to the detriment of any individual had occurred. Further detail on data security and compliance, is held within Annex A.

Political donations and expenditure

5.17 The Department has not made any political donations during 2016-17 (2015-16: £nil).

Financial instruments and exposure to risk

5.18 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 financial instruments.

5.19 Further information on the risks associated with financial instruments are set out at Note 13.

[34] The UK parliament website can be found at: http://www.parliament.uk/mps-lords-and-offices/standards-and-interests

Developments since the year end

Leaving the European Union

5.20 On 29 March 2017, the UK Government submitted its notification to leave the EU in accordance with Article 50. The triggering of Article 50 started a two-year negotiation process between the UK and the EU.

5.21 Any subsequent changes in legislation, regulation and funding arrangements are subject to the outcome of the negotiations. As a result, an unquantifiable remote contingent liability is disclosed. In accordance with accounting standards, no contingent assets can be recognised.

5.22 During this two-year period, which includes the full duration of the next accounting period, the UK remains a full member of the EU with all the rights and obligations arising from membership. There are no significant impacts on the financial statements in the short term from making the formal notification.

General Election

5.23 On 19 April 2017, the House of Commons voted to dissolve the sitting Parliament with a General Election held on 8 June 2017. The General Election returned the Conservative party as a minority government. The Rt Hon Justine Greening retained her role as Secretary of State for Education and the Department's role and policy areas remained broadly stable. We are not aware of changes for the forthcoming year.

Student loans sale

5.24 On 6 February 2017 the previous Government announced that the process to start selling part of the English student loan book had begun. To date, none of these loans have been sold. The new Government will take the decision about whether to continue with a sale process.

5.25 If a sale does proceed, the decision about value for money ahead of the sale would take account of a valuation of the loan book made on a different basis to that used to value the loans in the financial accounts. Under accounting policies, the amortised cost discount rate (currently 0.7%) applies in the financial accounts. Any decision to retain or sell an asset on the Government's balance sheet involves an assessment of the retention value of the asset based on HMT's *Green Book* principles where a discount rate must factor in a social time preference rate (currently 3.5%).

Research spending

5.26 Total research expenditure for the Department during 2016-17 was £11.3 million (2015-16: £11.1 million); this comprises £6.3 million (2015-16: £6.6 million) from the central research budget (original research) and £5.0 million (2015-16:

£4.5 million) from policy units (policy evaluation research). Key research strands during the year were International Evidence including Trends in International Mathematics and Science Study (TIMSS), Programme of International Student Assessment (PISA), Study of Early Education and Development (SEED), the Longitudinal Study of Young People in England: Cohort 2 and approximately 120 other research projects. Further details of these research strands are available online[35].

Branches outside the United Kingdom

5.27 The Group does not possess or operate any branches or entities outside the United Kingdom.

Compensation and payments to past directors

5.28 No payments have been made to former directors of the Department in 2016-17. (2015-16: £nil).

Directors' declaration

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

[35] Error! Hyperlink reference not valid. https://www.gov.uk/government/organisations/department-for-education/about/research

6. Statement of Accounting Officer's responsibilities

6.1 Under the *Government Resources and Accounts Act 2000* (GRAA), HMT has directed the Department for Education to prepare, for each financial year, consolidated resource accounts detailing the resources acquired, held or disposed of, and the use of resources during the year by the Group. The bodies to be consolidated are designated by order made under the GRAA (by Statutory Instrument 2017/310). The consolidating body will be known as the Departmental Consolidated Group, consisting of the Department and sponsored bodies listed at Note 28.

6.2 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 Consolidated Group. This should include the net resource outturn, resources applied to objectives, changes in taxpayer's equity and cash flows of the Departmental Consolidated Group for the financial year.

6.3 In preparing the accounts, the Accounting Officer of the Group is required to comply with the requirements of the *Government's Financial Reporting Manual* (FReM) and in particular to:

- observe the Accounts Direction issued by HMT, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- ensure that the Group has in place appropriate and reliable systems and procedures to carry out the consolidation process;
- make judgements and estimates on a reasonable basis, including those judgements involved in consolidating the accounting information provided by non-departmental and other arm's length public bodies;
- state whether applicable accounting standards as set out in the FReM have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

6.4 HMT has appointed the Permanent Secretary as Accounting Officer for the Group. The Accounting Officer is responsible for ensuring that appropriate systems and controls are in place to ensure that any grants that are made 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.

In turn, the Accounting Officer has appointed as Accounting Officers the Chief Executives (or equivalents) of its Agencies, and of its sponsored NDPBs.

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

6.6 The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the Department and its NDPBs are set out in Managing Public Money[36] published by HMT. The Permanent Secretary can confirm that these responsibilities have been discharged properly.

6.7 The accountability system statement for the Department[37] was published on 20 January 2015. An updated Accounting Officer System Statement is due to be published later in Summer 2017.

6.8 As Accounting Officer, as far as I am aware, there is no relevant audit information of which the Department's auditors are unaware. I have taken all of the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Department's auditors are aware of that information.

6.9 I also confirm that this annual report as a whole is fair, balanced and understandable, and take personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

[36] *Managing Public Money* is available at: https://www.gov.uk/government/publications/managing-public-money
[37] Accountability system statement:https://www.gov.uk/government/publications/accountability-system-statement--2

7. Governance statement

Scope of responsibility

7.1 The Department for Education is a ministerial department that is supported by and works with 17 Agencies and public bodies who assist the Department implementing its policies and achieving its aims and objectives, as listed in Note 28. The Agencies and public bodies consist of Executive Agencies, Executive Non-departmental Public Bodies, Advisory Non-departmental Public Bodies and other organisations.

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

7.3 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.

7.4 As the Permanent Secretary and Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Departmental policies, aims and objectives, whilst safeguarding the public funds and Departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*. Prior to my appointment, on 3 May 2016, this responsibility was held by my predecessor, Chris Wormald, and I have taken assurance from him that there was a sound system of internal controls during the period covered by these accounts.

7.5 Following the MoG changes in July 2016 as noted in paragraph 7.44, the Department became responsible for some functions of the former BIS. I have received assurances from Sir Martin Donnelly and Alex Chisholm (the relevant Permanent Secretaries), that appropriate controls were in place during part of the year they were either administering or fulfilling their roles as Accounting Officers for the transferring functions.

7.6 The Chief Executives of those NDPBs sponsored by the Department, and of the Department's Agencies are responsible for the maintenance and operation of the system of internal control in their area, as set out in their appointment letters and letters of delegated accountability. In all cases where statutory accounts are produced by sponsored bodies, the Chief Executive has, or will, sign a governance statement outlining their internal control systems.

The Department's governance structures

Departmental Board

The **Departmental Board** provides strategic and operational oversight for the Department and is supported by three committees. It is chaired by the Secretary of State and its membership comprised of Ministers, the Permanent Secretary, the Directors General, the Chief Executive of the Education and Skills Funding Agency and five non-executive board members.

Audit & Risk Committee

The **Audit and Risk Committee** supports the Board by providing independent scrutiny and challenge of the Department's arrangements for governance, risk management and internal control.

Performance Committee

The **Performance Committee** supports the Board by advising on the operational implications of policy objectives. It monitors the Department's performance against its plans for the delivery of the Secretary of State's priorities.

Management Committee

The **Management Committee** Provides day to day executive leadership and management on behalf of the Board. This includes financial performance, business planning, workforce planning, risk management and Departmental transformation.

There are three sub-committees of the Management Committee that play a key role in considering some of these management issues: the **Data, Digital & Technology**, **Finance & Investment** and **People Committees**.

Board attendance

7.7 Attendance at Board and committee meetings during the year is listed in the following tables.

Attendance at meetings	Meetings attended/Out of possible Departmental board	Management Committee	Performance Committee	Audit and Risk Committee
Ministers				
Rt Hon Justine Greening MP	4/4	n/a	n/a	n/a
Rt Hon Nicky Morgan MP	1/1	n/a	n/a	n/a
Nick Boles MP	1/1	n/a	n/a	n/a
Caroline Dinenage MP	4/5	n/a	n/a	n/a
Rt Hon Nick Gibb MP	4/5	n/a	n/a	n/a
Sam Gyimah MP	1/1	n/a	n/a	n/a
Lord Nash	4/5	n/a	n/a	n/a
Edward Timpson MP	5/5	n/a	n/a	n/a
Rt Hon Robert Halfon MP	3/4	n/a	n/a	n/a
Jo Johnson MP	2/4	n/a	n/a	n/a
Non-executive board members				
Ian Ferguson	5/5	11/11	9/9	7/7
Sir Paul Marshall	1/1	-/3	2/3	n/a
Baroness Ruby McGregor-Smith	3/5	n/a	4/9	n/a
David Meller	4/5	n/a	6/9	n/a
Marion Plant	5/5	n/a	6/9	n/a
Senior officials				
Chris Wormald	-/-	1/1	-/1	n/a
Sue Baldwin	n/a	n/a	1/1	n/a
Richard Calvert	3/4	5/5	4/4	n/a
Shona Dunn	1/1	1/2	3/3	n/a
Simon Fryer	n/a	6/8	n/a	n/a
Simon Judge	n/a	8/8	n/a	n/a
Paul Kissack	4/4	7/7	5/6	n/a
Peter Lauener	5/5	11/11	5/7	n/a
Tim Leunig/Donna Ward	n/a	n/a	7/9	n/a
Andrew McCully	3/5	11/11	8/9	n/a
Tom Shinner	1/1	2/3	3/3	n/a
Juliet Chua	3/3	4/6	3/4	n/a
Paul Kett	1/1	2/3	2/2	n/a
Philippa Lloyd	3/4	7/8	5/6	n/a
Indra Morris	1/1	3/3	2/2	n/a
Howard Orme	3/3	6/6	4/5	n/a
Jonathan Slater	5/5	10/10	8/8	n/a
Independent members				
Christopher Baker	n/a	n/a	n/a	6/7
Janet Eilbeck	n/a	n/a	4/4	6/6
Mark Sanders	n/a	n/a	n/a	6/7
Natalie Elphicke	n/a	n/a	n/a	1/1
Nigel Johnson	n/a	n/a	n/a	1/1

7.8 As part of the Department’s transformation programme, Building our Department Together, three sub-committees of Management Committee were set up. Management Committee delegates some decision making to these committees, which are chaired by the Department's Directors General, and draw membership from Directors General and directors:

- the Digital, Data and Technology Committee first met during March 2017 and provides oversight of the use of data and technology as enablers to the Department's digital transformation;
- the Finance and Investment Committee first met during December 2016 and provides oversight of the Department's budgets; and
- the People Committee first met during March 2017 and provides oversight of and governance for HR policies.

The risk management framework

7.9 Successful management of the children's services and education system is vital to the long-term future of the country. Our risk management approach seeks to devolve accountability to those best placed to manage them, with overall strategic direction on the approach to risks and their management set centrally. A corporate risk team acts as the central point for advice and guidance on effective risk management. The team coordinates the Department's Top Tier Risk Register, which is the route by which the most significant risks are escalated to the Department's boards and committees.

7.10 For all risks, whether they report to the top-tier of Departmental governance or not, we adopt the 'three lines of defence' approach to managing these effectively.

7.11 The first line of defence for each type of risk is an effective system of Senior Responsible Owners (SROs), programme boards and budget managers that monitor and manage risks relating to their specific area of responsibility. The central risk team works with individual SROs and project teams to help build capability and consistency in the management of their risks. Senior civil servants participate in a formal process to complete their assurance framework record; to demonstrate what they are doing to fulfil their responsibility for:

- appropriately managing the resources they oversee;
- having effective governance arrangements, systems and internal controls in place, to support decision making and budget management; and
- effectively identifying and managing risks and conflicts of interest in their area.

7.12 The second line of defence is fulfilled by a cross-department monitoring and reporting framework. In July 2016, the Department changed how the risks report to the top-tier of Departmental governance. The Management Committee receive a quarterly update of risks that need on-going top-tier oversight. This pack includes a greater emphasis on action required by the committee to either reduce risk likelihood or impact. If required more detailed interrogation of the risks can be undertaken by either Management or Performance Committee. Alongside Management Committee, summary priority delivery plans, which include are considered by the Performance Committee.

7.13 The third line of defence constitutes the oversight of the Board, the Government's Internal Audit function which operates a comprehensive audit and assurance programme, and the Department's ARC, which oversees it

- Non-executive board members sit on the Department's Management and Performance Committees and sit on and chair the ARC. Independent members of the ARC provide challenge and scrutiny. The ARC remains the forum that provides assurance on the effectiveness of the arrangements in place. A key part of this role is to review the management of the key financial propriety risks and receive reports on the management of fraud risks.

- The internal audit plan is set at the beginning of the financial year, informed by a number of considerations including the Department's business plan, organisational changes and key identified areas of risk. It is reviewed by ARC, and revisited as appropriate during the year to reflect changing circumstances. The ARC reviews at each meeting all amber and red rated internal audit reports for that period. It also receives quarterly progress reports, including updates on completed and outstanding actions arising from recommendations. 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 Government Internal Audit Agency (GIAA).

7.14 The Department benefits from other independent assurance processes such as Major Project Reviews and NAO studies targeting areas of high risk or interest.

7.15 The Department is currently assessing this risk framework against the *Management of Risk in Government Framework* (January 2017) to identify areas for further improvement.

7.16 During 2016-17 we continued with a rigorous approach to risk management that considers three types of risk; system, delivery and organisational risks. Significant risks that have been managed by the Department's governance during 2016-17 include the following:

7.17 **System risks** that permanently exist regardless of government policy and require ongoing Management Committee oversight because of the severity of their impact if realised:

- The **risk of financial failure in schools** has been monitored closely throughout the year. Schools are facing pressures from increased pay and pensions contributions and are also managing reductions in non-core funding, particularly the removal of the general rate of the Education Services Grant. The Department is introducing a National Funding Formula, a key mitigation, which will ensure the schools with the greatest need for resources, given historic underfunding, receive them. We have a comprehensive school efficiency programme in place, which is supporting schools to make savings and remain financially stable. We also have oversight of the risk of financial failure in other areas of Departmental responsibility. The Department has also, through area reviews, closely monitored the financial health of FE colleges that may have been strained by market trends. Furthermore, HECFE reports annually on the financial health of HEIs that may be challenged by current and possible trends, for example international student recruitment post-Brexit.
- There is a **risk that the quality and supply of teachers and school leaders**, both new teachers and those already in the profession, is insufficient to achieve the government's vision that all children and young people have access to a high-quality education. Recruitment to initial teacher training remains challenging and is likely to continue to be so especially in some secondary subjects, due to increasing pupil numbers in secondary, an improving economy creating opportunities elsewhere and the increase in hours taught in EBacc subjects.

7.18 **Delivery risks** to the specific policy programmes of the government of the day;

- The Government is committed to increasing the entitlement to free childcare for working parents to 30 hours. There is a **risk that there are not enough good quality early years (education, childcare and children's centres) places** for young children to meet the 30 hours entitlement. Progress is being made in mitigating this risk; the consultation on a National Funding Formula provided indicative funding allocations and evaluation of 'early implementer' LAs will also assist in identifying and determining how to address risks to overall deliverability.
- Risks around **delivering the major reform programme set out in the Post-16 Skills Plan** include successful restructuring of the FE sector; actively managing funding reductions in 16-19 funding and from LAs; and tackling the need for sufficient English and Maths teachers in FE colleges through the FE workforce programme. Failure to deliver these reforms would mean failure to

tackle major long-standing problems around skills shortages, productivity and social mobility. Programmes including Area Reviews and related restructuring facility are helping to ensure that we have the right capacity to meet the needs of students and employers in each area, provided by institutions which are financially stable and able to deliver high quality provision.

7.19 **Organisational risks** to the effective running of the Department.

- As with other central Government departments and public sector organisations the **risk the Department is unable to fulfil its responsibilities due to a sustained cyber-attack** is taken very seriously. The Department is proactivity mitigating this risk in a number of ways including updating our IT systems and infrastructure and developing capability for a Security Operations Centre housing a dedicated team supported by specialist system monitoring tools, thus enabling early alert and pro-active management of a potential cyber-attack. In addition, penetration testing of all Department systems in accordance with CESG policy and industry best practise is undertaken by the Cyber Security team.

Key areas affecting programme delivery and the Group's operational effectiveness, where risk and assurance processes are particularly important

Organisational objectives and outcomes

Primary school testing

7.20 As detailed last year, the Standards and Testing Agency (STA) published modified versions of the sample test materials online in December 2015. Regrettably, one of the guidance documents included in that release, for use with the modified large print version of the KS1 spelling test, contained the 2016 live test words rather than sample words.

7.21 When this issue came to light in April 2016, the Minister of State for Schools announced that schools would not be required to administer the KS1 English grammar, punctuation and spelling tests for 2016. All other KS1 and KS2 tests for 2016 continued as planned.

7.22 On 9 May 2016 Pearson Education Limited (PEL), the STA's external marking supplier, mistakenly uploaded the KS2 English grammar, punctuation and spelling (GPS) test onto its secure marker portal site, 16 hours ahead of schedule. It was only accessible for a short period of time before being removed. Only contracted markers had access to the site, all of whom were under a contractual obligation not to share sensitive information.

7.23 This error was spotted by an unknown person who contacted the Guardian newspaper. However, they chose not to publish the GPS test material. STA and PEL took immediate action to identify the root cause of the incident and confirm that the test was not compromised. The STA conducted intensive internet monitoring and found no evidence that the material was shared more widely prior to the GPS test day. The KS2 English GPS test therefore went ahead as planned on 10 May 2016.

7.24 Following these issues, the Minister of State for Schools commissioned a root and branch review of the Agency, which took place in the summer of 2016. The STA welcomed the review when it was announced and engaged openly and constructively with the review team. The STA Review report[38] was published on 9 November 2016 and the STA fully accepted the findings and the review team's recommendations. The STA's response[39] was published alongside the full report.

Children's social care reforms

7.25 A key risk for SCME in the area of Children's Social Care reforms is that of a widespread failure of LA children's services, as judged by Ofsted, and the risks to our most vulnerable children and families which would result. Ofsted's Social Care Report 2016[40] identifies 24 of 152 LAs with children's social care responsibilities are 'inadequate' according to their Ofsted rating.

7.26 A programme of work seeks both to tackle failure directly, through interventions using good LAs and other social care experts, and to tackle the underlying causes of failure. Putting Children First set out a programme of improvements to workforce and leadership, practice and systems and accountability and governance.

7.27 The risk is monitored by the Department's Management and Performance Committees on a regular basis. The Department's Delivery Unit is working with the relevant policy and delivery teams to determine what improvements to our approach can be made.

Shared service provision

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

[38] STA Report: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/566914/STA_review_-_Final_report__FINAL_.pdf
[39] STA response: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/566949/STA_review_-_Agency_response__FINAL_.pdf
[40] Available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/574464/Ofsted_social_care_annual_report_2016.pdf

7.29 There have been no significant failures of service during the year. However, the Department is keen to see an improvement in the service and process quality experienced by staff, and in the Department's ability to use transactional service data to generate better quality management information.

7.30 The Department has experienced historic challenges in creating smooth end-to-end transactional processes, incorporating both the shared service and Departmental processes. The Department has built a substantial suite of controls to protect data and transaction fulfilment, and these controls are regularly assessed by internal auditors. However, there has not been a full audit of the end-to-end process across the entire transaction in the case of the shared service provision. The Department is keen to carry out such a review in 2017-18.

7.31 During the year, the service provider's external assessment of the design and operation of controls (undertaken in accordance with *International Standard on Assurance Engagements* (ISAE 3402) received a qualified opinion from its ISAE 3402 auditors, as a number of the controls in place at the service provider had not operated as expected.

7.32 This reduces the degree of assurance that the Department can place on the effectiveness of the controls operated by the shared service provider. However, the Department has been able to rely on the strength of its own internal processes and control environment to manage the risk of control failure with the shared service provider. I am comfortable that these controls continue to operate effectively.

7.33 Given the combination of service and control challenges, the Department will be reviewing its transactional service arrangements to ensure it operates processes that are fit for purpose, flexible, and offer the best possible support to the Department.

Counter fraud, error and debt

7.34 The Department continues to work with Cabinet Office and the cross-government programme to reduce fraud within the public sector, sharing information with the Cabinet Office. At any time, a number of potential instances of fraud may be under investigation, either by the Department, GIAA or by the police.

7.35 Following the MoG in 2016, a significant change in the Department's potential fraud landscape has seen the ongoing integration of HE and FE organisations (i.e. HEFCE, SLC) into the wider Department counter fraud, error and debt function. This has required the adoption of a new operational model and additional counter fraud resources being recruited by the Department.

7.36 A central team provides strategic guidance and co-ordination of activity, overseen by a nominated board member. This includes adherence to cross-government requirements: for example, the Department, EFA, SFA, NCTL, HEFCE and SLC are required to meet the Cabinet Office functional standards for counter-fraud activity and to complete an annual capacity assessment.

7.37 Where an allegation of fraud is made, both the central team and the business area team are alerted. Where fraud, bribery or corruption is suspected, the case is pursued by trained investigators appointed by the central team, involving the courts if necessary and seeking to recover lost funds. A written report is provided detailing both the case and any recommendations for improvement. Centralised reporting of identified instances of fraud is via both the consolidated data return process to Cabinet Office, and regular updates to ARC.

7.38 Each of the Department’s bodies has its own counter-fraud team, to co-ordinate local efforts. The Department and its bodies take a risk-based approach in this area, to ensure that available resources and time are focused on the highest-risk areas.

7.39 Work is also co-ordinated across bodies where this is beneficial. For example, the Department’s Higher Education Fraud and Error Resilience Board co-ordinates activity across partners to strengthen counter fraud and error systems and capability. Board members include Department, SLC, HEFCE and GIAA. The Department carries out a rolling programme of review of controls with SLC, designed to ensure that fraud and error in the student finance system are minimised.

Knowledge, information and asset management

7.40 Managers are responsible for controlling and reviewing user access to information systems containing sensitive information to ensure that access remains in line with job responsibilities. This is particularly important in the Due Diligence and Counter Extremism Group (DDCEG), where sensitive information is handled on a daily basis by appropriately trained and security-checked staff.

7.41 Internal Audit undertook follow up work which looked in particular at the effectiveness of DDCEG's operational functions. In December 2016 they reported that good progress had been made against recommended actions and that the combination of staff training and additional skills bought into the team would help to reduce the risk exposure.

7.42 Both Knowledge, Information and Records Management teams continue to respond to the recommendations detailed in the Information Management

Assessment, carried out by the National Archives in 2015. An action plan had been produced and a review of progress is to be undertaken in 2017.

7.43 No significant issues arose in year; details of personal data issues reported to the Information Commissioner in 2016-17 are set out in Annex A.

Machinery of Government changes

7.44 As a result of the MoG changes in July 2016, the Department has taken on responsibility for Higher and Further Education, apprenticeships and adult skills which have transferred from the former BIS.

7.45 The move provides greater coherence across the whole education system. Different elements will be better able to share expertise on educational challenges such as:

- ensuring that learning reflects employer needs in a changing labour market, and keeps pace with a digital age;
- ensuring that everyone has access to the highest-quality teaching (particularly in Science Technology Engineering Maths);
- and helping people, whatever their background, and wherever they come from, to fulfil their potential and make good progress to university, apprenticeship, or employment and beyond into their future career.

7.46 The move will also help to simplify and enhance consistency across funding systems by making one department responsible for educational funding. For example, responsibility for delivery of the three million apprenticeships target had been split between the Department (for those aged 16 – 18) and the former BIS (for those aged 19 and over).

7.47 Previously, responsibility for the Skills Plan, an ambitious framework to support young people and adults to secure sustained skilled employment - had also been split between the Department and BIS. The Department will now lead on the implementation of long-term reform.

7.48 The bodies that transferred as part of MoG were:

- Executive agencies: Skills Funding Agency
- Executive NDPBs:
  - The Student Loans Company;
  - Higher Education Funding Council for England;
  - Office for Fair Access;
  - Shadow Institute for Apprenticeships;

- Construction Industry Training Board;
- Engineering Construction Industry Training Board;
- Film Industry Training Board; and
- UK Commission for Employment and Skills (ceased operations in March 2017).

7.49 For a full list of bodies within the Departmental accounting boundary, see Note 28.

7.50 The Department has restated is accounts to reflect the Group's enlarged responsibilities in accordance with relevant accounting standards. See Notes 1.4.1 and 2 for more details.

Removal of the Academy Trust transactions and balances in the Group accounts

7.51 The Department has included academy trusts in its consolidated ARA for the previous four financial years (2012-13 to 2015-16). During those years the Department received significant audit qualifications from the C&AG. The cause of the qualifications was primarily the consolidation approach adopted to align the different year ends between the academy sector (31 August) and the Department (31 March).

7.52 The Department judged the audit qualification to be structural; offering little opportunity to address due to restrictions in suitable alternative consolidation approaches. Consequently, in 2015-16 the Department secured agreement from Parliament to remove the academy sector from its consolidation boundary and prepare a separate standalone ARA for the academy sector – the SARA. The new reporting arrangements respond to the C&AG's 'adverse' opinion on the Department's consolidated accounts for the years ending 31 March 2014, 2015 and 2016. This opinion was in part due to the complex methodology used to present results based on a seven-month difference in the reporting periods used by ATs and the Department.

7.53 From 2015/16 the Department will produce the SARA for the academy sector and its own consolidated ARA will revert to the Department and its other bodies. The Departmental Group ARA will present grant expense to the sector which will be reflected as income in SARA.

7.54 The objectives of the new report are to:

- provide a more holistic overview of the academy sector aligning reporting of financial results with education performance;
- separate AT spending from Departmental spending; and

- make it easier for Parliament, parents and taxpayers to scrutinise and test information about academies' funding and spending.

7.55 The Department will prepare the first SARA for the reporting period from 1 September 2015 to 31 August 2016. In February 2017 the Permanent Secretary wrote to the Education Select Committee explaining that the Department expects the first SARA to be published by the end of October 2017. In future years the Department remains committed to publishing the SARA before the summer recess.

7.56 The removal of the academy sector from the Departmental Group into SARA is unusual and does not match existing norms for MoG movements. Whilst the Department is removing the sector from its consolidation boundary, it retains responsibility for Parliamentary accountability of the sector.

7.57 These accounts show the grants paid to academies by the Departmental Group. Prior year comparatives have been restated to remove AT expenditure, replacing these figures with the grants paid to them by the Departmental Group.

7.58 Note 2 presents a breakdown of the restatement for both 2015-16 for all primary statements and the 2015 Statement of Financial Position (SoFP). *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors* (IAS 8) requires that restatements are pushed back to all periods they affect. The removal of the academy sector requires the restatement to be pushed back to 2012-13 as that was the first year of including the sector in the Departmental consolidation. All prior year changes are accounted for cumulatively in the earliest SoFP; which is as at 31 March 2015.

7.59 Another significant issue arising from the transfer of the sector into SARA is the value of the transfer arising from the different effective dates of the transfer. The transfer's effective date for the Department will be 1 April 2016; being the day after the last accounting period which included the sector to 31 March 2016. However, the effective date for SARA will be 1 September 2015 which is the start of its first accounting period.

7.60 Therefore, the value of the sector's operations (assets, liabilities, and retained earnings) removed from the Department's consolidated accounts will not match the associated values initially recognised by SARA. The cause of the difference is that the two sets of ARAs (the Department's and SARA) contain different populations of AT.

7.61 The initial transfer to SARA is composed of all trusts that had operational academies as at 31 August 2015; whereas the Department's 2015-16 ARA contained trusts with operational academies as at 31 March 2016. The

Department ARA contained additional trusts whose academies opened between 1 September 2015 and 31 March 2016. During the transfer to SARA it is this population of academies that are removed from the Group since their opening dates are after the initial operational date of 1 September 2015.

7.62 Further information about how the Department consolidated the sector based on two populations of academies can be found in the Department's 2015-16 ARA[41].

Compliance with the corporate governance in central government departments: code of good practice

7.63 With the exception of the departures explained below, the Department has complied with the code of good practice for corporate governance in central government departments. The Board and its committees consider the alternative arrangements have ensured good governance, albeit in a different way from the suggested approach:

- the code recommends that departments have a Nominations and Governance committee to advise on systems for leadership and talent management, and to scrutinise incentive structures and governance arrangements. These responsibilities were carried out by the Management Committee, which was chaired by the Accounting Officer. The Management Committee addressed HR issues on a monthly basis, and at quarterly talent boards, identified the Department's top talent including nominations for central talent schemes and development opportunities; reviewed and agreed proposals for running Departmental talent schemes; and discussed and agreed succession plans for the most senior and critical roles. A non-executive board member attended the end-year meeting at which rewards and incentive packages for senior officials were agreed, in order to provide additional scrutiny and challenge.
- ARC was chaired by a non-executive board member. It has not been possible, as recommended by the code, to have a second non-executive board member attending on a regular basis. The committee is therefore significantly strengthened by the attendance of two independent members with financial expertise. Membership included the chair of the EFA Audit Committee and from March 2017 the chair of the SLC Audit Committee on the basis that those bodies manage large budgets.
- while the Board considered Departmental risk overall and set the direction for the risk management framework as required by the code, the risk management processes were primarily addressed by the ARC. Any risks relevant to their remit were considered by all three sub-committees of the

[41] https://www.gov.uk/government/publications/dfe-consolidated-annual-report-and-accounts-2015-to-2016

Board. The Department reviewed its risk management framework to strengthen oversight of system, organisational and delivery risks and clarified the role of the committees in oversight of these.

- the Department did not conclude recruitment of a lead non-executive board member to succeed Sir Paul Marshall during the financial year. At present, the experienced non-executive team share the responsibilities that usually fall to the lead non-executive.

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

7.65 An assessment of the Board's effectiveness is set out in the report from the Chair of ARC in Section 5. As part of the Department's transformation programme, and following MoG changes in 2016-17, the Department is currently reviewing its governance arrangements. This includes refreshing our strategy for partnership with NDPBs, taking account of the principles set out in Partnerships with arm's length bodies: code of good practice[42].

7.66 As Accounting Officer for the whole Group, I have responsibility for reviewing the effectiveness of the system of internal control. My review was informed by my senior management team (including Accounting Officers for Agencies and NDPBs, who have responsibility for the development and maintenance of the internal control framework), Internal Audit, and comments made by the National Audit Office (NAO) in their management letter and other reports. I required each Director General, and the heads of certain other units who report directly to me, to sign an annual assurance statement covering risk management, the operation of related controls in their areas of responsibility, and their use of resources allocated to them.

7.67 This supplemented the regular reporting to the Management Committee 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.

7.68 Governance statements from Directors General incorporated the main points arising in statements received from the NDPBs and Agencies they oversee. The main findings are summarised within this statement below.

[42] Available at: https://www.gov.uk/government/publications/partnerships-with-arms-length-bodies-code-of-good-practice

7.69 During 2016-17, the ARC discussed consolidation of the Group accounts and recommended sign off of the 2015-16 Group ARA and those of the Group's Agencies. It also advised me as the Accounting Officer on the accounts for the TPS and on the anticipated production of the 2015/16 SARA and associated risks.

7.70 The committee 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 (PAC) and Value for Money reports and arrangements for managing incidents of fraud, error and debt.

7.71 The committee considered reforms to its membership and structure to ensure it could effectively advise the Board following the MoG changes. The committee strengthened its membership with the chair of the SLC Audit Committee and an independent member who had previously sat on the BIS's Audit and Risk Committee. For Agencies which did not have their own Audit Committee, and HEFCE, members agreed to have further contact outside of committee meetings to ensure the ARC maintains a good understanding of the risk and audit issues that affect these bodies.

7.72 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 AT 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 EFA on the probity and appropriateness of the use of Group funding allocated to them.

7.73 The Department's accountability system statement, describing the main systems of accountability for education and children's services, was first published in September 2012 and has been periodically reviewed to maintain its currency. The latest edition was published in January 2015[43]. An updated version will be published in the summer of 2017. I also received assurance from a range of external sources, such as the Department for Communities and Local Government's (DCLG) Accountability System Statement[44].

7.74 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

[43] The January 2015 statement can be found at: https://www.gov.uk/government/publications/accountability-system-statement-for-education-and-childrens-services

[44] The DCLG statement can be found at: https://www.gov.uk/government/publications/accountability-system-statement-for-local-government

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.

Further sources of assurance

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

7.76 Internal audit and assurance services are provided by GIAA, based on a service level agreement. 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 the ARC.

7.77 Of the four possible opinion ratings, the rating given by GIAA for 2016-17 was Moderate. A Moderate rating states that some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control. The opinion direction is made on the basis of the work and assurance provided during 2016-17 to date, meetings with senior management, and the provision of our advisory work.

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

7.79 In 2016-17, GIAA issued 15 reports (out of a total of 70) with assurance rated as Limited and one report with an assurance rating of Unsatisfactory. 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 & 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.

7.80 The reports which received a Limited or Unsatisfactory rating, are:

- IT Governance (Unsatisfactory);
- EFA Capital Financial Management;
- EFA Capital Priority Schools Building Programme Governance;
- Interims and Contingent Labour;
- Financial Reporting Transition Project;
- Grant and Contract Management;
- Data Quality Governance;
- Cyber Security;

- Corporate Portfolio Management Office;
- Technology Fit for The Future;
- Data and Systems Benefits Management;
- Apprenticeships Reform;
- Apprenticeships End to End Development/Digital Apprenticeship Service;
- Academies and Free Schools Recurrent Funding (Allocations Testing and Scalability);
- Funding Agencies Shared Services; and
- Disabled Students' Allowance.

7.81 Management have broadly accepted the conclusions and the majority of the recommendations of the Limited Assurance reports; actions arising are all either in progress or completed.

Value for money studies

7.82 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.

7.83 The NAO define 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 make recommendation on how to achieve better value for money and to improve the services under examination. More information regarding the value for money studies can be found online.

7.84 The NAO published the following value for money reports relating to the Departmental Group in 2016-17:

- Delivering value through the Apprenticeship programme[45] which examined how the Department is implementing, delivering and expanding the apprenticeships programme to meet the governments ambitions. The apprenticeship programme’s aim is for three million high quality apprenticeships by 2020 ensuring the skills employers need, are available.

[45] Delivering value through apprenticeships: https://www.nao.org.uk/report/delivery-value-through-the-apprenticeships-programme/

- Children in need of help or protection[46] examined the Department's execution of the ambitious programme of reforms regarding children's services. The aim of the reforms is to improve the quality, and consistency of all children's services ensuring they work quickly so every child grows up free from harm and in a stable nurturing home environment.
- Financial sustainability in schools[47] examined the Department's approach to managing the risks to school's financial sustainability, primarily the required efficiency savings of up to £3 billion by 2019-20. The Department is looking to schools to finance high standards by making savings and operating more efficiently.
- Capital funding for schools[48] examined the Department's strategy towards capital funding for schools. The Department identified that having enough safe high quality schools in the right areas is a crucial part of the education system. To achieve this objective, the Department continues to work closely with local authorities and schools.

7.85 I, along with my senior leadership team, provided evidence on each report to the Public Accounts Committee, which are published on their website[49].

7.86 In addition the NAO also published an investigation The DfE's management of a potential conflict of interest[50], which focussed on how the Department identified and managed a potential conflict of interest between the Chief Social Worker for Children and Families and a company called Morning Lane Associates. This was discussed by the Public Accounts Committee at the end of the child protection hearing.

[46] Children in need of help or protection https://www.nao.org.uk/report/children-in-need-of-help-or-protection/
[47] Financial sustainability of schools: https://www.nao.org.uk/report/financial-sustainability-in-schools/
[48] Capital funding for schools: https://www.nao.org.uk/report/capital-funding-for-schools/
[49] Public Accounts Committee website: http://www.parliament.uk/business/committees/committees-a-z/commons-select/public-accounts-committee/
[50] NAO Investigation: https://www.nao.org.uk/report/investigation-the-departments-management-of-a-potential-conflict-of-interest/

Conclusion

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

Jonathan Slater 13 July 2017

Accounting Officer

8. Remuneration and staff report

Overview

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

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

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

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

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

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

Remuneration

Part A: Unaudited

Ministers' and other board members' remuneration policy

8.6 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*.

8.7 Performance management and reward policy for members of the Senior Civil Service (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. The SCS performance management and reward principles for 2015-16, which include explanations of how base pay and performance awards levels are made and assessed are published[51]. SCS performance awards are allocated from a central salary 'pot' expressed as a percentage of the Department's SCS salary bill, which is agreed centrally each year following the SSRB recommendations. In 2015-16 this 'pot' was limited by the Cabinet Office to 3.3% (2014-15: 3.3%) of the total SCS salary bill from which individuals were awarded varying amounts, dependent on performance.

8.8 SCS pay is decided by the SCS Remuneration Committee, chaired by the Permanent Secretary, and comprising members of the Management Committee. 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[52]. The Permanent Secretary meets separately with a non-executive board member to determine the pay of Management Committee members.

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

8.9 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.

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

8.11 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[53].

[51] The Senior Civil Service Performance Management and Reward principles can be found at: https://www.gov.uk/government/publications/senior-civil-service-performance-management
[52] The SSRB website for additional information is: https://www.gov.uk/government/organisations/review-body-on-senior-salaries
[53] The Civil Service Management Code is set out at: https://www.gov.uk/government/publications/civil-servants-terms-and-conditions

Service contracts

8.12 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 on a different basis.

8.13 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[54] is available.

Part B: Audited

Remuneration (including salary) and pension entitlements

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

Ministers

				2016-17				2015-16
	Salary £	Severance payments £	Pension benefits (to nearest £000) £	Total (to nearest £000) £	Salary £	Severance payments £	Pension benefits (to nearest £000) £	Total (to nearest £000) £
Secretary of State								
Rt Hon Justine Greening MP (from 14 July 2016)	45,003 *(67,505)*	-	13,000	58,000	-	-	-	-
Rt Hon Nicky Morgan MP (to 14 July 2016)	19,329 *(67,505)*	16,877	4,000	40,000	67,505	-	19,000	87,000
Ministers of State								
Rt Hon Nick Gibb MP	31,680	-	9,000	41,000	31,680	-	13,000	45,000
Edward Timpson MP	31,680	-	8,000	40,000	30,629	-	11,000	42,000
Rt Hon Robert Halfon MP (from 15 July 2016)	22,653 *(31,680)*	-	6,000	29,000	-	-	-	-
Jo Johnson MP (from 15 July 2016)	-	-	-	-	-	-	-	-
Nick Boles MP (to 18 July 2016)	-	-	-	-	-	-	-	-
Parliamentary Under Secretaries of State								
Caroline Dinenage MP (from 17 July 2016)	14,917 *(22,375)*	-	4,000	19,000	-	-	-	-

[54] Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org.uk

	2016-17				2015-16			
	Salary £	Severance payments £	Pension benefits (to nearest £000) £	Total (to nearest £000) £	Salary £	Severance payments £	Pension benefits (to nearest £000) £	Total (to nearest £000) £
Lord Nash	-	-	-	-	-	-	-	-
Sam Gyimah MP (to 15 July 2016)	7,458 *(22,375)*	-	2,000	9,000	22,375	-	7,000	29,000

8.15 No benefits-in-kind were paid to Minsters during 2016-17 (2015-16: £nil).

8.16 Nick Boles MP served in a joint post as Minister of State with BIS. His ministerial salary and pension was paid by BIS and is disclosed by them in their ARA.

8.17 Jo Johnson MP served in a joint post as Minister of State for Universities, Science, Research and Innovation with BIS. His ministerial salary and pension was paid by BIS and is disclosed by them in their ARA.

8.18 In 2015-16, Caroline Dinenage MP received salary from Ministry of Justice (MoJ) for her post as Parliamentary Under Secretary of State for Women, Equalities and Family Justice. Her remuneration was disclosed by MoJ. From 17 July 2016 the ministerial responsibilities transferred solely to the Department, accordingly the Department recognised her remuneration in this ARA.

8.19 No remuneration was taken by Lord Nash in either year presented in this report.

Officials

	2016-17 Salary £000	Bonus payment £000	Benefits -in-kind £	Pension benefits (to nearest £000) £000	Total £000	2015-16 Salary £000	Bonus payment £000	Benefits -in-kind £	Pension benefits (to nearest £000) £000	Total £000
Permanent Secretary										
Jonathan Slater (from 3 May 2016)	130-135 *(155-160)*	-	-	27	160-165		-	-	-	-
Chris Wormald (to 2 May 2016)	25-30 *(160-165)*	-	-	19	45-50	160-165	15-20	-	90	270-275
Directors General										
Richard Calvert (to 31 October 2016)	80-85 *(140-145)*	-	-	63	145-150	70-75 *(135-140)*	-	-	83	150-155
Juliet Chua (from 27 June 2016 to 22 January 2017)	75-80 *(95-100)*	5-10	-	14	100-105	-	-	-	-	-
Shona Dunn (to 24 June 2016)	30-35 *(120-125)*	-	-	12	40-45	120-125	-	-	55	175-180
Paul Kett (from 23 January 2017)	20-25 *(115-120)*	-	-	25	45-50	-	-	-	-	-
Paul Kissack (to 9 December 2016)	80-85 *(125-130)*	-	732	32	110-115	120-125	5-10	1,200	133	265-270
Peter Lauener	140-145	-	-	8	145-150	140-145	-	-	35	175-180
Philippa Lloyd (from 29 July 2016)	80-85 *(120-125)*	-	-	49	130-135	-	-	-	-	-
Andrew McCully	125-130	-	-	33	160-165	125-130	-	-	40	165-170
Indra Morris (from 9 January 2017)	20-25 *(130-135)*	-	-	-	20-25	-	-	-	-	-
Howard Orme (from 10 October 2016)	65-70 *(155-160)*	-	-	17	80-85	-	-	-	-	-
Directors										
Tom Shinner (to 13 July 2016)	40-45 *(125-130)*	10-15	-	25	80-85	125-130	10-15	-	50	185-190

8.20 No severance payments were paid to Officials during 2016-17 (2015-16: £nil).

8.21 The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights. Pensions benefits movements are affected by duration of membership and earnings during this time and contain an actuarial calculation.

8.22 On 1 April 2017, Peter Lauener became the Chief Executive of the ESFA after the EFA and SFA merged.

Salary

8.23 '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 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.

8.24 Three of the non-executive board members received remuneration from the Department. Marion Plant received £15,000 (2015-16: £15,000), David Meller received £15,000 (2015-16: £15,000), and Baroness Ruby McGregor-Smith received £17,500 (2015-16: £2,500).

Benefits-in-kind

8.25 The monetary value of benefits–in-kind covers any benefits provided by the Department and treated by HM Revenue and Customs as a taxable emolument.

8.26 During the year 2016-17 one board member received benefits-in-kind (2015-16: one).

Bonuses

8.27 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 2016-17 relate to performance in 2015-16 and the comparative bonuses reported for 2015-16 relate to the performance in 2014-15.

Pay multiples

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

8.29 The banded remuneration of the highest-paid director in the Department in the financial year 2016-17 was £160,000-165,000 (2015-16: £160,000-165,000). This was 4.3 times (2015-16, 4.3) the median remuneration of the workforce, which was £37,795 (2015-16: £37,565).

8.30 In 2016-17, nil (2015-16: nil) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £9,000 to £165,000 (2015-16: £18,000 to £163,000).

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

Ministerial pensions

	Accrued pension at age 65 as at 31/3/17 £000	Real increase in pension at age 65 £000	CETV at 31/3/17 £000	CETV at 31/3/16 £000	Real increase in CETV £000
Secretary of State					
Rt Hon Justine Greening MP (from 14 July 2016)	10-15	0-2.5	125	114	5
Rt Hon Nicky Morgan MP (to 14 July 2016)	0-5	0-2.5	34	31	1
Ministers of State					
Rt Hon Nick Gibb MP	0-5	0-2.5	67	56	5
Rt Hon Robert Halfon MP (from 15 July 2016)	0-5	0-2.5	5	-	2
Jo Johnson MP (from 15 July 2016)	-	-	-	-	-
Edward Timpson MP	0-5	0-2.5	31	25	2
Nick Boles MP (to 18 July 2016)	-	-	-	-	-
Parliamentary Under Secretaries of State					
Caroline Dinenage MP (from 17 July 2016)	0-5	0-2.5	8	5	1
Lord Nash	-	-	-	-	-
Sam Gyimah MP (to 15 July 2016)	0-5	0-2.5	12	11	1

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

8.33 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[55].

8.34 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 aged 55 or older on 1 April 2013 have transitional protection to remain in the previous final salary pension scheme.

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

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

The Cash Equivalent Transfer Value (CETV)

8.37 This 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 pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total ministerial service, not just their current appointment as a minister. CETVs are calculated in accordance with *The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008* and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in the value of the CETV

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

[55] The rules are available at: http://qna.files.parliament.uk/ws-attachments/170890/original/PCPF%20MINISTERIAL%20SCHEME%20FINAL%20RULES.doc

Officials

	Accrued pension at pension age as at 31/3/17 and related lump sum £000	Real increase in pension and related lump sum at pension age £000	CETV at 31/3/17 £000	CETV at 31/3/16 £000	Real increase in CETV £000
Permanent Secretary					
Jonathan Slater (from 3 May 2016)	55-60 plus lump sum of 165-170	0-2.5 plus lump sum of 2.5-5	1,148	1,075	24
Chris Wormald (to 2 May 2016)	60-65 plus lump sum of nil	0-2.5 plus lump sum of nil	867	855	10
Directors General					
Andrew McCully	55-60 plus lump sum of 75-80	0-2.5 plus lump sum of 7.5-10	1,032	959	27
Shona Dunn (to 24 June 2016)	30-35 plus lump sum of 85-90	0-2.5 plus lump sum of 0-2.5	527	519	5
Peter Lauener	70-75 plus lump sum of 215-220	0-2.5 plus lump sum of 0-2.5	1,626	1,611	8
Richard Calvert (to 31 October 2016)	55-60 plus lump sum of 170-175	2.5-5 plus lump sum of 7.5-10	1,170	1,103	55
Paul Kett (from 23 January 2017)	20-25 plus lump sum of nil	0-2.5 plus lump sum of nil	252	232	11
Philippa Lloyd (from 29 July 2016)	45-50 plus lump sum of 50-55	2.5-5 plus lump sum of 0-2.5	859	782	44
Indra Morris (from 9 January 2017)	-	-	-	-	-
Howard Orme (from 10 October 2016)	25-30 plus lump sum of nil	0-2.5 plus lump sum of nil	527	492	15
Juliet Chua (from 27 June 2016 to 22 January 2017)	10-15 plus lump sum of 25-30	0-2.5 plus lump sum of nil	132	135	(8)
Paul Kissack (to 9 December 2016)	30-35 plus lump sum of 75-80	0-2.5 plus lump sum of 0-2.5	401	373	10
Directors					
Tom Shinner (to 13 July 2016	5-10 plus lump sum of nil	0-2.5 plus lump sum of nil	68	59	5

Civil Service pensions

8.39 Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 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.

8.40 These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

8.41 Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all other members of 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 in 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*.

8.42 The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% up to 30 September 2015 and 8% and 14.75% from 1 October 2015 (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary up to 30 September 2015 and 0.5% of pensionable salary from 1 October 2015 to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

8.43 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[56] can be found online.

Cash Equivalent Transfer Values

8.44 A 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.

8.45 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

[56] The pension arrangements can be found at: www.civilservicepensionscheme.org.uk

actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

8.46 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.

Staff report

Part A: Audited

Staff costs

	Permanently employed staff £000	Ministers £000	Special advisers £000	Other £000	2016-17 Group Total £000	2015-16 Group Total Restated £000
Wages and salaries	324,786	188	178	55,736	380,888	345,803
Social security costs	35,739	18	26	25	35,808	28,095
Pension costs	56,607	-	32	46	56,685	58,247
	417,132	**206**	**236**	**55,807**	**473,381**	**432,145**
Less recoveries in respect of outward secondments	(6,480)	-	-	-	(6,480)	(2,152)
	410,652	**206**	**236**	**55,807**	**466,901**	**429,993**
Of which:						
Department & Agencies	255,430	206	236	41,156	297,028	263,210
NDPBs	161,702	-	-	14,651	176,353	168,935
	417,132	**206**	**236**	**55,807**	**473,381**	**432,145**

8.47 The Group has charged staff costs relating to capital asset new school build and major refurbishment projects to Priority Schools Building Programme (PSBP). This totalled £16.7 million (2015-16: £15.6 million) for the free schools programme and £5.9 million (2015-16: £8.2 million) for the PSBP.

Average number of persons employed

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

	Permanently employed staff	Ministers	Special advisers	Other	2016-17 Group Total	2015-16 Group Total Restated
	Number	Number	Number	Number	Number	Number
Department	3,064	7	3	128	3,202	2,775
Executive Agencies	1,909	-	-	467	2,376	2,314
NDPBs	4,794	-	-	161	4,955	4,867
	9,767	**7**	**3**	**756**	**10,533**	**9,956**

8.49 Notes:

- A total of 548.5 FTE posts were transferred from BIS to the Department's payroll in March 2017. This included staff out on loan, on maternity leave and on sick leave.
- The number of staff employed by Agencies in 2016-17 includes the SFA, which is now part of the Group.
- Staff numbers for the Group's NDPBs has increased in 2016-17 following the MoG changes. Details of the Group's new NDPBs can be found in paragraph 7.44 and Note 28.
- Aggregator Vehicle PLC is part of the Group but it has no employees.
- The figures published in the 2015-16 ARA did not include SFA and the additional NDPBs that joined the Department from BIS in 2016-17; the figures shown above have been restated to include them for consistency.
- Employees of Academy Trusts are not reported in the Group accounts from 2016-17; these are covered by the SARA, to be published in October 2017 for the 2015/16 academic year.
- The Group has included European School Teachers in the Department staff numbers. Although the Group undertakes the recruitment and payroll of the teachers, their management is handled directly by the schools they work in. Many of the Civil Service terms and conditions applicable to teachers because they are bound by separate terms laid down by the European Schools Convention (EU treaty/law).

Pension schemes

8.50 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 and in Note 24.

Civil Service pensions

8.51 The PCSPS and the Civil Servant and Other Pension Scheme (CSOPS) - known as "alpha" are unfunded multi-employer defined benefit schemes but the Department is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2012. You can find details in the resource accounts of the Cabinet Office.

8.52 For 2016-17, employers' contributions of £21.9 million were payable to the PCSPS and CSOPS (2015-16: £30.9 million) at one of four rates in the range 20.0% to 24.5% of pensionable earnings, based on salary bands. The scheme actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2016-17 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Partnership pension accounts

8.53 Group employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £148,000 (2015-16: £259,000) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable earnings up to 30 September 2015 and from 8% to 14.75% of pensionable earning from 1 October 2015. The Group also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £5,000 (2015-16: £10,000), 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.

8.54 Contributions due to the partnership pension providers at the balance sheet date were £14,000 (2015-16: £26,000). Contributions prepaid at that date were nil (2015-16: £nil).

Staff by grade and gender

Grade	Male	Female	2017 Total	Male	Female	2016 Total
Permanent Secretary	1	-	1	1	-	1
Director General	6	4	10	6	3	9
Director	44	32	76	38	25	63
Deputy Director	91	117	208	88	92	180
Grade 6	349	337	686	274	284	558
Grade 7	612	802	1,414	621	742	1,363
Senior Executive Officer	705	815	1,520	624	737	1,361
Higher Executive Officer	752	972	1,724	647	788	1,435
Executive Officer	925	1,417	2,342	761	1,151	1,912
Executive Assistant	976	1,387	2,363	1,039	1,357	2,396
	4,461	**5,883**	**10,344**	**4,099**	**5,179**	**9,278**

8.55 Notes:

- The above figures cover permanent staff at 31 March 2017, based on headcount.
- The disclosures have been calculated using data received from the Department (including European School Teachers), Agencies and NDPBs.
- The total in 2016-17 includes 548.5 posts transferred from BIS to the Department; 2015-16 comparatives do not include these staff, as information on the gender split for grades transferred is unavailable.
- Minor discrepancies in the disclosed totals may be present due to rounding figures to the nearest whole number.

Reporting of civil service and other compensation schemes

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

- employees who agreed to leave during the year and left by 31 March 2017; and
- employees who have committed to leave by 31 March 2017; for whom the exit packages have been accrued.

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

Department & Agencies

Exit package cost band	Number of compulsory redundancies 2016-17	2015-16	Number of other departures agreed 2016-17	2015-16	Total number of exit packages by cost band 2016-17	2015-16
<£10,000	-	-	4	21	4	21
£10,001 - £25,000	-	1	12	82	12	83
£25,001 - £50,000	1	5	8	127	9	132
£50,001 - £100,000	-	-	6	139	6	139
£100,001 - £150,000	-	-	-	1	-	1
Total number of exit packages	**1**	**6**	**30**	**370**	**31**	**376**
Total costs (£000)	**30**	**168**	**857**	**16,675**	**887**	**16,843**

Group

Exit package cost band	Number of compulsory redundancies 2016-17	2015-16	Number of other departures agreed 2016-17	2015-16	Total number of exit packages by cost band 2016-17	2015-16
<£10,000	19	2	30	27	49	29
£10,001 - £25,000	35	2	44	97	79	99
£25,001 - £50,000	63	7	38	147	101	154
£50,001 - £100,000	19	2	28	143	47	145
£100,001 - £150,000	4	1	-	1	4	2
£150,001 - £200,000	4	-	-	-	4	-
£200,001+	9	-	-	-	9	-
Total number of exit packages	**153**	**14**	**140**	**415**	**293**	**429**
Total costs (£000)	**8,761**	**496**	**4,132**	**17,932**	**12,893**	**18,428**

8.58 Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the *Superannuation Act 1972*. Exit costs are accounted for in full in the year of departure. Where the Group has agreed early retirements, with agreed employer funded top-up for early access to pensions, the employer top-up costs are met by the Group alongside compensation for loss of office. Payments comprise either a lump sum payment for loss of office and, in cases where early retirement with agreed employer funded top-up for early access to pensions, the employer top-up costs are met by the Group alongside compensation for loss of office. The total cost to the Group will therefore be higher than the amounts received by individuals. The exit costs of staff in the Agencies are borne and managed centrally by the Department. Information on departure costs and numbers for each agency are also reported in the individual Agency's ARA to aid transparency.

8.59 During the 2016-17 reporting year there was an increase in redundancies costing over £100,000 due to a restructure of one of the NDPBs, the CITB. This restructure was announced in October 2015 to enable CITB to become a more strategically focused organisation. The values of redundancy increased on previous years due to employee's long terms of service and the terms of CITB's defined benefit pension scheme which has now closed. For further information, see CITB's ARA[57].

8.60 Ill-health retirement costs are met by the pension scheme and are not included in the table. Two persons (2015-16: three persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £7,000 (2015-16: £10,000).

Part B: Unaudited

Analysis of staff policies and statistics

Our people

Recruitment practice

8.61 The Department has a duty to ensure it is fully compliant with the Civil Service Commissioners' recruitment principles. The Department's approach to recruitment reflects its commitment to equal and fair opportunity for all. All recruitment processes comply with the *Equality Act 2010*.

Sickness absence

	2016-17	2015-16
Sickness absence days per FTE	4.0	4.7

8.62 Figures at 31 March 2017 showed that the average number of working days lost through sickness absence across the Department and Agencies was 4.0 per FTE - a 0.7-day decrease from the figures for the year ended 31 March 2016. This compares well with figures across the Civil Service, which were 7.2 average working days lost per full time equivalents (FTE) in the year ending 31 March 2016[58].

Commitment to improving diversity

8.63 The Department's Equality, Diversity and Inclusion Plan, refreshed and updated in September 2016, it contains a number of actions that will help us take steps towards the development of a highly capable, diverse workforce. The plan has three key aims, to build a Department which reflects the society we serve, in which

[57] CITB's Annual Report and Accounts: https://www.gov.uk/government/publications?departments%5B%5D=construction-industry-training-board
[58] Civil Service sickness absence data available: https://www.gov.uk/government/publications/civil-service-sickness-absence

everyone has the opportunity to develop and progress in their career and which embraces an inclusive culture for all.

8.64 The Department has benchmarked itself against external organisations, reaching the top 150 of the Stonewall employer index this year. It has also made a number of improvements to its recruitment processes, using anonymised sifting of applications, introducing more inclusive language in its job adverts and targeting recruitment at under-represented groups for example by advertising on diversity websites. It has also trained over 30 mental health first aiders who are now active within the Department. There are Board champions for race, gender, disability, sexual orientation, age and wellbeing. In addition, there is a thriving group of diversity networks representing the interests of their members.

Addressing under-representation

8.65 We have chosen not to set specific targets for representation within our workforce, in line with the overall Civil Service approach, but we continue to focus on addressing areas where particular groups of staff are under-represented. The numbers in the table below are based on actual headcount at the specified dates. They will not align exactly with headcount data in the accounts, as these are based on FTEs.

	31-Mar-17		31-Mar-16		31-Mar-15		31-Mar-14		31-Mar-13	
	%	No:	%	No:	%	No:	%	No:	%	No:
Women in Senior Civil Service (SCS)	56	105	46	65	45	60	44	59	49	81
Women in Top Management Positions	50	23	46	20	43	20	41	14	43	12
Black and Minority Ethnic (BME) in SCS	3	4	4	5	4	<5	6	5	4	<5
Disabled in SCS	5	5	-	<5	3	<5	6	<5	5	5
Lesbian, Gay, Bisexual and Transgender in SCS (LGBT)	8	9	7	10	9	5	7	5	7	6
Women in feeder grades	55	839	54	575	53	600	53	590	53	632
BME in feeder grades	12	124	9	100	11	95	12	95	11	96
Disabled staff in feeder grades	7	67	6	60	10	65	9	55	10	66
LGBT in feeder grades	5	38	2	25	4	25	4	25	5	31

8.66 The Department is making good progress on implementing the actions set out in the Equality, Diversity and Inclusion Plan. We are a leading department in offering diversity and inclusion learning and have run more unconscious bias, mental health awareness and disability awareness training than the majority of other government departments. We are also a leading department on the Positive Action Pathway scheme, and have supported our first participant on the new talent programme ‘Accelerate’. Furthermore, the Permanent Secretary, Directors

General, and many directors have participated in successfully mentoring talented staff from under-represented groups. A number of staff networks have been established; the women's network's introductory events poll receiving nearly 400 responses from Departmental colleagues. Senior leaders are actively demonstrating their personal responsibility and accountability; each network is sponsored by an active SCS Champion, every Positive Action Pathway cohort has a senior sponsor and every Management Committee member will be participating in the Department's first Mutual Mentoring cohort.

Gender pay gap reporting

8.67 On 28 June 2017, the Department became the first Government department to publish its gender pay gap and bonus pay gap[59], setting an example to other employers on promoting gender equality in the workplace.

8.68 The Department has reported a mean pay gap – the difference between average salaries for men and women – of 5.3% and a median pay gap of 5.9%. This is compared to the UK's national gender pay gap of 18.1% which is the lowest since records began in 1997.

8.69 The Department is committed to reducing its gender pay gap and has introduced a range of initiatives to support women in the workplace, including:

- support for women returning to work: through shared parental leave, job sharing or part time opportunities. The Department has also updated its guidance on supporting staff returning from maternity or adoption leave;
- helping women progress in their careers: through talent management schemes such as the Positive Action Pathway, open to all from protected characteristic groups;
- providing networks: the Departmental women's equality network, Network 58, runs upskilling events, promotes campaigns and holds talks to support women in the workplace;
- monitoring pay: to identify any pay differences and take targeted action where appropriate;
- improving the recruitment process: the Department has anonymised the application process to reduce unconscious bias and ensuring that all interviewers have undergone unconscious bias training; and
- focus on gender equality: the Department has made gender equality a central part of the Departmental Diversity and Inclusion strategy.

[59] https://www.gov.uk/government/news/department-for-education-reports-gender-pay-gap?post_id=noID

8.70 The detailed information published shows the Department has also reported a mean bonus pay gap of only 0.8% and a 0.0% median bonus pay gap. Its bonus awards are based on performance and this 0.0% pay gap reflects the fact that men and women's performance is valued equally and fairly.

8.71 Breaking down the gender pay gap data by quartiles has helped the Department to identify exactly where attention should be focused. Over half (55%) of the Department's senior civil servants are female and there is a higher proportion of women than men in the Department's top pay quartile. However, there is also a higher concentration of women to men in the Department's lowest pay quartile, which has contributed to the gender pay gap. Through the initiatives referenced above, the Department will work to continue to support women's progress in the workplace.

Engagement with employees

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

8.73 The Department conducts a full people survey annually, the 2016 survey results were published in December 2016. We achieved an 92% response rate, an increase on the 88% response rate for the 2015 survey. Our engagement index was 62% which represents an increase on last year's index score of 60%. The information from the survey is being used to support development of the Department's strategies and continually improve our levels of employee engagement.

Consultancy and temporary staff

8.74 Consultants are hired to work on projects in a number of specific situations: where the Department does not have the skills set required; where the particular requirement falls outside the core business of civil servants, or 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 Department needs. We are committed to the consistent application of the Cabinet Office's 2010 controls on consultancy and other spending[60].

8.75 For the Department and its Agencies, spend on consultancy requires completion of a business case which is signed off by a senior civil servant. Consultancy engagements below £10,000 are cleared by the deputy director with budget/delivery responsibility. Engagements between £10,000 and £20,000 are

[60] https://www.gov.uk/government/publications/cabinet-office-controls

scrutinised and cleared by the Head of Procurement. For engagements over £20,000, the implications for Finance and HR must also be considered and approved, then signed off by the lead Efficiency Controls Minister. If these cases are also expected to last in excess of nine months, or are for procurement related consultancy they are additionally scrutinised by Cabinet Office.

8.76 The Department's consultancy expenditure in 2016-17 was £12.1 million (2015-16: £8.6 million). This included NDPB costs of £6.0 million (2015-16: £5.1 million). This expertise was mainly used to support change programmes across the Group and specialist research contracted out to third parties.

8.77 The Department has contracts for the engagement of staff and specialist contractors to cover short term requirements such as covering unexpected absences, short term peaks in workload, short term projects or a permanent vacancy until the vacancy can be filled. Use of contingent labour is also subject to the efficiency controls process and requires ministerial approval for recruitment to SCS equivalent grades, and Director General approval for grades below this. Contingent labour expenditure in 2016-17 for the Department was £53.5 million, including NDPB costs of £14.4 million (2015-16 (restated): £31.4 million, including £9.4 million NDPB costs).

Impact of IR35 legislation

8.78 At Autumn Statement 2016 the government made reforms to tax legislation from 1 April 2017 that impacted contractors working across the public sector who are employed through an intermediary company (typically a personal service company (PSC)), and who would be employees were it not for that intermediary. From April 2017, the responsibility to pay employment taxes shifted from the PSC to the public sector body or agency that engage the contractor.

8.79 The Department put in place central governance arrangements to ensure overall compliance with the legislation and to ensure a clear and consistent approach was in place to manage the assessment process.

8.80 We communicated with all of our off-payroll workers and used the HMRC assessment tool to determine the scope of those remaining with us and who were not subject to new compliant methods of contracting. HMRC indicated that as long as the information entered into the tool was robust they would support its decision. Accordingly, business leaders signed-off assessments made within their business areas.

8.81 We remain committed to deepening our engagement with impacted workers and continue to explore compliant methods to contract against clear, demonstrable outcomes. We are putting in place detailed guidance that will support future contracting arrangements and will ensure business commitment to maintaining a compliant approach, remaining sighted on off-payroll numbers and to seek to reduce our reliance of off-payroll working where appropriate.

8.82 The overall impact to the Department has been minimal and we expect all business critical outputs to be delivered within agreed timeframes. There were a number of lesser priority IT projects which have been placed on hold for a minimum of three months while we put in place IR35 compliant arrangements for their delivery.

8.83 We are implementing detailed guidance on future contract arrangements and working with all business areas to confirm their commitment to maintaining a compliant approach and reducing reliance on off payroll workers where appropriate.

Review of tax arrangements of public sector appointees

8.84 As part of the *Review of 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, between 1 April 2016 and 31 March 2017.

8.85 The tables on the following pages set out this information.

For all off-payroll engagements as of 31 March 2017, for more than £220 per day and that last for longer than six months

	Dept	EFA	SFA	NCTL	STA	EHRC	HEFCE	SLC	LocatED	Group
Number that have existed for:										
less than one year at time of reporting	89	19	16	6	-	3	1	8	1	143
between one and two years at time of reporting	500	16	4	-	18	1	2	2	-	543
between two and three years at time of reporting	3	10	-	-	-	1	-	-	-	14
between three and four years at time of reporting	-	24	-	-	-	-	-	-	-	24
four or more years at time of reporting	1	2	-	-	-	-	1	-	-	4
Engagements as of 31 March 2017	593	71	20	6	18	5	4	10	1	728

8.86 During 2016-17, OCC, ECITB, CITB, OFFA and UKCES did not have any off-payroll engagements for more than £220 per day that lasted longer than six months.

8.87 All of the existing off-payroll engagements, outlined above, have at some point been subject to a risk based assessment as to whether assurance is required that the individual is paying the right amount of tax and, where necessary, that assurance has been sought.

All new off-payroll engagements, or those that reached six months in duration, between 1 April 2016 and 31 March 2017, for more than £220 per day and that last for longer than six months

	Dept	EFA	NCTL	STA	HEFCE	SLC	Group
No. of new engagements, or those that reached six months in duration, between 1 April 2016 and 31 March 2017	531	4	6	18	3	10	572
Of which:							
No. of the above which include contractual clauses giving the Department the right to request assurance in relation to income tax and National Insurance obligations	499	-	6	-	3	10	518
No. for whom assurance has been requested	477	-	6	18	3	10	514
Of which:							
No. for whom assurance has been received	477	-	6	18	2	8	511
No. for whom assurance has not been received	-	-	-	-	1	2	3
No. that have been terminated as a result of assurance not being received.	-	-	-	-	-	-	-

8.88 During 2016-17, SFA, EHRC, OCC, ECITB, CITB, OFFA, UKCES and LocatED did not have any new engagements that reached six months in duration for more than £220 per day.

Off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2016 and 31 March 2017

	Dept	SLC	Other	Group
No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	1	1	-	2
No. of individuals that have been deemed “board members, and/or, senior officials with significant financial responsibility”, during the financial year. This figure should include both off-payroll and on-payroll engagements.	46	13	49	108

8.89 Following a period of leadership instability within the Chief Information Officer’s Group an individual was appointed as the Department’s Chief Technology Officer. His work previously in the Group’s delivery solutions programme provided him with a unique position of knowing the business, key internal and external stakeholders and the Group's technology landscape. All of which meant the appointment could provide value for money in reducing the time, and as such cost, required for alternative providers to build relationships with staff and to understand the technology modernisation challenges facing the Group. The single tender was approved by Ministers. The contract covered the period from June 2015 to March 2017, and expired once the decision was taken to bring the digital and technology functions together under a new Chief Digital and Technology Officer.

8.90 The SLC arrangement was put in place from February 2017 to November 2017, to address a critical business risk identified from the departure of the Chief Information Officer. SLC's remuneration committee considered it critical that the individual be retained to determine SLC's future IT operating model, minimise business risk during the academic year peak cycle and to assist with the transition of 'digital customer' to the new Chief Customer Officer.

8.91 During 2016-17, the following bodies did not have any individuals that were off-payroll that were deemed board members and/or senior officials with significant financial responsibility. The number of on-payroll individuals are disclosed in brackets: SFA (-), EFA (7), NCTL (1), STA (1), EHRC (2), OCC (1), HEFCE (21), CITB (6), UK CES (9), OFFA (1) and LocatED (-).

9. Parliamentary accountability and audit report

Consolidated Statement of Parliamentary Supply: audited

for the year ended 31 March 2017

Summary of resource and capital outturn 2016-17

	Note	Estimate Voted £000	Estimate Non-voted £000	Estimate Total £000	Outturn Voted £000	Outturn Non-voted £000	Outturn Total £000	2016-17 Voted Outturn compared with Estimate: saving/ (excess) £000	2015-16 Outturn Total Restated £000
DEL									
Resource	S1.1	74,232,711	-	74,232,711	68,280,501	-	68,280,501	5,952,210	62,469,979
Capital	S1.2	5,975,816	-	5,975,816	5,731,632	-	5,731,632	244,184	5,067,913
AME									
Resource	S1.1	(1,208,479)	-	(1,208,479)	(1,840,662)	-	(1,840,662)	632,183	(8,195,962)
Capital	S1.2	14,630,615	-	14,630,615	13,072,203	-	13,072,203	1,558,412	11,642,220
Total budget		**93,630,663**	**-**	**93,630,663**	**85,243,674**		**85,243,674**	**8,386,989**	**70,984,150**
Non-budget									
Resource		-	-	-	-	-	-	-	-
Total non-budget		-	-	-	-	-	-	-	-
Total		93,630,663	-	93,630,663	85,243,674	-	85,243,674	8,386,989	70,984,150
Total Resource		73,024,232	-	73,024,232	66,439,839	-	66,439,839	6,584,393	54,274,017
Total Capital		20,606,431	-	20,606,431	18,803,835	-	18,803,835	1,802,596	16,710,133
Total		**93,630,663**	**-**	**93,630,663**	**85,243,674**	**-**	**85,243,674**	**8,386,989**	**70,984,150**

Net cash requirement 2016-17

Note	2016-17 Estimate £000	2016-17 Outturn £000	2016-17 Outturn compared with Estimate: saving /(excess) £000	2015-16 Outturn £000
S3	**77,570,081**	**75,517,768**	**2,052,313**	**75,226,192**

Administration costs 2016-17

Note	2016-17 Estimate £000	2016-17 Outturn £000	2015-16 Outturn £000
S1.1	**524,961**	**510,069**	**485,426**

Explanation of variances between Estimate and Outturn are given in the commentary on significant variances between Estimate and Outturn in Section 4 Financial Overview.

Prior year outturn has been restated to reflect the MoG changes described in paragraph 7.44.

The notes on pages 86 to 91 form part of this Statement of Parliamentary Supply.

Notes to the Accounts (Statement of Parliamentary Supply): audited

S1. Net outturn

S1.1 Analysis of net resource outturn by section

										2016-17	2015-16 Outturn
	Outturn							Estimate			
	Administration			Programme							
	Gross	Income	Net	Gross	Income	Net	Total	Net Total	Net total compared to Estimate	Net total compared to Estimate, adjusted for virements	Total Restated
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Spending in DEL											
Voted expenditure:											
Activities to Support all Functions	360,362	(107,714)	252,648	38,194	(29,336)	8,858	261,506	315,383	53,877	42,169	254,218
School Infrastructure and Funding of Education (Department)	-	-	-	537,711	(740)	536,971	536,971	574,985	38,014	38,014	139,528
School Infrastructure and Funding of Education (ALB) (net)	2,239	-	2,239	(1,274)	-	(1,274)	965	2,241	1,276	1,276	4,522
Education Standards, Curriculum and Qualifications (Department)	-	-	-	4,330,711	(60,000)	4,270,711	4,270,711	5,228,945	958,234	184,526	137,165
Children's Services and Departmental Strategy (Department)	-	-	-	328,229	75	328,304	328,304	356,711	28,407	28,407	315,807
Children's Services and Departmental Strategy (ALB) (net)	14,999	-	14,999	5,198	-	5,198	20,197	23,779	3,582	3,582	(1,369)
Departmental Unallocated Provision	-	-	-	-	-	-	-	-	-	-	-
Standards and Testing Agency	3,598	-	3,598	46,642	-	46,642	50,240	55,107	4,867	4,867	50,199
National College for Teaching and Leadership	12,549	(150)	12,399	388,443	(6)	388,437	400,836	416,576	15,740	15,740	404,451
Education Funding Agency (EFA)	101,301	(37,929)	63,372	27,525	(2,062)	25,463	88,835	98,138	9,303	9,303	4,906,513
Grants to LA Schools via EFA	-	-	-	30,353,478	-	30,353,478	30,353,478	30,434,663	81,185	81,185	31,133,939
Grants to Academies via EFA	-	-	-	16,739,081	-	16,739,081	16,739,081	16,792,161	53,080	53,080	15,405,752
Higher Education	-	-	-	10,247,643	(143,893)	10,103,750	10,103,750	15,582,666	5,478,916	5,478,916	5,417,671
Further Education	-	-	-	184,682	(5,413)	179,269	179,269	217,320	38,051	4,329	123,592
Skills Funding Agency	79,276	(3,032)	76,244	3,137,744	36,216	3,173,960	3,250,204	2,475,583	(774,621)	-	2,448,366
Higher Education (ALB) (net)	69,276	-	69,276	1,611,101	-	1,611,101	1,680,377	1,648,356	(32,021)	1,700	1,711,449
Further Education (ALB) (net)	15,294	-	15,294	483	-	483	15,777	10,097	(5,680)	5,116	18,176
Total spending in DEL	**658,894**	**(148,825)**	**510,069**	**67,975,591**	**(205,159)**	**67,770,432**	**68,280,501**	**74,232,711**	**5,952,210**	**5,952,210**	**62,469,979**

	Administration			Programme			Outturn	Estimate		2016-17	2015-16 Outturn
	Gross	Income	Net	Gross	Income	Net	Total	Net Total	Net total compared to Estimate	Net total compared to Estimate, adjusted for virements	Total Restated
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Spending in AME											
Voted expenditure:											
Activities to Support all Functions (Department)	-	-	-	21,411	-	21,411	21,411	24,374	2,963	2,963	39
Activities to Support all Functions (ALB)	-	-	-	(66)	-	(66)	(66)	-	66	66	(33)
Executive Agencies (exc. SFA)	-	-	-	4,196	-	4,196	4,196	(1,874)	(6,070)	-	(6,507)
Higher Education	-	-	-	20,400	(1,902,365)	(1,881,965)	(1,881,965)	(1,223,505)	658,460	609,811	(8,140,137)
Further Education	-	-	-	19,731	(7,985)	11,746	11,746	-	(11,746)	-	(26,050)
Skills Funding Agency	-	-	-	(3,234)	-	(3,234)	(3,234)	689	3,923	3,923	4,256
Higher Education (ALB)	-	-	-	(32,657)	-	(32,657)	(32,657)	(17,237)	15,420	15,420	(29,870)
Further Education (ALB) (net)	-	-	-	39,907	-	39,907	39,907	9,074	(30,833)	-	2,340
Academies (net)	-	-	-	-	-	-	-	-	-	-	-
Total spending in AME	**-**	**-**	**-**	**69,688**	**(1,910,350)**	**(1,840,662)**	**(1,840,662)**	**(1,208,479)**	**632,183**	**632,183**	**(8,195,962)**
Total budget	**658,894**	**(148,825)**	**510,069**	**68,045,279**	**(2,115,509)**	**65,929,770**	**66,439,839**	**73,024,232**	**6,584,393**	**6,584,393**	**54,274,017**

S1.2 Analysis of net capital outturn by section

						2016-17	2015-16 Outturn
			Outturn		Estimate		
	Gross	Income	Net	Net	Net total compared to Estimate	Net total compared to Estimate, adjusted for virements	Restated
	£000	£000	£000	£000	£000	£000	£000
Spending in DEL							
Voted expenditure:							
Activities to Support all Functions	30,228	-	30,228	41,100	10,872	10,872	3,756
School Infrastructure and Funding of Education (Department)	(117)	-	(117)	2,000	2,117	2,117	(324)
School Infrastructure and Funding of Education (ALB) (net)	355,512	-	355,512	339,000	(16,512)	-	164,082
Education Standards, Curriculum and Qualifications (Department)	-	-	-	-	-	-	-
Children's Services and Departmental Strategy (Department)	(12,876)	-	(12,876)	-	12,876	12,876	-
Children's Services and Departmental Strategy (ALB) (net)	503	-	503	480	(23)	-	510
Departmental Unallocated Provision	-	-	-	-	-	-	-
Standards and Testing Agency	-	-	-	-	-	-	-
National College for Teaching and Leadership	-	-	-	-	-	-	8
Education Funding Agency (EFA)	2,028,875	(29,494)	1,999,381	1,204,405	(794,976)	-	850,110
Grants to LA Schools via EFA	2,468,255	-	2,468,255	3,444,928	976,673	163,690	3,080,235
Grants to Academies via EFA	612,082	-	612,082	610,610	(1,472)	-	559,763
Higher Education	12,005	-	12,005	13,607	1,602	1,602	-
Further Education	22,762	-	22,762	77,016	54,254	52,813	34,823
Skills Funding Agency	51,137	-	51,137	50,077	(1,060)	-	56,630
Higher Education (ALB) (net)	192,914	-	192,914	192,533	(381)	-	318,132
Further Education (ALB) (net)	(154)	-	(154)	60	214	214	188
Total spending in DEL	**5,761,126**	**(29,494)**	**5,731,632**	**5,975,816**	**244,184**	**244,184**	**5,067,913**

	Outturn			Estimate		2016-17	2015-16 Outturn
	Gross	Income	Net	Net	Net total compared to Estimate	Net total compared to Estimate, adjusted for virements	Restated
	£000	£000	£000	£000	£000	£000	£000
Spending in AME							
Voted Expenditure:							
Activities to Support all Functions (Department)	-	-	-	-	-	-	-
Activities to Support all Functions (ALB)	-	-	-	-	-	-	-
Executive Agencies (exc. SFA)	-	-	-	-	-	-	-
Higher Education AME	15,264,169	(2,419,272)	12,844,897	14,370,000	1,525,103	1,525,103	11,472,178
Further Education AME	252,273	(23,278)	228,995	260,000	31,005	31,005	170,876
Skills Funding Agency AME	-	-	-	-	-	-	-
Higher Education (ALB) AME	(3,318)	-	(3,318)	(2,985)	333	333	(2,834)
Further Education (ALB) (net)	1,629	-	1,629	3,600	1,971	1,971	2,000
Total spending in AME	**15,514,753**	**(2,442,550)**	**13,072,203**	**14,630,615**	**1,558,412**	**1,558,412**	**11,642,220**
Total budget	**21,275,879**	**(2,472,044)**	**18,803,835**	**20,606,431**	**1,802,596**	**1,802,596**	**16,710,133**

S2. Reconciliation of outturn to net operating expenditure

		Note	2016-17 Outturn £000	2015-16 Outturn Restated £000
Total resource outturn in Statement of Parliamentary Supply				
Budget		S1.1	66,439,839	54,274,017
Non-budget			-	-
			66,439,839	**54,274,017**
Add:	Capital grant	6.2	7,141,646	4,993,741
	Utilisation of financial guarantee	22	13,514	15,580
Less:	Income payable to the Consolidated Fund	S4	(384)	(144)
	Programme funding		(1,985,532)	-
	Pension asset income		(3,318)	(2,834)
	Other adjustments		(37,611)	469,444
Net operating cost in SoCNE			**71,568,154**	**59,749,804**

The prior year comparatives have been restated following MoG.

Other adjustments include the impact of intra-Group transactions and other differences.

S3. Reconciliation of net resource outturn to net cash

	Note	Estimate £000	Outturn £000	Net total outturn compared with Estimate: saving/ (excess) £000
Resource outturn	S1	73,024,232	66,439,839	6,584,393
Capital outturn	S1	20,606,431	18,803,835	1,802,596
		93,630,663	**85,243,674**	**8,386,989**
Accruals to cash adjustments:				
Adjustment for NDPBs:				
Remove voted resource and capital		(2,208,995)	(2,304,309)	95,314
Add cash grant in aid		1,913,346	3,867,903	(1,954,557)
Adjustments to remove non-cash items:				
Depreciation, amortisation and impairment	7.2	(14,357,586)	(8,717,070)	(5,640,516)
New provision and adjustment to previous provision	21.1	(99,728)	(65,115)	(34,613)
Other non-cash adjustments		(1,425,501)	(1,912,229)	486,728
Adjustments to reflect movements in working balances:				
Movement in receivables	SoCF	-	(345,032)	345,032
Movement in payables	SoCF	50,000	(307,839)	357,839
Use of provision	21.1	67,882	44,271	23,611
Use of financial liabilities	22.1	-	13,514	(13,514)
Net cash requirement		**77,570,081**	**75,517,768**	**2,052,313**

S4. Income payable to the Consolidated Fund

Analysis of income payable to the Consolidated Fund

	Outturn 2016-17 Income £000	Outturn 2016-17 Receipts £000	Outturn 2015-16 Income Restated £000	Outturn 2015-16 Receipts Restated £000
Operating income outside the ambit of the Estimate	384	*384*	144	*144*
Excess cash surrenderable to the Consolidated Fund	-	-	-	-
Total income payable to the Consolidated Fund	**384**	***384***	**144**	***144***

In addition to income retained by the Group, the above income relates to the Group and is payable to the Consolidated Fund (cash receipts being shown in italics).

Parliamentary accountability disclosures

Public sector losses and special payments: audited

A1 Losses statement

9.1 The total of all losses that have been recognised this year is as follows:

	Department & Agencies 2016-17	Group 2016-17	Department & Agencies Restated 2015-16	Group Restated 2015-16
Total number of cases	33,031	33,073	264	364
	£000	£000	£000	£000
Cash losses	1,121	1,135	6,694	6,699
Bookkeeping losses	1,597	1,597	-	-
Fruitless payments and constructive losses	268	395	3,929	3,940
Claims waived or abandoned	2,679	2,679	2,008	2,309
Administration losses	-	6	25	25
Store losses	26	26	-	1
	5,691	**5,838**	**12,656**	**12,974**

A1.1 Cash losses over £300,000

Lilac Sky Schools Trust (LSSAT)

9.2 LSSAT was established in 2011 and has nine primary schools across Kent and East Sussex, four of these are brand new schools with growing numbers. In February 2016, while conducting a MAT review, we identified a number of serious and wide ranging concerns around governance and compliance. Following this review, these academies are expected to transfer to new trusts. After the transfer of the academies to new trusts, LSSAT does not expect to have any surplus funding to allow us to recover advances totalling £537,000. In order for the academies to transfer to their new trusts without a deficit, the advances have been moved to non-recoverable funding which represents a write-off. HMT approval for this is being sought.

A1.2 Bookkeeping losses over £300,000

Webbs Industrial Estate loss on sale

9.3 This site was purchased to accommodate two proposed free schools, an Oasis secondary school and Big Creative Academy. The Oasis proposal was subsequently cancelled meaning the Webbs Industrial Estate site was larger than needed for one school. In collaboration with Waltham Forest, we identified an alternative site that was both significantly cheaper to buy and would require less work to make it ready for use. We estimated this alternative would be approximately £7.2 million cheaper than proceeding at Webbs and allowed

Waltham Forest to proceed with its plans for regeneration in the area. We sold the Webbs Industrial Estate for more than we paid for it, but the best price we could achieve was below the carrying value and gave rise to an accounting loss of £502,000. This was considered acceptable given the overall improvement in value for money we achieved by pursuing an alternative site.

Coley Park loss on sale

9.4 The EFA bought this site in Reading in 2012 for the Wren School. It was the best value for money option at the time. By March 2015 an alternative site, Elvian, had become available and whilst Coley Park was still considered suitable we agreed with the proposer group, that the Elvian site would be preferable as it is over 30% bigger than Coley Park; it has better transport links via the main Bath Road; and it cost less than Coley Park. EFA swapped the Coley Park site, which we valued at £4.2 million, for the Elvian site plus a cash payment of £2.5 million. The estimated market valuation of the Elvian site was £1.9 million. This deal therefore represented good value for money. As the Elvian site was to be used for its service potential, the value used in the accounts was its value in existing use rather than the market valuation. The existing use value of the Elvian site was estimated to be £0.6 million compared to the market valuation of £1.9 million. This resulted in an accounting loss of £1.1 million despite the clear economic advantages of the deal.

A1.3 Claims waived or abandoned over £300,000

Student loans

9.5 HMRC pays to the Department the amount of student loan repayments collected from borrowers by employers through the tax system. During 2016-17, £2.5 million (2015-16: £2 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 HMRC losses is 32,557 (data unavailable for 2015-16 owing to archiving data losses following finance system changes at HMRC).

A2 Special payments

	2016-17 Department & Agencies	2016-17 Group	2015-16 Department & Agencies Restated	2015-16 Group Restated
Total number of cases	96	1,062	61	931
	£000	£000	£000	£000
Total value	**1,420**	**1,743**	**5,743**	**5,872**

A2.1 Special payments over £300,000

Erudio Student Loans Limited

9.6 A special payment was made to resolve a historic, financial claim against the Department from Erudio Student Loans Limited totalling £328,510. The claim is under a warranty issued to Erudio as part of the sale contract for a proportion of student loans, and arises due to historic errors in the Student Loans Company's administration of a small number of loan accounts.

A3 Student loans and grants remitted (written off) in year

9.7 Loans and grants totalling £31.5 million were written off in 2016-17.

	2016-17 Department & Agencies £000	2016-17 Group £000	2015-16 Department & Agencies Restated £000	2015-16 Group Restated £000
Due to:				
Death	17,990	17,990	16,288	16,288
Age	10,300	10,300	9,367	9,367
Disability	1,182	1,182	755	755
Because of bankruptcy, on completion of Individual Voluntary Arrangement (IVA), and Other	2,025	2,025	431	431
	31,497	**31,497**	**26,841**	**26,841**

A4 Remote contingent liabilities: audited

9.8 In addition to contingent liabilities reported within the meaning of IAS 37, the Department also reports liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of contingent liability.

Quantifiable

9.9 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 2016 £000	Increase in year £000	Liabilities crystallised in year £000	Obligation expired in year £000	31 March 2017 £000	Amount reported to Parliament by Depart'al minute £000
PFI contracts in the academy sector	7,910,000	-	-	-	7,910,000	7,910,000
Lease arrangement with Tottenham Hotspur Property Company	12,500	-	-	-	12,500	-
Indemnity provided to Church of England's Commissioners	5,000	-	-	-	5,000	5,000
Tenant default agreements	2,501	400	-	-	2,901	-
Rent deposit deed Turin House School	470		-	-	470	-
COGA conditions on children centre and playground	359				359	
Other contingent liabilities	116				116	
Payments for AGE Grant	6,000	-	(1,500)		4,500	
Indemnity for Inspiration Trust	2,000				2,000	
	7,938,946	**400**	**(1,500)**	**-**	**7,937,846**	**7,915,000**

PFI contracts

9.10 The contingent liability relating to school buildings arose in connection to the Private Finance Initiative (PFI). These contingent liabilities are the result of the Group, acting as an agent to the Secretary of State, agreeing to provide an indemnity to the LA for potential costs on buildings they own, with existing PFI arrangements, which will be used by academies.

9.11 This type of indemnity is considered low risk and is only a feature of the academy programme in very specific circumstances. The contingent liabilities only arise where the academy is using a LA building with an existing PFI contract.

In respect of lease arrangement with Tottenham Hotspur Property Company

9.12 This contingent liability is in relation to an indemnity in respect of 35-year lease arrangement with Tottenham Hotspur Property Company for an academy site.

Indemnity provided to the Church Commissioners for England

9.13 The contingent liability is in relation to a lease arrangement for an academy site.

Tenant default agreements

9.14 The EFA has entered into a number of tenant default agreements that give rise to a contractual obligation to pay monies to the landlord up to a fixed cap in certain circumstances where the free school tenant is in breach of its lease.

Turing House School

9.15 This contingent liability is in relation to a rent deposit. It can be withdrawn by the landlord if there is a default on rental payments. The money will be released in May 2020.

Conditions of grant aid (COGA) conditions on a children's centre and playground

9.16 The EFA will require the Deanery Church of England Primary School to repay two grants received from Birmingham City Council for a children's centre and playground if the Academy Trust breaches the conditions of the grant aid agreement attached to the grants.

Apprentice Grant for Employers (AGE) grant

9.17 SFA has £4.5 million of contingent liabilities (2015-16: £6 million). The contingent liabilities for the current year relate to payments for the AGE grant, which will be due up June 2017 as apprentices complete three months of employment

Indemnity for Inspiration Trust

9.18 To provide an indemnity of up to £2 million to protect Inspiration Trust (regarding Great Yarmouth High School) against potential closure costs of the academy in the event that the foundation withdrew consent for the academy to operate from the current site.

Other contingent liabilities

9.19 These balances cover two separate liabilities (Free School principal designates, Free School Norwich lease), individually below the £300,000 disclosure limit to Parliament.

9.20 All of the above relate to the academy sector's school operations. They were provided by the Secretary of State to assist the conversion from the maintained sector to the academy sector.

Unquantifiable

Junior ISA Account (JISA)

9.21 In November 2012, the then Chancellor agreed with the then Secretary of State for Education Rt Hon Michael Gove MP to the setting up of a junior ISA account for all children in care in the UK, with an initial payment of £200 each (from Department budgets). The JISA accounts are managed by a party independent from the Department and the funds are not accessible by the Department.

9.22 To be eligible for the JISA, a child must be looked after for at least one year. Since the launch of the scheme, over 80,000 accounts have been set up. The contingent liability will only arise if an individual makes a future claim when they turn 18 and no JISA has been set up. In such circumstances the Department will be required to settle the value of a JISA calculated on the individual's timings.

Cost allocation and charges

9.23 As a public sector information holder, the Group was compliant with HMT's issued guidance on cost allocation and charging for information services in 2016-17.

A4 Gifts

9.24 The Department made no gifts which exceeded £300,000.

Jonathan Slater 13 July 2017

Accounting Officer

The Certificate of the Comptroller and Auditor General to the House of Commons

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 2017 under the Government Resources and Accounts Act 2000. The Department consists of the core Department and its agencies. The Departmental Group consists of the Department and the bodies designated for inclusion under the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2016. The financial statements comprise: the Department's and Departmental Group's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Remuneration and Staff Report and the Parliamentary Accountability Disclosures that is described in those reports and disclosures as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Department's and the Departmental Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted

Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2017 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's and the Departmental Group's affairs as at 31 March 2017 and of the Department's net operating cost and Departmental Group's net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Emphasis of matter - Uncertainties inherent in the valuation of student loans

Without qualifying my opinion, I draw attention to the disclosures made in notes 1.3.4, 1.3.5 and 14.3 to the financial statements concerning the uncertainties inherent in the valuation of student loans. As set out in these notes, given the long term nature for the recovery of loans, the number and volatility of the assumptions underpinning their valuation, a considerable degree of uncertainty remains over the recoverable amounts of the loans issued. The valuation is also underpinned by the discount rate provided by HM Treasury, based on an analysis of real yields on UK index linked gilts, which is specifically appropriate to central government. Significant changes to the valuation could occur as a result of subsequent information and events which are different from the current assumptions adopted by the Department.

Opinion on other matters

In my opinion:

- the parts of the Remuneration and Staff Report and the Parliamentary Accountability Disclosures to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Remuneration and Staff Report and the Parliamentary Accountability Disclosures to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

My report on these financial statements is on pages 101-102.

Sir Amyas C E Morse 18 July 2017
Comptroller and Auditor General

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

The Report of the Comptroller and Auditor General to the House of Commons

1 The Department for Education (the Department) produces financial statements in accordance with the Government Resources and Accounts Act 2000. The bodies included in financial statements are designated under that act, and updated annually to reflect changes in responsibility for government functions and accountability arrangements.

2 In 2015-16 I issued an adverse opinion on the truth and fairness of the Department's group financial statements due to material misstatements and uncertainties arising from the consolidation of transactions and balances of academy trusts. I also qualified my opinion on the regularity of the Department's expenditure due to breaches of voted expenditure limits.

3 I previously recommended that the Department and HM Treasury work together to identify a solution to the causes of my qualifications while ensuring that any alternative approach for accounting for academy trusts should provide more robust information for use in HM Treasury's fiscal modelling and the Whole of Government Accounts.

4 The Department has acted on this recommendation and will now prepare a separate aggregated annual account for academy trusts as at 31 August each year (the Academy Sector Annual Report and Accounts or SARA) from 2015/16. This proposal has been reviewed and approved by HM Treasury, the Alignment Review Committee, the Scrutiny Unit, the House of Commons Education Committee and the House of Commons Liaison Committee.

5 The Department produced a dry-run of the SARA for the Education Committee in October 2016. I reviewed this document, reporting my findings to the Committee in November 2016. The first SARA will cover the year ending 31 August 2016 and is currently expected to be published in October 2017. I intend to report on these accounts, and the Department's progress in addressing the issues underlying my adverse opinion on the Department's 2015-16 group financial statements.

6 As a consequence of the introduction of the SARA, the Department's 2016-17 group financial statements no longer consolidate the transactions and balances of academy trusts and instead reflect only grants paid to academy trusts. This removes the grounds for my adverse opinion on the truth and fairness of the Department's group financial statements.

7 The machinery of government changes that led to the removal of academy trust transactions and balances from the group also led to the Department taking responsibility for higher and further education spending, including student loans. It was challenging for the Department to hold comprehensive and timely in-year monitoring information over the timing and level of academy trust spending and there was uncertainty regarding the level of any impairment charge related to academy trusts' land and buildings. The removal of this challenge along with receiving additional voted expenditure to cover volatility inherent in the valuation of student loans has meant the Department were better placed to remain within its voted expenditure limits in 2016-17 compared with the prior year. The Department's expenditure has remained within voted expenditure limits in 2016-17, and I have therefore been able to remove the qualification of my regularity opinion.

8 The changes outlined above presented significant challenges for delivery of the 2016-17 financial statements before the summer 2017 parliamentary recess. The 2015-16 financial statements were not published until December 2016. In my report last year I recommended that the Department ensure that it sets a realistic timetable for its challenging programme of accounting deliveries. The Department agreed a detailed project plan and despite the challenges proving more complex than expected, the financial statements have been certified before the summer recess as planned.

9 There remains further work to improve the Department's forecasting and management of in-year spending, including the rationalisation of the number of finance systems used by the Department and to ensure that management reporting within the Department reflects the financial performance of the expanded Departmental group in a consistent and timely manner. My audit team will continue to engage with the Department's finance team to discuss the Department's approach and to share good practice, where this is appropriate.

Sir Amyas C E Morse 18 July 2017
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
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Financial statements

Consolidated Statement of Comprehensive Net Expenditure

for the year ended 31 March 2017

	Note	2016-17 Department & Agencies £000	2016-17 Group £000	2015-16 Department & Agencies Restated £000	2015-16 Group Restated £000
Operating income	4	(2,368,190)	(2,675,182)	(2,551,466)	(2,814,392)
		(2,368,190)	**(2,675,182)**	**(2,551,466)**	**(2,814,392)**
Staff costs	5	297,028	473,381	263,210	432,145
Resource grants	6.1	61,232,260	59,018,813	61,716,770	61,042,218
Capital grants	6.2	5,009,659	7,141,646	4,405,314	4,993,741
Operating expenditure	7.1	563,275	677,052	489,335	630,666
Depreciation, impairments & other non-cash charges	7.2	8,782,719	8,807,801	(3,496,972)	(3,484,543)
Corporation tax		-	254	-	(1,054)
Total operating expenditure		**75,884,941**	**76,118,947**	**63,377,657**	**63,613,173**
Net operating expenditure		**73,516,751**	**73,443,765**	**60,826,191**	**60,798,781**
Finance income	8	(1,911,695)	(1,926,166)	(1,062,623)	(1,066,865)
Finance expense	9	36,137	50,555	9,011	13,698
Gain on transfer of functions		-	-	-	4,190
Net expenditure for the year		**71,641,193**	**71,568,154**	**59,772,579**	**59,749,804**
Other comprehensive expenditure					
Items that will not be reclassified to net operating costs					
Net (gain)/loss on:					
revaluation of property, plant and equipment and intangibles		(915)	(1,292)	(2,424)	(2,159)
fair value (gain)/loss on investments		-	(278)	-	829
Actuarial loss/(gain) on defined benefit pension schemes		-	29,280	-	(8,557)
Total other comprehensive expenditure		**(915)**	**27,710**	**(2,424)**	**(9,887)**
Comprehensive net expenditure for the year		**71,640,278**	**71,595,864**	**59,770,155**	**59,739,917**

All income and expenditure reported in the Statement of Comprehensive Net Expenditure are derived from continuing operations. Restatements are detailed further at Note 2.

The notes on pages 110 to 184 form part of these Accounts.

Consolidated Statement of Financial Position

as at 31 March 2017

	Note	2017 Department & Agencies £000	2017 Group £000	2016 Department & Agencies Restated £000	2016 Group Restated £000	2015 Department & Agencies Restated £000	2015 Group Restated £000
Non-current assets							
Property, plant and equipment	10	454,214	489,014	277,831	310,226	198,323	230,794
Intangible assets	11	53,935	129,649	61,128	107,333	78,245	106,871
Loans	14	58,800,422	59,335,974	54,642,405	54,839,056	40,052,973	40,084,867
Investments	15	1,152	14,654	-	12,462	-	14,203
Receivables	17	26,254	32,504	13,388	13,388	22,446	22,446
		59,335,977	**60,001,795**	**54,994,752**	**55,282,465**	**40,351,987**	**40,459,181**
Current assets							
Assets held for sale	16	-	-	28,697	28,697	5,195	5,595
Inventories		-	865	-	665	-	404
Loans	14	2,594,999	2,618,717	2,319,266	2,331,147	2,136,039	2,153,295
Investments	15	-	86,273	-	82,600	-	88,216
Receivables	17	1,017,075	1,258,453	1,374,973	1,478,769	1,007,257	1,106,976
Cash and cash equivalents	18	598,962	676,971	451,162	537,921	331,685	389,657
		4,211,036	**4,641,279**	**4,174,098**	**4,459,799**	**3,480,176**	**3,744,143**
Total assets		**63,547,013**	**64,643,074**	**59,168,850**	**59,742,264**	**43,832,163**	**44,203,324**
Current liabilities							
Payables	19	(1,672,471)	(1,813,477)	(1,498,595)	(1,637,921)	(1,408,325)	(1,517,844)
Provisions	21	(24,411)	(48,954)	(31,392)	(60,249)	(37,055)	(66,431)
Financial liabilities	22	(7,845)	(7,845)	(12,307)	(12,307)	(10,000)	(10,000)
		(1,704,727)	**(1,870,276)**	**(1,542,294)**	**(1,710,477)**	**(1,455,380)**	**(1,594,275)**
Total assets less current liabilities		**61,842,286**	**62,772,798**	**57,626,556**	**58,031,787**	**42,376,783**	**42,609,049**
Non-current liabilities							
Payables	20	(518,068)	(1,101,891)	(203,551)	(417,232)	(731)	(38,983)
Provisions	21	(177,774)	(361,536)	(149,949)	(334,278)	(152,855)	(363,916)
Financial liabilities	22	(164,153)	(164,153)	(182,125)	(182,125)	(182,541)	(182,541)
Retirement benefit obligations	24	-	(42,369)	-	(17,142)	-	(23,100)
		(859,995)	**(1,669,949)**	**(535,625)**	**(950,777)**	**(336,127)**	**(608,540)**
Assets less liabilities		**60,982,291**	**61,102,849**	**57,090,931**	**57,081,010**	**42,040,656**	**42,000,509**
Taxpayers' equity							
General Fund		60,964,423	60,958,814	57,070,997	56,936,537	42,022,167	41,857,548
Revaluation Reserve		17,868	18,906	19,934	20,607	18,489	19,163
Charitable Fund		-	125,129	-	123,866	-	123,798
		60,982,291	**61,102,849**	**57,090,931**	**57,081,010**	**42,040,656**	**42,000,509**

Jonathan Slater 13 July 2017

Accounting Officer

The notes on pages 110 to 184 form part of these Accounts.

Consolidated Statement of Cash Flows

for the year ended 31 March 2017

	Note	2016-17 Department & Agencies £000	2016-17 Group £000	2015-16 Department & Agencies Restated £000	2015-16 Group Restated £000
Cash flows from operating activities					
Net operating cost		(71,641,193)	(71,568,154)	(59,772,579)	(59,749,804)
Adjustments for non-cash transactions		6,874,988	7,000,342	(4,571,963)	(4,544,547)
Transfers of AuC to ATs	10	18,516	18,516	108,902	108,902
(Increase) in inventories		-	(200)	-	(261)
Decrease/(increase) in receivables		345,032	201,200	(358,658)	(362,735)
Increase in payables		488,393	860,215	293,090	498,326
less movements in payables relating to items not passing through net operating costs		(140,074)	(477,751)	51,100	(141,010)
Use of provisions	21	(44,271)	(71,066)	(38,710)	(67,373)
Utilisation of other financial liabilities	22	(13,514)	(13,514)	(15,580)	(15,580)
Finance income		-	(14,471)	-	(4,242)
Finance expense		36,137	50,555	9,011	13,698
Net cash outflow from operating activities		**(64,075,986)**	**(64,014,328)**	**(64,295,387)**	**(64,264,626)**
Cash flows from investing activities					
Finance income		-	14,471	-	4,242
Purchase of:					
property, plant and equipment	10	(199,947)	(209,611)	(226,322)	(234,726)
intangible assets	11	(18,171)	(59,693)	(8,029)	(36,201)
investments	12	(1,152)	(26,542)	-	(232,172)
Proceeds on disposal of:					
property, plant and equipment		721	925	4,025	4,116
intangible assets		2,830	3,048	463	463
investments		-	23,528	-	238,700
assets held for sale		28,697	28,697	1,000	1,400
Loans:					
PF2 loans onward		-	(355,512)	-	(164,082)
student loans		(11,195,420)	(11,195,420)	(10,085,096)	(10,085,096)
Academy Trusts		761	761	949	949
colleges		(16,238)	(16,238)	(33,321)	(33,321)
Net cash outflow from investing activities		**(11,397,919)**	**(11,791,586)**	**(10,346,331)**	**(10,535,728)**
Cash flows from financing activities					
Finance expense		(36,137)	(50,555)	(9,011)	(13,698)
Consolidated Fund supply		75,657,457	75,657,457	74,770,062	74,770,062
Increase in receipts due to the Consolidated Fund		385	385	144	144
Draw down from the Contingency Fund		-	-		1,000
Repaid to the Contingency Fund		-	-		(1,000)
PF2 loans drawn down		-	337,677	-	193,726
Net cash inflow from financing activities		**75,621,705**	**75,944,964**	**74,761,195**	**74,950,234**

		2016-17		2015-16	
	Note	Department & Agencies £000	Group £000	Department & Agencies Restated £000	Group Restated £000
Net increase in cash and cash equivalents before adjustment for receipts and payments to the Consolidated Fund		**147,800**	**139,050**	**119,477**	**149,880**
Payments of amounts due to the consolidated fund				-	-
Net increase in cash and cash equivalents after adjustment for receipts and payments to the Consolidated Fund		**147,800**	**139,050**	**119,477**	**149,880**
Cash and cash equivalents at the beginning of the year net of overdrafts	18	451,162	537,921	331,685	388,041
Cash and cash equivalents at the end of the year net of overdrafts	18	**598,962**	**676,971**	**451,162**	**537,921**

The notes on pages 110 to 184 form part of these Accounts.

Consolidated Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2017

	Note	General Fund £000	Revaluation Reserve £000	Charitable Fund £000	Taxpayers' Equity £000
Balance as at 31 March 2015 before restatement		(294,788)	2,365,906	30,985,516	33,056,634
Restatement		42,152,336	(2,346,743)	(30,861,718)	8,943,875
Balance as at 31 March 2015 after restatement		**41,857,548**	**19,163**	**123,798**	**42,000,509**
Net Parliamentary funding					
- drawn down		74,770,062	-	-	74,770,062
- deemed		233,694	-	-	233,694
Supply payable adjustment		(182,450)	-	-	(182,450)
CFERS payable to the Consolidated Fund	S4	(144)	-	-	(144)
Comprehensive expenditure for the year		(59,742,144)	2,159	68	(59,739,917)
Non-cash adjustments					
Auditor's remuneration	7.1	1,141	-	-	1,141
Movement in reserves					
Transfer between reserves		973	(715)	-	258
Other general fund movement		(2,143)	-	-	(2,143)
As at 31 March 2016		**56,936,537**	**20,607**	**123,866**	**57,081,010**
Balance as at 31 March 2016 before restatement		(478,206)	10,033,306	34,500,320	44,055,420
Restatement		57,414,743	(10,012,699)	(34,376,454)	13,025,590
Balance as at 31 March 2016 after restatement		**56,936,537**	**20,607**	**123,866**	**57,081,010**
Net Parliamentary funding					
- drawn down		75,657,457	-	-	75,657,457
- deemed		182,450	-	-	182,450
Supply payable adjustment		(322,139)	-	-	(322,139)
CFERS payable to the Consolidated Fund	S4	(384)	-	-	(384)
Comprehensive expenditure for the year		(71,598,407)	1,280	1,263	(71,595,864)
Non-cash adjustments					
Auditor's remuneration	7.1	939	-	-	939
Movement in reserves					
Transfer between reserves		2,981	(2,981)	-	-
Other General Fund movement		99,380	-	-	99,380
As at 31 March 2017		**60,958,814**	**18,906**	**125,129**	**61,102,849**

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, and intangible assets (see Notes 10 and 11 respectively).

The Charitable Fund represents total assets less liabilities related to the Group's training boards less unrealised revaluation adjustments to property, plant and equipment, and intangible assets (see Notes 10 and 11 respectively).

The notes on pages 110 to 184 form part of these Accounts.

Department & Agencies Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2017

	Note	General Fund £000	Revaluation Reserve £000	Taxpayers' equity £000
Balance at 31 March 2015 before restatement		**(477,524)**	**18,489**	**(459,035)**
Restatement		42,499,691	-	42,499,691
Balance at 31 March 2015 after restatement		**42,022,167**	**18,489**	**42,040,656**
Net Parliamentary funding				
– drawn down		74,770,062	-	74,770,062
– deemed		233,694	-	233,694
Supply payable adjustment	19	(182,450)	-	(182,450)
CFERS payable to the Consolidated Fund	S4	(144)	-	(144)
Comprehensive expenditure for the year		(59,772,579)	2,424	(59,770,155)
Non-cash adjustments				
Auditor's remuneration	7.2	1,141	-	1,141
Movement in reserves				
Transfer between reserves		979	(979)	-
Other General Fund movement		(1,873)	-	(1,873)
At 31 March 2016		**57,070,997**	**19,934**	**57,090,931**
Balance at 31 March 2016 before restatement		**(633,402)**	**19,934**	**(613,468)**
Restatement		57,704,399	-	57,704,399
Balance at 31 March 2016 after restatement		**57,070,997**	**19,934**	**57,090,931**
Net Parliamentary funding				
– drawn down		75,657,457	-	75,657,457
– deemed		182,450	-	182,450
Supply payable adjustment	19	(322,139)	-	(322,139)
CFERS payable to the Consolidated Fund	S4	(384)	-	(384)
Comprehensive expenditure for the year		(71,641,193)	915	(71,640,278)
Non-cash adjustments				
Auditor's remuneration	7.2	939	-	939
Movement in reserves				
Transfer between reserves		2,981	(2,981)	-
Other General Fund movement		13,315	-	13,315
At 31 March 2017		**60,964,423**	**17,868**	**60,982,291**

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, and intangible assets (see Notes 10 and 11 respectively).

The notes on pages 110 to 184 form part of these Accounts.

Notes to the Accounts

1 Accounting policies

These accounts have been prepared in accordance with the 2016-17 *Government Financial Reporting* Manual (FReM) issued by HMT, as set out in a statutory Accounts Direction issued pursuant to section 5(2) of the *Government Resources and Accounts Act 2000 (Estimates and Accounts) (Amendment) Order 2016*. 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 2016-17 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, the FReM also requires the Group to prepare an additional primary statement. The Statement of Parliamentary Supply, and supporting notes, show outturn against Supply Estimate in terms of the Group's net resource requirement and the net cash requirement.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets, investments and certain financial assets and liabilities.

1.2 Going concern

The Department's ARA is produced on a going concern basis. The Department is supply financed and thus draws the majority of its funding from the Consolidated Fund. Parliament has demonstrated its commitment to fund the Department for the foreseeable future.

1.3 Critical accounting judgements and key sources of estimation uncertainty

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

Management has specifically made such judgements on:

1.3.1 Valuation of land and buildings

The Group holds land and buildings at fair value or depreciated cost, which requires the application of estimates and judgements. See Note 1.17 for more details about the property, plant and equipment accounting policy.

The Group re-values land and buildings at least every 5 years from the anniversary of their initial recognition in accordance with the Group's accounting policy and the requirements of the FReM. Between quinquennial revaluations, the Group updates asset values using indices. The selection of the indices used represents an accounting judgement. Buildings have been indexed using the Office for National Statistics "Interim construction output prices: New work". The Group has indexed land values, using the HPI residential land index issued by LSL Acadata. The Group considers that a residential price index is the most appropriate index to use across its portfolio of assets as a large majority of current schools, and of potential new sites for schools, are in residential areas. However, this represents a key judgement and uncertainty in valuation of assets.

1.3.2 Accounting for capital expenditure and assets under construction

The structure of the Group and the scale of its capital programme means that accounting for capital expenditure is inherently complex for the Group and involves judgement over the capitalisation value.

Capitalisation of expenditure is reviewed as part of regular monthly controls and the year-end process in determining the appropriate value to capitalise for each project in accordance with the requirements of *IAS 16 Property, Plant and Equipment* (IAS 16).

1.3.3 Inherited staff liabilities

The uncertainty surrounding HEFCE's inherited staff liabilities as the value of the provision is derived from an actuarial valuation of a sample of the underlying population, and is updated periodically to include movements in mortality and discount rates (see Note 21).

1.3.4 Student loans

The HMT's discount rate of RPI +0.7% has been used to discount the student loan repayment model and to calculate the fair value of student loans issued in 2016-17, due to the FReM interpretation of IAS 39. The FReM requires that, where future cash flows are discounted to measure fair value, i.e. on initial recognition of a financial asset, the Department should use the higher of the rate intrinsic to the financial instrument or HMT's current discount rate. The discount rate provided by HMT is based on an analysis of real yields on UK index linked Gilts and is specifically appropriate to central government. The rate intrinsic to the student loans is taken to be lower than RPI +0.7%: policy decisions affecting repayment levels are not linked to the student's credit worthiness, and this results in an expected return of less than RPI +0.7%.

More information about the measurement techniques used to determine the carrying value of student loans is provided in Note 14.3.

1.3.5 Unsold loans

In respect of unsold loans (i.e. those administered on behalf of the funding bodies) and the application of IAS 39, neither the loans nor the related obligation to repay the funding bodies is included in the ARA of the Group since:

- In accordance with the SLC's Framework Document any interest earned, on funds made available for making loans and on money repaid to the SLC by borrowers, shall be returned to the funding bodies; and
- In accordance with the Framework Document, there is an agreement between the SLC and the funding bodies that the Agency is only liable to repay to those bodies repayments which have actually been made to the Agency by borrowers. As a consequence, the Agency is not liable for repayments due which ultimately may not be recovered.

1.4 Basis of consolidation

These accounts present the consolidation of the Department, Agencies and other bodies which fall within the departmental boundary as defined by FReM and make up the Group. Transactions between entities included in the consolidation are eliminated, to present the financial performance and financial position of the Group as a single economic entity.

The Department receives the authority to consolidate its Agencies and NDPBs under the *Government Resources and Accounts Act 2000 (Estimates and Accounts) (Amendment) Order 2016*. 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, the results and financial position of the following NDPBs have been consolidated as at 31 December 2016, which is within three months of the Group's year-end:

- Aggregator Vehicle PLC
- Engineering Construction Industry Training Board

1.4.1 Movement in Departmental bodies

As a result of MoG changes, the Department has taken on responsibility for the new functions (student loans) and bodies (Agencies and NDPBs) from BIS. Comparative figures have been restated as the impact of the changes is considered material to the Group. A list of all entities within the Departmental accounting boundary is given at Note 28, with new bodies identified. Throughout these accounts ‘Department’ refers to the core Department whilst ‘Group’ refers to the single economic entity presented in these accounts; this consists of the Department, its Agencies and NDPBs.

1.4.2 Removal of the Academy Trust transactions and balances

The Department has included academy trusts in its consolidated ARA for the previous four financial years (2012-13 to 2015-16). During those years, the Department received significant audit qualifications from the C&AG. The cause of the qualifications was primarily the consolidation approach adopted to align the different year-ends between the academy sector (31 August) and the Department (31 March).

The Department judged the audit qualification to be structural; offering little opportunity to address due to restrictions in suitable alternative consolidation approaches. Consequently, in 2015-16 the Department secured agreement from Parliament to remove the academy sector from its consolidation boundary and prepare a separate standalone ARA for the academy sector: the SARA covering the academic year. Consequently, from 2015/16 the Department will produce the SARA for the academy sector.

The Department will prepare the first SARA for the reporting period from 1 September 2015 to 31 August 2016. In February 2017, the Permanent Secretary wrote to the Education Select Committee explaining that the Department expects the first SARA to be published by the end of October 2017. In future years, the Department remains committed to publishing the SARA before the summer recess.

These accounts show the grants paid to academies by the Department, which will be reflected as income in SARA. Prior year comparatives have been restated to remove academy trust expenditure and balances, replacing these figures with the grants paid to them by the Department.

IAS 8 requires that restatements are pushed back to all periods they affect. The removal of the academy trust balances requires the restatement to be pushed back to 2012-13 as that was the first year of including the academy trusts in the Department’s accounts. All prior year changes are accounted for cumulatively in the earliest Statement of Financial Position, which is as at 31 March 2016.

1.5 Adoption of FReM amendments

There have been no significant FReM changes in 2016-17.

1.6 Early adoption

The Group has not early adopted any accounting standards in 2016-17.

1.7 IFRSs in issue but not yet effective

In order to comply with the requirements of *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*, the Group must disclose where it has not applied a new IFRS that has been issued but is not yet effective. The Group has carried out a review of the IFRSs in issue but not yet effective, to assess their impact on its accounting policies and treatment. The full impact of the IFRSs in issue but not yet effective is not known and could be material to the accounts: The Group has therefore, chosen not to early adopt requirements of the following accounting standards and interpretations, which have an effective date after the start of these accounts:

Standard	Effective	FReM Application	Change & Impact
IFRS 9 Financial Instruments	1 January 2018	2018-19	**Change:** This change simplifies the classification and measurement of financial assets, as well as amending when and how impairments are calculated and reported, moving from an incurred loss to an expected loss model. This will result in impairments being recognised earlier than under *IAS 39 Financial Instruments: Recognition and Measurement.* **Impact on the Department:** The adoption of IFRS 9 has not yet been fully agreed by HMT. Consequently, the Department is unable to establish the impact. However, the Department expects the focus of IFRS 9 implementation to fall on the Group's student loans.
IFRS 15 Revenue from Contracts with Customers	1 January 2018	2018-19	**Change:** The changes set out steps for revenue recognition along with requirements for accounting for contract costs. The aim of the change is to report information that is more useful about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. The initial adoption of IFRS 15 will be retrospective but as an opening balance adjustment as at 1 April 2018. **Impact on the Department:** The Department does not recognise significant levels of contract revenue, the majority of income is grant income for joint programmes. Consequently the Department does not anticipate material changes following adoption of the standard.

Standard	Effective	FReM Application	Change & Impact
IFRS 16 Leases	1 January 2019	2019-20 (Subject to EU adoption and consultation)	**Change:** The proposed changes simplify the classification and measurement of leases by introducing a single lessee accounting model, removing the distinction between recognising an operating lease (off-balance sheet financing) and a finance lease (on-balance sheet financing). The new standard requires recognition of all leases which last over 12 months to be recognised as a finance lease (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 liability. The pattern of recognition of the expenditure will result in depreciation of the right-to-use asset and an associated finance cost being recognised. **Impact on the Department:** The removal of the academy trusts has removed the bulk of the Group's leases from the consolidation boundary. Consequently, the Group does not anticipate any material effect of bringing on-balance sheet former operating leases through applying the new standard.
IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017	2018-19 (Subject to EU adoption)	**Change:** The proposed changes amend how to account for deferred tax assets related to debt instruments measured at fair value. **Impact on the Department:** The Department does not pay corporation tax and does not therefore recognise deferred tax. No impact expected.

1.8 Segmental reporting

In accordance with *IFRS 8: Operating Segments* (IFRS 8), the Group has considered the need to analyse its income and expenditure relating to operating segments. The Group has assessed that all lines of operation fall within the same geographical location and regulatory environment as envisaged by IFRS 8. Since segmental information for total assets and liabilities is not regularly reported to the chief operating decision-maker and in compliance with the FReM, it has not been produced in the accounts.

See Note 3 for operational disclosures.

1.9 Income

The Group receives the following income streams and accounts for it as follows:

1.9.1 Levy income

Levy income is collected under statute by CITB and ECITB. The Chief Secretary to Treasury has approved both bodies to retain this levy income to offset against their expenditure. Therefore, the Exchequer has no right of access to these funds.

Levy income is recognised in the year in which it is raised. Where doubts arise over its collectability either through ageing, past experience, or other known factors, a provision for doubtful debts is recognised in the accounts.

1.9.2 Operating income

Operating income is income which relates directly to the operating activities of the Group.

Departmental income as authorised in the Supply Estimate (such as general administration receipts and income from other departments), and income to the Consolidated Fund that HMT has agreed should be treated as operating income.

Income is stated net of recoverable VAT where applicable.

1.9.3 Investment income

Income from investments is included in the SoCNE on an accruals basis.

1.10 Research and development

Research expenditure is reported in the SoCNE in the year in which it is incurred. Development expenditure is also recognised in the SoCNE when incurred unless it meets the specific criteria for capitalisation within *IAS 38 Intangible Assets*. Property, plant and equipment acquired for use in research and development are depreciated over the life of the associated research project or according to the asset category if the asset is to be used for subsequent production work.

1.11 Grant expenditure

1.11.1 Grant financing and Grant-in-Aid

Funding to the Department’s Agencies and NDPBs through financing and Grant-in-Aid payments is reported on a cash basis in the period in which payments are made. Grant financing and Grant-in-Aid as well as any intra-group grants between the consolidated bodies are eliminated within the Group.

1.11.2 Grants payable

The majority of grants made by the Group are recorded as expenditure in the period in which the claim is paid, as the grant funding cannot be directly related to activity in a specific period. The claims are deemed to be the only appropriate and measurable activity that truly creates an entitlement for the recipient. However, recognition of the entitlement of grant varies according to the individual programme. Where entitlement to the grant has arisen during the period it is accrued in the SoCNE and shown as a liability on the SoFP.

1.11.3 Grant recoveries

Grants paid to end users that are unspent at the year-end may be retained to fund future activity. The Group does not recognise a prepayment if the end user has not spent the grant due to timing or delays.

Some grants will result in recognition of a receivable at the year-end if there has been over-funding or un-spent amounts;

- Where the Group pays end users according to a grant payment profile established before the final grant obligation is known, and the actual spend shows over-funding.
- Un-spent amounts will arise where time bound grants have been provided and not spent within the stipulated timescale.

The accounts will only recognise a receivable when either of the above instances crosses the year end.

1.12 Provisions

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

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

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

The Group applies HMT's discount rate to discount its provisions and the rates are as follows:

- the real discount rate applied to cash flows of short term (0-5 years) general provisions is (2.70%);
- (1.95%) for medium term general provisions (between 5 and 10 years);

- (0.80%) for long term general provisions (more than 10 years); and
- early departure costs provisions are discounted at 0.24%.

1.13 Risk protection arrangement

From 1 August 2014, Academy Trusts that join the Department's risk protection arrangement pay an annual per pupil fee to the Department and are covered for risks in four broad categories:

- Property damage and business interruption;
- Employers' liability;
- Third party liability; and
- UK travel.

The risks covered arise from activities external to the Group and therefore remain after the Group's consolidation.

The Group has adopted *IFRS 4: Insurance Contracts* (IFRS 4) to account for the transfer of risk between the Academy Trusts and the Group. IFRS 4 provides that any entity that issues an insurance contract is an insurer (whether or not the issuer is regarded as an insurer for legal, supervisory or taxation purposes) and that an insurance contract is a contract under which one party accepts significant insurance risk from another party. Accordingly, provisions for losses have been recognised calculated on an expected loss basis (total losses expected to be incurred during a cover period) rather than on an IAS 37 basis (losses reported during the period).

Based on the number of schools that are members of the scheme, the Group provides for expected losses in respect of a claim year (which runs from 1 September to 31 August). The full expected value of valid claims leads to a transfer from the loss provision to RPA payables, prior to settlement. Loss provisions will be held for the full claim year plus four subsequent years, as claims incurred in that claim year are expected to be made within that time period.

Claims from individual academies are handled by a third party administrator, under contract to the Department.

An annual liability adequacy test is completed in accordance with IFRS 4.

1.14 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.

1.15 Pensions

The Group has adopted *IAS 19 Employee Benefits* (IAS 19) to account for its pension schemes.

Accordingly, for funded defined benefit schemes the Group recognises a liability in respect of any deficit, being the excess of the present value of the scheme's liabilities over the value of the assets in the scheme, to the extent that the Group has a legal or constructive obligation to make good the deficit in the scheme. The Group's share of the pension scheme surplus (to the extent that it is considered recoverable) or deficit is recognised in full on the face of the SoFP. Actuarial gains/losses from the scheme are recognised in reserves.

Where the Group makes contributions to defined contribution schemes the Group recognises contributions payable in the SoCNE and where the Group makes contributions to funded multi-employer defined benefit or single- or multi-employer unfunded defined benefit pension schemes (which do not have underlying assets and liabilities) the Group recognises contributions payable in the SoCNE.

Further details of the pension schemes are available in Note 24.

1.16 Early departure costs

The Group is required to meet the additional cost of benefits beyond the normal pension scheme benefits in respect of some employees who retire early, and for compensation payments payable to some employees who take early severance. The Group provides for the costs when the early departure programme has been announced and is binding on the Group.

The exit costs of staff in the Agencies are borne and managed centrally by the Department whilst the NDPBs are responsible for managing the costs of their staff exit programmes.

1.17 Property, plant and equipment

The minimum level of capitalisation for expenditure on property, plant and equipment is £2,500. In the case of IT equipment and furniture all items recorded as capital expenditure are capitalised and if they fall below the £2,500 threshold they are grouped together and recorded as bulk assets. The asset value on capitalisation is measured at cost plus all direct costs, such as installation, attributable to bringing them into working condition.

Land and buildings are measured initially at cost and are restated to current value (depreciated replacement cost) using external professional valuations in accordance with IAS 16 every five years, and in the intervening years by use of appropriate indices supplied by 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 EFA's purposes is to, as appropriate, fund the acquisition of premises or sites that ultimately Academy Trusts will use. The Group will also fund all the required construction works and associated professional services needed to bring the premises or sites into use.

The Group measures the value of 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 balance sheet.

In the atypical situation where circumstances existing prior to the year-end indicate that assets cannot be opened as a Group school, and will have to be sold to the open market, then an asset will be recognised and treated under *IFRS 5 Assets held for Sale and Discontinued Operations*. In that case, any difference between carrying value and fair value would be recognised as an in-year impairment and the asset presented separately.

If a project ceased, or an asset became surplus through circumstances not yet existing at the year-end, the changes in asset treatment would not take effect until the following financial year.

1.18 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:

- Freehold buildings – 50-60 years
- Leasehold buildings – 50 years or the lease term, whichever is shorter
- Leasehold improvements – 50 years or the lease term, whichever is shorter
- Motor vehicles – 3-7 years
- IT equipment – 3-7 years

- Plant and machinery – 3-20 years
- Furniture and fittings – 5-10 years.

1.19 Intangible assets

Assets are capitalised as intangible assets where expenditure of £2,500 or more is incurred. Assets are amortised over their estimated useful economic lives. Assets under construction are not amortised but are assessed for impairment annually.

Asset lives are in the following ranges:

- Software licences – 2-5 years or the licence period, whichever is shorter
- Developed software – 5 years
- Non-software licences – 3 years
- Other – 3-5 years.

1.20 Revaluation and impairment of non-current assets

Increases in value are credited to the Revaluation Reserve, unless it is a reversal of a previous impairment, which is credited to the SoCNE to the extent of the previous impairment and then to the Revaluation Reserve, in accordance with *IAS 36 Impairment of Assets* (IAS 36).

Impairments of revalued assets that do not result from a clear consumption of economic benefits are debited to the Revaluation Reserve up to the level of depreciated historical cost. Any excess devaluation is charged to the SoCNE. Each year, the realised element of the reserve (i.e. an amount equal to the excess of the actual depreciation over depreciation based on historical cost) is transferred from the reserve to the General Fund.

Impairment losses that result from a clear consumption of economic benefit are taken directly to the SoCNE. Where the impairment relates to a revalued asset, the balance on the Revaluation Reserve to which the impairment would have been charged is transferred to the General Fund to ensure consistency with IAS 36.

On disposal of a revalued asset, the balance on the Revaluation Reserve in respect of that asset becomes fully realised and is transferred to the General Fund. Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are recognised in the SoCNE. All non-current assets are reviewed for impairment if circumstances indicate the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

1.21 Deferred capital receipts

Funding received from the funding bodies for the purpose of acquisition of property, plant and equipment and intangible assets, excluding the element relating to any capitalised dilapidation provision, is credited to the deferred capital receipts account and is released to the SoCNE by amounts equal to the associated depreciation and amortisation charge.

1.22 Non-current assets held for sale

Non-current assets held for sale are measured at the lower of carrying amount and fair value less costs to sell and not depreciated. They are also presented separately on the face of the SoFP and in the Notes.

1.23 Financial instruments

The Group applies *IFRS 7 Financial Instruments: Disclosures*, *IAS 32 Financial Instruments: Presentation* and *IAS 39 Financial Instruments: Recognition and Measurement*. Financial assets and financial liabilities are recognised when the Group becomes party to the contractual provisions of the instrument. Embedded derivatives are recognised if separable from the host contract.

1.23.1 Financial assets

Financial assets are classified where appropriate as loans and receivables; available-for-sale; and financial assets at fair value through profit and loss. 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 fair value through profit or loss, directly attributable costs. Presently, the Group does not have any financial assets that need to be classified as financial assets at fair value through profit or loss, neither does it have cash equivalents or derivative financial instruments.

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

Available-for-sale assets
The Group holds investments which are classified as available for sale and are carried 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 the SoCNE.

Trade and other receivables
Trade and other receivables have fixed or determinable payments that are not quoted on an active market. They do not carry any interest and are initially recognised at their face

value. They are then carried at amortised cost using the effective interest method. Appropriate allowances (provisions/write-offs) for estimated irrecoverable amounts (bad debts) are recognised in the SoCNE when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the estimated future recoverable amount.

Loan and receivable assets
Loans comprise loans within the Group and external to the Group. The loans are not traded on any active market and are carried at amortised cost using the effective interest method. Appropriate allowances (provisions/write-offs) for estimated irrecoverable amounts (bad debts) are recognised in the SoCNE when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the estimated future recoverable amount.

Recognition of student loans issued and repayments
An addition to the student loan book is recognised once the SLC has issued the loan to the student. Student loan repayments are collected by the SLC and Her Majesty's Revenue and Customs (HMRC). For repayments received via the SLC, the Department recognises the repayment when the SLC has received the cash. For repayments collected via the tax system, the Department recognises annual amounts based on receipts to HMRC from Pay As You Earn (PAYE) and Self Assessed borrowers. More information about the measurement techniques used to determine the carrying value of student loans is provided in Note 14.3.

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

1.23.2 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 fair value through profit or loss; neither does it have derivative financial instruments. The Group determines the classification of its financial liabilities at initial recognition.

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

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

Loan liabilities
The Group holds both interest bearing and non-interest bearing loans. The Group states such loans at their face value on initial recognition. Subsequently, the Group measures

interest bearing loans at amortised cost using the effective interest method; which includes all direct costs associated with the loans.

1.24 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 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.

1.25 Value added tax

Most of the activities of the Group are outside the scope of VAT. In general output tax does not apply, or where it does, input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of property and equipment and intangible assets. Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT.

1.26 Corporation tax

The Department, its Agencies and NDPBs are exempt from corporation tax. Two of the Group's NDPBs, SLC and Aggregator Vehicle PLC, are subject to corporation tax on their reported profits.

1.27 Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

1.28 Service concession arrangements

Under a service concession arrangement, a government entity contracts with the private sector to construct, operate and maintain public sector infrastructure; allowing the private sector to deliver services directly or indirectly to the public. However, the government entity retains control, or regulates, the services provided (including access fees) and controls significant residual interest in the infrastructure at the completion of the arrangement.

The Group has adopted *IFRIC 12 Service Concession Arrangements* (IFRIC 12) as interpreted by the FReM for the grantor to account for the 46 schools the private sector will construct and then operate for the Group under the Private Finance 2 (PF2) scheme over a twenty-five-year period. The transaction is part of the wider PSBP programme sponsored by the Department that is addressing condition issues across the school estate. Within these accounts the transaction is referred to as PF2.

The assets being constructed under the terms of PF2 are not recognised by the Group. In accordance with the Group's existing asset recognition approach for PSBP assets, the Group does not recognise school assets being constructed under PSBP (including PF2) unless those assets are intended for academies whose Academy Trusts have not yet been incorporated. The Group does not judge any economic benefit to flow to the Group from the PSBP assets during and after construction other than for the small group of academies for which construction has commenced prior to the ultimate user, the AT, has been incorporated. The Group instead recognises the value of the assets during construction for schools outside the Group as capital grants-in-kind.

As well as potential asset recognition IFRIC 12 application also results in the Group recognising the financing liability arising from constructing the assets originally. The financing liability is repaid over the term of the service concession arrangement through the unitary charges settled by EFA.

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 Restatements

2.1 Summary

The Group has made two restatements of the comparative figures as noted below. The tables that follow present separately the prior year adjustments at two reporting levels: Department & Agencies and Group. The tables reconcile the affected primary statements at the two reporting levels from those statements published as part of the 2015-16 ARA to those included as comparatives in this ARA. The adjustments described below are presented in adjustment order at each reporting level, for consistency. Adjustments that are not applicable to that reporting level are not included in the tables.

To enable a greater understanding of the impact of the MoG changes, the Department has amended the disclosure of the SoCNE and SoFP as follows:

- SoCNE
    - Finance expense has been split from Operating expenditure;
    - Finance income has been split from Operating income; and
    - Depreciation, impairments and other non-cash charges has been split from Operating Expenditure.
- SoFP
    - Financial assets have been split between loans and investments

Adjustment 1: Removal of Academy Trust balances
As per Note 1.4.2, the Department has removed AT balances from the Group ARA, and reflect the academy sector in their own standalone ARA.

Adjustment 2: Machinery of Government changes
The Group undertook a MoG change in July 2016 taking responsibility for higher education and for vocational education as noted in paragraph 7.44. The Group acquired new reporting bodies who are shown in the Group restatements as follows:

2A) Department & Agencies: bodies coming into the Department are the FE/HE directorate from BIS (including the student loan book) and an executive agency, SFA; and

2B) Group: incorporating the new ex-BIS bodies acquired through the MoG, see paragraph 7.48 for more details.

2.2 Restatements affecting the Group

2.2.1 2015-16 Consolidated Statement of Comprehensive Net Expenditure

	Originally presented £000	Adjustment 1 £000	Adjustment 2A £000	Adjustment 2B £000	Restated £000
Operating income	(2,474,605)	2,267,670	(2,345,963)	(261,494)	(2,814,392)
Total operating income	**(2,474,605)**	**2,267,670**	**(2,345,963)**	**(261,494)**	**(2,814,392)**
Staff costs	13,692,962	(13,473,977)	57,984	155,176	432,145
Revenue grants	37,176,344	15,826,433	8,690,453	(651,012)	61,042,218
Capital grants	2,428,566	1,915,920	60,828	588,427	4,993,741
Operating expenditure	4,359,146	(3,939,230)	84,250	126,500	630,666
Depreciation, impairment and other non-cash charges	2,249,213	(2,196,565)	(3,548,972)	11,781	(3,484,543)
Net (gain)/loss on conversion of non-LA academies:					
in year conversions	(669,094)	669,094	-	-	-
settlements	(37,643)	37,643	-	-	-
Corporation tax	(1,060)	-	-	6	(1,054)
Total operating expenditure	**59,198,434**	**(1,160,682)**	**5,344,543**	**230,878**	**63,613,173**
Net operating expenditure	**56,723,829**	**1,106,988**	**2,998,580**	**(30,616)**	**60,798,781**
Finance income	(16,583)	14,134	(1,062,623)	(1,793)	(1,066,865)
Finance expense	16,983	(5,511)	9	2,217	13,698
Gain on transfer of functions	4,190	-	-	-	4,190
Net (gain)/loss on conversion of LA academies:					
in year conversions	(1,929,735)	1,929,735	-	-	-
settlements	88,503	(88,503)	-	-	-
Net expenditure for the year	**54,887,187**	**2,956,843**	**1,935,966**	**(30,192)**	**59,749,804**
Other comprehensive expenditure					
Items that will not be reclassified to net operating costs					
Net (gain)/loss on:					
revaluation of property, plant and equipment and intangibles	(7,668,379)	7,665,955	-	265	(2,159)
fair value (gain)/loss on investments	955	(955)	-	829	829
Actuarial (gain)/loss on defined benefit pension schemes	(538,791)	538,655	-	(8,421)	(8,557)
Total other comprehensive expenditure	**(8,206,215)**	**8,203,655**	**-**	**(7,327)**	**(9,887)**
Comprehensive net expenditure for the year	**46,680,972**	**11,160,498**	**1,935,966**	**(37,519)**	**59,739,917**

2.2.2 2016 Consolidated Statement of Financial Position

		Adjustment			
	Originally presented £000	1 £000	2A £000	2B £000	Restated £000
Non-current assets					
Property, plant and equipment	46,444,042	(46,165,493)	602	31,075	310,226
Intangible assets	19,560	(2,971)	44,707	46,037	107,333
Loans	163,894	3,544	54,638,861	32,757	54,839,056
Investments	149,932	(149,932)	-	12,462	12,462
Receivables	7,369	6,019	-	-	13,388
	46,784,797	**(46,308,833)**	**54,684,170**	**122,331**	**55,282,465**
Current assets					
Assets held for sale	28,697	-	-	-	28,697
Inventories	9,781	(9,781)	-	665	665
Loans	188	2,266	2,317,000	11,693	2,331,147
Investments	-	-	-	82,600	82,600
Receivables	975,212	(774,746)	1,177,594	100,709	1,478,769
Cash and cash equivalents	3,439,552	(3,232,079)	268,524	61,924	537,921
	4,453,430	**(4,014,340)**	**3,763,118**	**257,591**	**4,459,799**
Total assets	**51,238,227**	**(50,323,173)**	**58,447,288**	**379,922**	**59,742,264**
Current liabilities					
Payables	(2,534,181)	1,546,121	(538,936)	(110,925)	(1,637,921)
Provisions	(28,610)	2,279	(5,188)	(28,730)	(60,249)
Financial liabilities	-	-	(12,307)	-	(12,307)
	(2,562,791)	**1,548,400**	**(556,431)**	**(139,655)**	**(1,710,477)**
Total assets less current liabilities	**48,675,436**	**(48,774,773)**	**57,890,857**	**240,267**	**58,031,787**
Non-current liabilities					
Payables	(438,106)	64,125	(185)	(43,066)	(417,232)
Provisions	(143,311)	(2,490)	(4,148)	(184,329)	(334,278)
Financial liabilities	-	-	(182,125)	-	(182,125)
Pension deficit	(4,038,599)	4,037,137	-	(15,680)	(17,142)
	(4,620,016)	**4,098,772**	**(186,458)**	**(243,075)**	**(950,777)**
Total assets less current liabilities	**44,055,420**	**(44,676,001)**	**57,704,399**	**(2,808)**	**57,081,010**
Taxpayers' equity					
General fund	(478,206)	(162,309)	57,704,399	(127,347)	56,936,537
Revaluation reserve	10,033,306	(10,013,372)	-	673	20,607
Charitable fund	34,500,320	(34,500,320)	-	123,866	123,866
	44,055,420	**(44,676,001)**	**57,704,399**	**(2,808)**	**57,081,010**

2.2.3 2015 Consolidated Statement of Financial Position

	Originally presented £000	Adjustment 1 £000	2A £000	2B £000	Restated £000
Non-current assets					
Property, plant and equipment	35,501,997	(35,304,242)	571	32,468	230,794
Intangible assets	30,423	(4,815)	52,711	28,552	106,871
Loans	-	6,720	40,046,253	31,894	40,084,867
Investments	134,967	(134,967)	-	14,203	14,203
Receivables	16,440	6,006	-	-	22,446
	35,683,827	**(35,431,298)**	**40,099,535**	**107,117**	**40,459,181**
Current assets					
Assets held for sale	5,195	-	-	400	5,595
Inventories	10,183	(10,183)	-	404	404
Loans	-	39	2,136,000	17,256	2,153,295
Investments	-	-	-	88,216	88,216
Receivables	1,048,738	(915,591)	874,295	99,534	1,106,976
Cash and cash equivalents	3,038,199	(2,804,166)	97,947	57,677	389,657
	4,102,315	**(3,729,901)**	**3,108,242**	**263,487**	**3,744,143**
Total assets	**39,786,142**	**(39,161,199)**	**43,207,777**	**370,604**	**44,203,324**
Current liabilities					
Payables	(2,536,837)	1,631,505	(503,379)	(109,133)	(1,517,844)
Provisions	(33,744)	4,300	(7,611)	(29,376)	(66,431)
Financial liabilities	-	-	(10,000)	-	(10,000)
	(2,570,581)	**1,635,805**	**(520,990)**	**(138,509)**	**(1,594,275)**
Total assets less current liabilities	**37,215,561**	**(37,525,394)**	**42,686,787**	**232,095**	**42,609,049**
Non-current liabilities					
Payables	(45,237)	45,237	(731)	(38,252)	(38,983)
Provisions	(148,310)	(721)	(3,824)	(211,061)	(363,916)
Financial liabilities	-	-	(182,541)	-	(182,541)
Pension deficit	(3,965,380)	3,965,380	-	(23,100)	(23,100)
	(4,158,927)	**4,009,896**	**(187,096)**	**(272,413)**	**(608,540)**
Total assets less current liabilities	**33,056,634**	**(33,515,498)**	**42,499,691**	**(40,318)**	**42,000,509**
Taxpayers' equity					
General fund	(294,788)	(182,564)	42,499,691	(164,791)	41,857,548
Revaluation reserve	2,365,906	(2,347,418)	-	675	19,163
Charitable fund	30,985,516	(30,985,516)	-	123,798	123,798
	33,056,634	**(33,515,498)**	**42,499,691**	**(40,318)**	**42,000,509**

2.3 Restatements affecting the Department & Agencies

2.3.1 2015-16 Consolidated Statement of Comprehensive Net Expenditure

	Originally presented £000	Adjustment 2A £000	Restated £000
Operating income	(205,503)	(2,345,963)	(2,551,466)
Total operating income	**(205,503)**	**(2,345,963)**	**(2,551,466)**
Staff costs	205,226	57,984	263,210
Revenue grants	53,026,317	8,690,453	61,716,770
Capital grants	4,344,486	60,828	4,405,314
Operating expenditure	405,085	84,250	489,335
Depreciation, impairment and other non-cash charges	52,000	(3,548,972)	(3,496,972)
Net (gain)/loss on conversion of non-LA academies:			
in year conversions	-	-	-
settlements	-	-	-
Corporation tax	-	-	-
Total operating expenditure	**58,033,114**	**5,344,543**	**63,377,657**
Net operating expenditure	**57,827,611**	**2,998,580**	**60,826,191**
Finance income	-	(1,062,623)	(1,062,623)
Finance expense	9,002	9	9,011
Net (gain)/loss on conversion of LA academies:			
in year conversions	-	-	-
settlements	-	-	-
Net expenditure for the year	**57,836,613**	**1,935,966**	**59,772,579**
Other comprehensive expenditure			
Items that will not be reclassified to net operating costs			
Net (gain) on:			
revaluation of property, plant and equipment and intangibles	(2,424)	-	(2,424)
fair value (gain)/loss on investments	-	-	-
Actuarial (gain)/loss on defined benefit pension schemes	-	-	-
Total other comprehensive expenditure	**(2,424)**	**-**	**(2,424)**
Comprehensive net expenditure for the year	**57,834,189**	**1,935,966**	**59,770,155**

2.3.2 2016 Statement of Financial Position

	Originally presented £000	Adjustment 2A £000	Restated £000
Non-current assets			
Property, plant and equipment	277,229	602	277,831
Intangible assets	16,421	44,707	61,128
Loans	3,544	54,638,861	54,642,405
Investments	-	-	-
Receivables	13,388	-	13,388
	310,582	**54,684,170**	**54,994,752**
Current assets			
Assets held for sale	28,697	-	28,697
Inventories	-	-	-
Loans	2,266	2,317,000	2,319,266
Investments	-	-	-
Receivables	197,379	1,177,594	1,374,973
Cash and cash equivalents	182,638	268,524	451,162
	410,980	**3,763,118**	**4,174,098**
Total assets	**721,562**	**58,447,288**	**59,168,850**
Current liabilities			
Payables	(959,659)	(538,936)	(1,498,595)
Provisions	(26,204)	(5,188)	(31,392)
Financial liabilities	-	(12,307)	(12,307)
	(985,863)	**(556,431)**	**(1,542,294)**
Total assets less current liabilities	**(264,301)**	**57,890,857**	**57,626,556**
Non-current liabilities			
Payables	(203,366)	(185)	(203,551)
Provisions	(145,801)	(4,148)	(149,949)
Financial liabilities	-	(182,125)	(182,125)
Pension deficit	-	-	-
	(349,167)	**(186,458)**	**(535,625)**
Total assets less liabilities	**(613,468)**	**57,704,399**	**57,090,931**
Taxpayers' equity			
General fund	(633,402)	57,704,399	57,070,997
Revaluation reserve	19,934	-	19,934
Charitable fund	-	-	-
	(613,468)	**57,704,399**	**57,090,931**

2.3.3 2015 Statement of Financial Position

	Originally presented £000	Adjustment 2A £000	Restated £000
Non-current assets			
Property, plant and equipment	197,752	571	198,323
Intangible assets	25,534	52,711	78,245
Loans	6,720	40,046,253	40,052,973
Investments	-	-	-
Receivables	22,446	-	22,446
	252,452	**40,099,535**	**40,351,987**
Current assets			
Assets held for sale	5,195	-	5,195
Inventories	-	-	-
Loans	39	2,136,000	2,136,039
Investments	-	-	-
Receivables	132,962	874,295	1,007,257
Cash and cash equivalents	233,738	97,947	331,685
	371,934	**3,108,242**	**3,480,176**
Total assets	**624,386**	**43,207,777**	**43,832,163**
Current liabilities			
Payables	(904,946)	(503,379)	(1,408,325)
Provision	(29,444)	(7,611)	(37,055)
Financial liabilities	-	(10,000)	(10,000)
	(934,390)	**(520,990)**	**(1,455,380)**
Total assets less current liabilities	**(310,004)**	**42,686,787**	**42,376,783**
Non-current liabilities			
Payables	-	(731)	(731)
Provisions	(149,031)	(3,824)	(152,855)
Financial liabilities	-	(182,541)	(182,541)
Pension deficit	-	-	-
	(149,031)	**(187,096)**	**(336,127)**
Total assets less liabilities	**(459,035)**	**42,499,691**	**42,040,656**
Taxpayers' equity			
General fund	(477,524)	42,499,691	42,022,167
Revaluation reserve	18,489	-	18,489
Charitable fund	-	-	-
	(459,035)	**42,499,691**	**42,040,656**

3 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 Management Committee on this basis; the Group's Supply Estimates are also structured in this way.

The vast majority of the lines of operation fall within the same geographical location and regulatory environment. Segmental analysis of the Group's assets and liabilities are not reviewed by management and consequently are not provided here.

3.1 Segmental analysis

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.

	Gross expenditure £000	Income £000	2016-17 Net expenditure £000	Gross expenditure Restated £000	Income Restated £000	2015-16 Net expenditure Restated £000
Education Standards	9,799,934	(79,397)	9,720,537	7,110,813	(87,738)	7,023,075
Higher & Further Education	31,202,222	(4,479,223)	26,722,999	16,882,778	(3,272,173)	13,610,605
Infrastructure & Funding	48,284,351	(68,794)	48,215,557	49,862,257	(10,855)	49,851,402
Insight, Resources & Transformation	321,337	(108,271)	213,066	234,607	(106,733)	127,874
Social Mobility & Equalities	372,208	(693)	371,515	372,526	(1,332)	371,194
	89,980,052	**(4,736,378)**	**85,243,674**	**74,462,981**	**(3,478,831)**	**70,984,150**

A summary of the responsibilities of the reporting entities used for management reporting purposes are explained from paragraph 2.7. Further details concerning outturn by directorate for the year are provided in the financial overview section.

3.2 Reconciliation between operating segments and SoCNE

		Reconciling items		2016-17
	Net expenditure per segmental analysis £000	Income & gains £000	Expenditure £000	Net costs per SoCNE £000
Education Standards	9,720,537	-	-	9,720,537
Higher & Further Education	26,722,999	2,442,550	(15,590,599)	13,574,950
Infrastructure & Funding	48,215,557	-	(496,982)	47,718,575
Insight, Resources & Transformation	213,066	-	(29,986)	183,080
Social Mobility & Equalities	371,515	-	(503)	371,012
	85,243,674	**2,442,550**	**(16,118,070)**	**71,568,154**

The reconciling expenditure items are primarily movements in loans. Infrastructure and funding includes loans in respect of PF2 (see Note 14) with an increase in these at the year end. The Higher & Further Education sector includes the student loan book, with new loans issued and repayments during the year being a reconciling item (see Note 14).

4 Operating income

		2016-17		2015-16
	Department & Agencies £000	Group £000	Department & Agencies Restated £000	Group Restated £000
Fees, charges and recharges to other government departments	41,295	40,860	117,363	116,677
Rental income	10,520	8,219	7,451	7,033
Shared service income	28	24	408	407
Joint programme income	2,076,632	2,081,264	2,117,218	2,110,602
RPA income	31,802	31,802	21,058	21,058
Training body levy income	-	225,117	-	222,964
European Union funding	30,826	30,826	204,474	204,474
Student grant recoveries	57,357	57,357	70,803	70,803
Sale of goods and services	62	71,298	1,259	40,431
Other income	119,668	128,415	11,432	19,943
	2,368,190	**2,675,182**	**2,551,466**	**2,814,392**

The joint programme income relates to income from Department of Health, Department for Business, Energy and Industrial Strategy and the Ministry of Justice for jointly managed projects where the Group had recharged some of the expenditure for those programmes, specifically research and capital funding for HEFCE of £1.9 billion (2015-16: £1.9 billion). In 2015-16 this figure included £74 million received in respect of the Old Admiralty Building project.

5 Staff costs

	Permanently employed staff £000	Ministers £000	Special advisers £000	Other £000	2016-17 Total £000	2015-16 Total Restated £000
Wages and salaries	324,786	188	178	55,736	380,888	345,803
Social security costs	35,739	18	26	25	35,808	28,095
Pension costs	56,607	-	32	46	56,685	58,247
	417,132	**206**	**236**	**55,807**	**473,381**	**432,145**
Less recoveries in respect of outward secondments	(6,480)	-	-	-	(6,480)	(2,152)
Total net costs	**410,652**	**206**	**236**	**55,807**	**466,901**	**429,993**
Of which:						
Department & Agencies	255,430	206	236	41,156	297,028	263,210
NDPBs	161,702	-	-	14,651	176,353	168,935
	417,132	**206**	**236**	**55,807**	**473,381**	**432,145**

Further disclosures relating to staff numbers and costs are detailed within the Remuneration and Staff Report (paragraph 8.47).

6 Grant expenditure

6.1 Resource grants

	2016-17 Department & Agencies £000	2016-17 Group £000	2015-16 Department & Agencies Restated £000	2015-16 Group Restated £000
Local authority:				
Dedicated Schools Grant	26,804,852	26,804,852	27,501,238	27,501,238
Pupil Premium	1,595,548	1,595,548	1,718,113	1,718,113
Local authority and other maintained schools with sixth forms	636,182	636,182	765,360	765,360
PFI special grant	750,610	750,610	748,842	748,842
Education Services Grant	496,938	496,938	563,089	563,089
Universal Free School Meals	541,511	541,511	564,238	564,238
Academy Trusts:				
Grants to academies for young people under 16	15,213,124	15,213,124	13,916,551	13,916,551
Grants to academies with sixth forms	1,493,403	1,493,403	1,484,592	1,484,592
Converting and rebrokering grants	118,780	118,780	-	-
Universal Free School Meals	129,239	129,239	105,711	105,711
Apprenticeships:				
16-18	814,926	814,926	792,296	792,296
18+	839,215	798,833	701,926	617,549
Other bodies:				
16-19 Further Education	3,661,361	3,661,361	3,729,667	3,729,667
16-19 Bursary funding	167,012	167,012	182,290	182,290
Initial Teacher Training	224,591	224,665	224,318	224,318
Training bodies	-	240,371	-	227,557
Institutional funding	-	1,453,968	-	3,214,434
Adult education budget	1,351,479	1,351,143	1,441,120	1,441,120
European funding	49,624	49,624	208,017	207,905
To individuals:				
Maintenance grant funding	1,659,126	1,659,126	2,045,532	2,045,532
Financial support for learners	64,590	64,590	46,244	37,140
Other current grants				
Schools and equality office	545,251	545,334	704,166	704,938
Further and higher education	206,995	207,673	238,619	249,738
Grant-in-Aid				
Grant-in-Aid (funding to NDPBs)	3,867,903	-	4,034,841	-
	61,232,260	**59,018,813**	**61,716,770**	**61,042,218**

6.2 Capital grants

	2016-17 Department & Agencies £000	2016-17 Group £000	2015-16 Department & Agencies Restated £000	2015-16 Group Restated £000
Basic Need schools capital grant	1,575,000	1,575,000	1,097,691	1,097,691
Maintenance capital grants to LAs and VA schools	903,639	903,639	838,331	838,331
Academy capital grants and Free School programme	1,429,569	1,429,569	1,486,952	1,486,952
Priority Schools Building Programme	1,055,594	1,055,594	906,211	906,211
Higher & further education	36,548	2,164,862	60,828	649,255
Other capital grants	9,309	12,982	15,301	15,301
	5,009,659	**7,141,646**	**4,405,314**	**4,993,741**

7 Operating expenditure

7.1 Operating expenditure

	2016-17 Department & Agencies £000	2016-17 Group £000	2015-16 Department & Agencies Restated £000	2015-16 Group Restated £000
Staff related costs	8,539	14,534	11,229	26,111
Consultancy and other professional fees	32,390	44,614	63,068	86,050
Building maintenance and repair cost	27,108	35,473	22,369	30,569
Premises costs including rates and service charges	18,255	21,774	8,764	12,124
Utilities	4,370	9,470	2,621	7,931
IT and telecommunications costs	29,002	59,380	31,705	61,798
PFI charge	36,123	36,123	-	-
Rentals under operating leases:				
land and buildings	65,042	80,084	19,709	25,533
other operating leases	721	2,459	843	2,415
Travel and subsistence	9,979	15,586	10,746	17,305
PF2 service costs	1,737	1,737	6	6
Research & development costs	11,997	13,794	16,812	19,205
Auditors' remuneration:				
audit fees	-	382	-	369
non-audit fees	-	186	-	253
Programme expenditure:				
schools	114,623	114,650	109,776	109,776
HE & FE education	-	3,866	-	8,677
Other expenditure	203,389	222,940	191,687	222,544
	563,275	**677,052**	**489,335**	**630,666**

7.2 Depreciation, impairment & other non-cash charges

	2016-17 Department & Agencies £000	2016-17 Group £000	2015-16 Department & Agencies Restated £000	2015-16 Group Restated £000
Depreciation	5,370	12,866	5,243	13,211
Amortisation:				
intangible assets	22,588	34,280	25,133	29,078
deferred capital grants	-	(17,184)	-	(9,095)
loans	7,418	7,418	-	-
Impairment:				
student loans	8,688,219	8,688,219	(3,593,232)	(3,593,232)
other loans	2,274	2,274	3,302	3,302
financial liabilities and guarantees	(9,330)	(9,330)	11,710	11,710
other	531	539	11,638	20,028
(Gain)/loss on disposal of tangible and intangible fixed assets	(710)	(1,459)	919	849
National Audit Office audit fee	939	939	1,141	1,141
Provisions:				
provided in year	53,798	60,614	39,525	38,771
not required written back	(4,439)	(4,733)	(1,786)	(1,865)
change of discount rate	13,719	28,202	(2,731)	(3,654)
borrowing costs (unwinding of discounts)	2,342	5,156	2,166	5,213
	8,782,719	**8,807,801**	**(3,496,972)**	**(3,484,543)**

The non-cash fees in the preceding table relate to work carried out for the Department and Agencies, whereas the cash fees stated are for audit work carried out on the accounts of the Group's NDPBs.

8 Finance income

	2016-17 Department & Agencies £000	2016-17 Group £000	2015-16 Department & Agencies Restated £000	2015-16 Group Restated £000
Student loans:				
capitalised income	1,878,472	1,878,472	1,557,958	1,557,958
effective interest	31,877	31,877	(495,590)	(495,590)
Investment income	-	1,659	-	1,793
Other interest income	1,346	14,158	255	2,704
	1,911,695	**1,926,166**	**1,062,623**	**1,066,865**

9 Finance expense

		2016-17		2015-16
	Department & Agencies	Group	Department & Agencies Restated	Group Restated
	£000	£000	£000	£000
PF2 finance cost	36,123	36,123	8,991	8,991
Bank charges and interest	14	1,296	20	924
Pension finance costs	-	836	-	1,323
Loan interest	-	12,300	-	2,460
	36,137	**50,555**	**9,011**	**13,698**

10 Property, plant and equipment

10.1 Impact of the restatement on the Group (2016)

	Land & buildings £000	Leasehold improve'ts £000	IT equipment £000	Plant & machinery £000	Furniture & fittings £000	Motor vehicles £000	Assets under construct'n £000	Total £000
2016								
Cost as at 31 March 2016 (as previously stated)	43,421,898	256,441	878,616	96,522	964,126	28,516	1,913,424	47,559,543
Restatement	(43,350,251)	(241,444)	(780,487)	(89,427)	(923,029)	(26,908)	(1,696,826)	(47,108,372)
Cost at 31 March 2016 (restated)	**71,647**	**14,997**	**98,129**	**7,095**	**41,097**	**1,608**	**216,598**	**451,171**
Depreciation as at 31 March 2016 (as previously stated)	63,216	34,392	557,449	44,573	401,388	14,483	-	1,115,501
Restatement	(56,289)	(23,375)	(474,950)	(38,963)	(367,649)	(13,330)	-	(974,556)
Depreciation at 31 March 2016 (restated)	**6,927**	**11,017**	**82,499**	**5,610**	**33,739**	**1,153**	**-**	**140,945**
Carrying value as at 31 March 2016 (as previously stated)	43,358,682	222,049	321,167	51,949	562,738	14,033	1,913,424	46,444,042
Carrying value at 31 March 2016 (restated)	**64,720**	**3,980**	**15,630**	**1,485**	**7,358**	**455**	**216,598**	**310,226**

10.2 Impact of the restatement on the Group (2015)

	Land & buildings £000	Leasehold Improve'ts £000	IT equipment £000	Plant & machinery £000	Furniture & fittings £000	Motor vehicles £000	Assets under construct'n £000	Total £000
2015								
Cost as at 1 April 2015 (as previously stated)	33,578,573	194,663	732,809	68,342	815,399	23,856	1,038,341	36,451,983
Restatement	(33,492,934)	(180,188)	(637,979)	(62,526)	(777,715)	(22,151)	(914,082)	(36,087,575)
Cost at 1 April 2015 (restated)	**85,639**	**14,475**	**94,830**	**5,816**	**37,684**	**1,705**	**124,259**	**364,408**
Depreciation as at 1 April 2015 (as previously stated)	196,836	21,491	407,249	30,374	283,849	10,187	-	949,986
Restatement	(186,801)	(11,442)	(329,016)	(24,935)	(255,180)	(8,998)	-	(816,372)
Depreciation at 1 April 2015 (restated)	**10,035**	**10,049**	**78,233**	**5,439**	**28,669**	**1,189**	**-**	**133,614**
Carrying value as at 1 April 2015 (as previously stated)	33,381,737	173,172	325,560	37,968	531,550	13,669	1,038,341	35,501,997
Carrying value at 1 April 2015 (restated)	**75,604**	**4,426**	**16,597**	**377**	**9,015**	**516**	**124,259**	**230,794**

10.3 Group 2017

	Land & buildings £000	Leasehold improve'ts £000	IT equipment £000	Plant & machinery £000	Furniture & fittings £000	Motor vehicles £000	Assets under construct'n £000	Total £000
Cost or valuation								
1 April 2016	71,647	14,997	98,129	7,095	41,097	1,608	216,598	451,171
Additions	11	4,986	4,408	670	463	77	198,996	209,611
Impairment	-	-	(700)	-	(261)	-	-	(961)
Disposals	(221)	(5,241)	(39,571)	(364)	(7,544)	(638)	-	(53,579)
Reclassifications	-	715	6,859	-	-	-	(7,470)	104
Revaluations	(1,036)	53	1,074	3	549	-	-	643
Transfer to Academy Trusts	-	-	-	-	-	-	(18,516)	(18,516)
At 31 March 2017	**70,401**	**15,510**	**70,199**	**7,404**	**34,304**	**1,047**	**389,608**	**588,473**
Depreciation								
1 April 2016	(6,927)	(11,017)	(82,499)	(5,610)	(33,739)	(1,153)	-	(140,945)
Charged in year	(577)	(1,212)	(8,660)	(286)	(2,018)	(118)	-	(12,871)
Disposals	222	5,170	39,545	364	7,531	508	-	53,340
Impairment	-	-	692	-	146	-	-	838
Revaluations	1,413	(52)	(788)	(2)	(392)	-	-	179
At 31 March 2017	**(5,869)**	**(7,111)**	**(51,710)**	**(5,534)**	**(28,472)**	**(763)**	**-**	**(99,459)**
Carrying value as at:								
31 March 2017	**64,532**	**8,399**	**18,489**	**1,870**	**5,832**	**284**	**389,608**	**489,014**
31 March 2016	**64,720**	**3,980**	**15,630**	**1,485**	**7,358**	**455**	**216,598**	**310,226**
Of the total:								
Department & Agencies	53,621	9	8,155	2	3,698	-	388,729	454,214
NDPBs	10,911	8,390	10,334	1,868	2,134	284	879	34,800
	64,532	**8,399**	**18,489**	**1,870**	**5,832**	**284**	**389,608**	**489,014**

10.4 Group 2016 (restated)

	Land & buildings £000	Leasehold improve'ts £000	IT equipment £000	Plant & machinery £000	Furniture & fittings £000	Motor vehicles £000	Assets under construct'n £000	Total £000
Cost or valuation								
1 April 2015	85,639	14,475	94,830	5,816	37,684	1,705	124,259	364,408
Additions	22,747	515	5,821	1,362	140	122	204,019	234,726
Transferred in on MoG change without restatement	-	-	2,225	-	3,945	-	-	6,170
Impairment	(9,542)	-	(419)	(55)	(366)	-	(1,556)	(11,938)
Disposals	(5,663)	(36)	(6,007)	(33)	(563)	(219)	(170)	(12,691)
Reclassifications	(23,259)	-	1,051	1	-	-	(1,052)	(23,259)
Revaluations	1,725	43	628	4	257	-	-	2,657
Transfer to ATs	-	-	-	-	-	-	(108,902)	(108,902)
At 31 March 2016	**71,647**	**14,997**	**98,129**	**7,095**	**41,097**	**1,608**	**216,598**	**451,171**
Depreciation								
At 1 April 2015	(10,035)	(10,049)	(78,233)	(5,439)	(28,669)	(1,189)	-	(133,614)
Transferred in on MoG change without restatement	-	-	(1,901)	-	(2,872)	-	-	(4,773)
Charged in year	(811)	(961)	(8,143)	(256)	(2,878)	(160)	-	(13,209)
Disposals	974	36	5,925	34	559	196	-	7,724
Impairment	-	-	419	55	294	-	-	768
Reclassifications	2,838	-	-	-	-	-	-	2,838
Revaluations	107	(43)	(566)	(4)	(173)	-	-	(679)
At 31 March 2016	**(6,927)**	**(11,017)**	**(82,499)**	**(5,610)**	**(33,739)**	**(1,153)**	**-**	**(140,945)**
Carrying value as at:								
31 March 2016	**64,720**	**3,980**	**15,630**	**1,485**	**7,358**	**455**	**216,598**	**310,226**
31 March 2015	**75,604**	**4,426**	**16,597**	**377**	**9,015**	**516**	**124,259**	**230,794**

	Land & buildings £000	Leasehold improve'ts £000	IT equipment £000	Plant & machinery £000	Furniture & fittings £000	Motor vehicles £000	Assets under construct'n £000	Total £000
Of the total:								
Department & Agencies	54,110	11	2,532	7	5,383	-	215,788	277,831
NDPBs	10,610	3,969	13,098	1,478	1,975	455	810	32,395
	64,720	**3,980**	**15,630**	**1,485**	**7,358**	**455**	**216,598**	**310,226**

£0.4 million (2015-16: £0.3 million) for the free schools programme staff costs have been included in the value of Assets under Construction (AuC) as they are directly attributable to these capital projects.

Under the terms of the lease agreement, no contingent rents are payable and there are no rights to purchase for the Sanctuary Building in London. The commitment is calculated based on the Department exercising a lease break for a departure in 2018. There are also no contingent rents payable and no rights to purchase for Piccadilly Gate, Manchester and Earlsdon Park, Coventry. The commitments are calculated based on the full unexpired lives of the leases. These leases are therefore held as operating leases and only leasehold improvements are capitalised.

The Group's surveyors revalue land and buildings in accordance with the Royal Institute of Chartered Surveyors' (RICS) *Appraisal and Valuation Manual* and the Department's *Building Bulletins 102* and *103*.

The Group's sites were last revalued by DTZ McCombe Pierce LLP as follows:

- Mowden Hall, Darlington April 2015;
- St Paul's Place, Sheffield March 2016.

The Group is not aware of any material change to any of the other valuation of the properties since the last professional valuations.

AuC relate to IT and school building construction projects.

11 Intangible assets

11.1 Group 2017

	Software and IT £000	Developm't expenditure £000	Other £000	Total £000
Cost or valuation				
At 1 April 2016 (before restatement)	113,176	36	698	113,910
Restatement	179,218	29,181	(598)	207,801
At 1 April 2016 (after restatement)	292,394	29,217	100	321,711
Additions	19,306	40,387	-	59,693
Impairments	(14,386)	(454)	-	(14,840)
Disposals	(88,289)	-	-	(88,289)
Reclassifications	30,006	(30,110)	-	(104)
Revaluations	3,097	-	-	3,097
At 31 March 2017	**242,128**	**39,040**	**100**	**281,268**
Amortisation				
At 1 April 2016 (before restatement)	(94,028)	-	(322)	(94,350)
Restatement	(120,250)	-	222	(120,028)
At 1 April 2016 (after restatement)	(214,278)	-	(100)	(214,378)
Charged in year	(34,281)	-	-	(34,281)
Impairments	14,379	-	-	14,379
Disposals	85,241	-	-	85,241
Revaluation	(2,580)	-	-	(2,580)
At 31 March 2017	**(151,519)**	**-**	**(100)**	**(151,619)**
Carrying value at:				
31 March 2017	**90,609**	**39,040**	**-**	**129,649**
31 March 2016 (restated)	**78,116**	**29,217**	**-**	**107,333**
Asset financing:				
Owned	90,609	39,040	-	129,649
Finance leased	-	-	-	-
	90,609	**39,040**	**-**	**129,649**
Of the total:				
Department & Agencies	40,913	13,022	-	53,935
NDPBs	49,696	26,018	-	75,714
	90,609	**39,040**	**-**	**129,649**

11.2 Group 2016 (restated)

	Software and IT £000	Developm't expenditure £000	Other £000	Total £000
Cost or valuation				
At 1 April 2015 (before restatement)	108,747	11,469	402	120,618
Restatement	150,118	26,674	(302)	176,490
At 1 April 2015 (after restatement)	258,865	38,143	100	297,108
Additions	13,936	22,265	-	36,201
Transferred in on MoG change without restatement	818	-	-	818
Impairments	(1,035)	(8,124)	-	(9,159)
Disposals	(6,983)	-	-	(6,983)
Reclassifications	25,409	(23,067)	-	2,342
Revaluations	1,384	-	-	1,384
At 31 March 2016	**292,394**	**29,217**	**100**	**321,711**
Amortisation				
At 1 April 2015 (before restatement)	(90,050)	-	(145)	(90,195)
Restatement	(100,087)	-	45	(100,042)
At 1 April 2015 (after restatement)	(190,137)	-	(100)	(190,237)
Transferred in on MoG change without restatement	(702)	-	-	(702)
Charged in year	(29,077)	-	-	(29,077)
Impairments	320	-	-	320
Disposals	6,521	-	-	6,521
Revaluation	(1,203)	-	-	(1,203)
At 31 March 2016	**(214,278)**	**-**	**(100)**	**(214,378)**
Carrying value at (restated):				
31 March 2016	**78,116**	**29,217**	**-**	**107,333**
31 March 2015	**68,728**	**38,143**	**-**	**106,871**
Asset financing:				
Owned	78,116	29,217	-	107,333
Finance leased	-	-	-	-
	78,116	**29,217**	**-**	**107,333**
Of the total:				
Department & Agencies	57,878	3,250	-	61,128
NDPBs	20,238	25,967	-	46,205
	78,116	**29,217**	**-**	**107,333**

Intangible assets were revalued on the basis of indices provided in the Public Expenditure System by HMT.

The majority of assets under construction relate to programme developed software projects.

12 Financial instruments

12.1 Financial assets by category

	2017 Department & Agencies £000	2017 Group £000	2016 Department & Agencies Restated £000	2016 Group Restated £000
Available for sale investments:				
Cash and cash equivalents	598,962	676,971	451,162	537,921
Investments	1,152	100,927	-	95,062
Loans and receivables:				
Loans	61,395,421	61,954,691	56,961,671	57,170,203
Receivables	1,043,329	1,290,957	1,388,361	1,492,157
	63,038,864	**64,023,546**	**58,801,194**	**59,295,343**

12.2 Financial liabilities by category

	2017 Department & Agencies £000	2017 Group £000	2016 Department & Agencies Restated £000	2016 Group Restated £000
Financial liabilities measured at amortised cost:				
Payables - excluding loans	1,618,252	1,811,678	1,482,262	1,641,543
PFI liability	572,287	572,287	219,884	219,884
PF2 debt	-	531,403	-	193,726
	2,190,539	**2,915,368**	**1,702,146**	**2,055,153**

13 Financial risk

13.1 Financial risk management

As the cash requirements of the Group are met through the Estimate 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 is therefore not exposed to significant residual liquidity risk.

Interest-rate risk
The Group's financial instruments carry nil, variable or fixed rates of interest.

The Group's variable rate financial assets are predominantly its student loans which have an interest rate cap set at RPI or the Bank of England base rate plus 1%.

The interest rate on pre-2012 loans is the lower of RPI and the Bank of England base rate plus 1%. The amount of interest repayable is therefore subject to fluctuations in the base rate and RPI. The probability of the Department recovering the face value of loans issued is increased when the Bank of England base rate is low and the rate of inflation is comparatively high, because the base rate cap comes into operation for these loans. The impact of the interest rate risk for student loans issued under the pre-2012 scheme is factored into the carrying value as the student loan repayment model calculates the impact of interest rate on expected future cash flows. There is inherent risk in forecasting the amount of interest payable and if England experiences base rates that are lower than RPI the future cash flows will be impaired further. Additional information about student loans is provided in Note 14.3.

The Group's inbound and outbound PF2 financial instruments have fixed interest rates that are broadly aligned and were set within the context of the PF2 transaction as a whole.

Consequently, the Department does not consider it is exposed to significant residual interest-rate risk.

Credit risk
Credit risk is the risk that a service user or counterparty to a financial instrument will fail to pay amounts due causing financial loss to the Group and arises principally from cash and outstanding debt. The Group's exposure to credit risk can be split into two broad sources: arising from loans originated by the Group (predominantly PF2 and student loans) and the funding of education providers.

The Group addresses the credit risks arising from its PF2 loans through careful planning at the origination stages (planned drawdown and repayment schedules) and continuing review of monthly reporting within the wider PF2 transaction. 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 streams.

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 14.

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.

For loan assets, there is no active market and there is no intention to sell. Therefore, the Group do not disclose fair value comparatives.

Market risk
The Group is exposed to market risk through its market valued investment portfolio. The majority of the Group's investment portfolio comprises investment funds and/or unit trusts managed by professional money managers.

The Department considers the use of third party professional managers mitigates against significant residual market risk.

Other market risk
The other main risks resulting from a downward movement in the economy relate to the potential increase in borrowers' unemployment impacting on their ability to repay student loans. Student loans are also impacted due to the potential resultant negative impact on graduate earnings growth, which lengthens the time period before loans are in repayment and extends the repayment period. This may impact the carrying value in the accounts. It can also lead to an increase in write offs as it increases the likelihood that some graduates may not repay their loans in full by the end of the loan period.

13.2 PF2 risk

The Group has entered into agreements for five regional batches of schools with construction consortia. These schemes are PFI arrangements, with the financing for each of the batches raised by Aggregator Vehicle Plc.

In summary, the transactions involved are:

- Investor debt is raised (liability of the Group);
- a loan is made onward to the relevant regional batch consortium (asset of the Group);
- the consortium undertakes construction projects with assets controlled by the local authority or AT as relevant;

- adopting the Group's AuC accounting policy the school assets are not recognised as asset the value of construction is recognised as a capital grant-in-kind;
- The Group recognises a PFI liability in respect of unitary charges payable to the consortia for the use 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 financial statements:

Balance	Note	Counterparty
SoFP		
PF2 Senior debt	19 & 20	Loan financing
PF2 Subordinated debt	19 & 20	Loan financing
PF2 Loans onward	14	Receivable from regional batch consortia
PFI liability	19 & 20	Payable to regional batch consortia
SoCNE		
Loan interest expense	9	Private sector investors
Loan interest income	8	Receivable from regional batch consortia
PF2 service costs	7	Payable to regional batch consortia
PF2 finance costs	9	Payable to regional batch consortia

14 Loans

14.1 Current loans

		2017		2016
	Department & Agencies	Group	Department & Agencies Restated	Group Restated
	£000	£000	£000	£000
Student loans	2,568,000	2,568,000	2,317,000	2,317,000
Loans to Academy Trusts	1,932	1,932	2,266	2,266
Loans to Colleges	25,067	25,067	-	-
PF2 loans	-	9,552	-	188
Other loans	-	14,166	-	11,693
	2,594,999	**2,618,717**	**2,319,266**	**2,331,147**

14.2 Non-current loans

	2017 Department & Agencies £000	2017 Group £000	2016 Department & Agencies Restated £000	2016 Group Restated £000
Student loans	58,772,392	58,772,392	54,602,348	54,602,348
Loans to Academy Trusts	3,117	3,117	3,544	3,544
Loans to Colleges	24,913	24,913	36,513	36,513
PFI loans	-	510,042	-	163,894
Other loans	-	25,510	-	32,757
	58,800,422	**59,335,974**	**54,642,405**	**54,839,056**

14.3 Student Loans in Higher and Further Education

Loans for students in higher and further education are held by the Department.

14.3.1 Features of student loans

There are two student loan schemes with different features – the pre-2012 and post-2012 scheme. We have shown these two schemes separately because of key differences in the loan characteristics – for details, please see the table below. Post-2012 loans are available to students at different levels of study – further education (Advanced Learner Loans) and higher education (Undergraduate and Master's) courses. Loans were made available to students on Master's courses for the first time in 2016-17 – these loans are up to £10,000 as a contribution towards course and living costs.

	Pre-2012 loans scheme	Post-2012 loans scheme
Nature of repayments	Income contingent and generally through the tax system	
Students	Starters in higher education between academic years 1998/99 and 2011/12	**Undergraduate Loans -** starters on higher education courses from academic year 2012/13 onwards. **Advanced Learner Loans -** starters on eligible Level 3 and 4 courses aged 24 or over from academic year 2013/14 onwards. **Master's Loans –** starters on masters courses from academic year 2016/17.
Value of tuition fee loan (2016/17 rates)	£3,465 (full-time starters from academic years 2006/07 – 2011/12)	**Undergraduate Loans –** up to £9,000 (full-time). **Master's Loans –** up to £10,000 as a contribution to course and living costs.
Interest rate applicable for 2016/17	Borrowers are charged the lower of RPI or Bank of England base rate plus 1%. If the latter applies, then the base rate cap is in operation.	**Undergraduate Loans** and **Advanced Learner Loans-** borrowers in study and until the April after leaving their course are charged RPI plus 3%.

	Pre-2012 loans scheme	Post-2012 loans scheme
	The interest rate is currently 1.25% (2015/16: 0.9%).	The interest rate is currently 4.6% (2015/16: 3.9%). From the April after leaving their course, borrowers are charged a variable rate of interest between RPI and RPI plus 3%, depending on their income. **Master's Loans –** RPI plus 3% throughout the period of the loan. Rate is currently 4.6%.
Repayment threshold	2016-17: £17,495 2017-18: £17,775	£21,000 frozen until April 2021
Repayment rate	9% above repayment threshold	**Undergraduate Loans** and **Advanced Learner Loans -** 9% above repayment threshold. **Master's Loans –** 6% above repayment threshold (in addition to 9% for any Advanced Learner Loans and Undergraduate Loans)

14.3.2 Measurement and carrying values

In accordance with IAS 39, student loans are classified as Loans and Receivables and are carried at amortised cost, with the gross value of loans issued discounted to net present value using the effective interest rate method. The effective interest rate used is the higher of the rate intrinsic to the instrument, and the real long term discount rate as set by HMT.

The net present value calculation also takes into account an estimate of the value of student loans issued which will not be repaid because of policy reasons due to death, disability, age of the student or loan or other policies. The carrying value is also considered to be a reasonable approximation of the fair value of student loans, in the absence of an active market, readily observable market trends or similar arm's length transactions. A valuation technique is used to estimate the present value of future cash flows and an estimate of irrecoverable amounts because of policy decisions.

	Pre-2012 Loans £000	Post-2012 Loans £000	2017 Total £000	Pre-2012 Loans £000	Post-2012 Loans £000	2016 Total £000
Balance at 1 April	33,680,244	23,239,104	56,919,348	32,241,670	9,934,345	42,176,015
Additions	63,271	13,574,699	13,637,970	303,580	11,622,360	11,925,940
Repayments	(2,200,989)	(241,560)	(2,442,549)	(1,778,871)	(61,973)	(1,840,844)
Capitalised interest	490,570	1,387,903	1,878,473	503,286	1,053,408	1,556,694
Effective interest	622,196	(590,319)	31,877	239,948	(735,538)	(495,590)
Write offs	(24,584)	(6,913)	(31,497)	(22,960)	(4,030)	(26,990)
(Impairment)/ impairment reversal	(2,899,385)	(5,753,845)	(8,653,230)	2,193,591	1,430,532	3,624,123
	29,731,323	**31,609,069**	**61,340,392**	**33,680,244**	**23,239,104**	**56,919,348**

Effective interest for post-2012 loans in 2016-17 is a negative value because these loans currently attract interest up to RPI plus 3% (4.6%). This is greater than the effective interest rate of RPI plus 0.7%. This means that the value of capitalised interest for post-2012 loans is greater than the value of effective interest for the year, leaving a negative residual effective interest. This occurs because policy is that students in study attract interest up to RPI plus 3%. Over the lifetime of the loan, the full interest policy will come into effect with borrowers paying variable interest rates, depending on their income.

Impairments relate to the cost of new loans being issued and the revaluation of the stock of existing loans. Impairments recognise that, in aggregate, the impact of the interest rate charged to borrowers and of policy write offs are less than the Government's long term cost of borrowing.

14.3.3 Face value of student loans

The face value is made up of the opening face value, plus additions and capitalised interest, and less write offs and repayments. Face value excludes impairments of loans and effective interest.

The table below provides a reconciliation between the carrying value and the face value of student loans issued:

	Pre-2012 loans £000	£000	Post-2012 loans £000	£000	Total £000
Opening face value of loan book as at 1 April 2016		44,495,135		31,261,808	75,756,943
Less: opening value of loan impairments		(10,814,891)		(8,022,704)	(18,837,595)
Opening carrying value of loan book as at 1 April 2016		**33,680,244**		**23,239,104**	**56,919,348**
New loans issued	63,271		13,574,699		
Less: Impairment of loans issued	(22,777)		(3,913,935)		
Fair value of new loans issued		40,494		9,660,764	9,701,258
Impairment adjustment to opening loan book	(2,876,608)		(1,839,910)		(4,716,518)
Capitalised interest	490,570		1,387,903		1,878,473
Effective interest	622,196		(590,319)		31,877
Write-offs	(24,584)		(6,913)		(31,497)
Repayments	(2,200,989)		(241,560)		(2,442,549)
Carrying value of loan book as at 31 March 2017		29,731,323		31,609,069	61,340,392
Add back: closing value of loan impairments		13,092,078		14,366,866	27,458,944
Face value of loan book as at 31 March 2017		**42,823,401**		**45,975,935**	**88,799,336**

14.3.4 Risk

Forecasting models

The value of new loans issued is calculated using a forecasting model which uses data on the demographics of higher education students in order to predict their likely repayments of loans. There are also models adapted for borrowers taking different loan types – pre-2012 and post-2012 loans (Undergraduate, Advanced Learner Loans and Master's Loans). The models depend on a complex set of assumptions, and particularly on 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 books is uncertain as they are highly dependent on macroeconomic circumstances and graduate earnings over the next 30 years, as well as a number of other complex assumptions, for around five million borrowers. There is little historic repayment data available for post-2012 loans. Further information on the undergraduate model assumptions[61] 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 2017.

[61] http://tinyurl.com/stepmodelguide

Assurance over the carrying 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.

Changes in assumptions and modelling

During 2016-17 changes in assumptions and modelling led to the following revisions to the opening carrying value for student loans:

- Revised short term forecasts for base rates, RPI and earnings growth were published in the OBR's *Economic and Fiscal Outlooks* in November 2016 and March 2017. Together these led to a decrease in the value of pre-2012 loans of £2.0 billion and a decrease in the value of post-2012 loans of £1.1 billion.
- Modelling improvements led to a decrease in the value of pre-2012 loans of £886 million and a decrease in the value of the post-2012 loans of £772 million. Modelling improvements included refreshing the model for the current year and incorporating improved forecast data.

Impact of changes in assumptions and modelling on loan impairments

	Pre-2012 loans £000	Post-2012 loans £000	Total £000
Impairments to existing loans arising from changes to:			
Modelling improvements	(886,168)	(772,049)	(1,658,217)
Revised OBR forecasts	(2,015,024)	(1,074,761)	(3,089,785)
	(2,901,192)	**(1,846,810)**	**(4,748,002)**
Write off utilisation	24,584	6,900	31,484
Impairments to loans issued during the year	(22,777)	(3,913,935)	(3,936,712)
Total loan impairment	**(2,899,385)**	**(5,753,845)**	**(8,653,230)**

Assumptions used to calculate the student loan balance at 31 March 2017

Key macro-economic assumptions that affect the value of the student loan books are earnings growth, RPI inflation and, for pre-2012 loans, the Bank of England base rate. The tables below indicate the sensitivity of the valuation of future cash flows to these assumptions. Other assumptions, for example, that future graduate earnings will mimic the available data on historical graduate earnings, cannot be easily varied.

The sections below show the changes required in earnings growth, RPI inflation and Bank of England base rate assumptions to create an increase/decrease in the carrying value of each loan book of 1%.

A 1% shift in the carrying value is a relevant deviation to consider as it is larger than the magnitude of the inherent random variation present in the forecasting model. The assumptions could change by a larger amount, causing the carrying value to change by more than 1%. There are no earnings growth forecasts specifically for graduates, so the macro-economic assumptions include both graduates and non-graduates.

Figures are split into pre-2012 and post-2012 loan books, as the impact of these assumptions differ between the books. For post-2012 loans, only full-time undergraduate loans are analysed since they are, by far, the largest part of the value in the book. The carrying values at 31 March 2017 were £29.7 billion for the pre-2012 undergraduate loan book and £31.6 billion for the post-2012 undergraduate full-time loan book.

The sensitivity analysis shows the relative changes in the underlying assumptions (RPI, earnings, bank base rate) which results in a 1% change in the carrying amount of the undergraduate loan books. The changes in the tables below are relative percentage changes of the underlying assumptions. For example, a 10% increase in RPI would change an RPI value of 3.0% to 3.3%. To increase the carrying value of pre-2012 loans by +1% or +£297 million would require a 2.8% decrease in RPI.

RPI

A higher RPI will increase interest in the following year for post-2012 loans. It will also increase it for pre-2012 loans, unless RPI is higher than the base rate +1%, in which case RPI does not determine the interest rate. The repayment threshold for pre-2012 loans increases in line with RPI each year, so a higher RPI results in lower repayments. The OBR forecast for March RPI in 2016-17 is 3.0%, rising to 4.0% in 2017-18 before falling to 3.0% over the long term. The table below shows the relative percentage changes in RPI that would cause a 1% shift in the carrying value of each loan book.

	Pre-2012 Undergraduate loans	Post-2012 Undergraduate full time loans
	1% change = £297 million	**1% change = £303 million**
Increase by 1%	(2.8%)	(4.2%)
Decrease by 1%	2.8%	4.1%

Earnings growth

Higher earnings growth will increase repayments for both pre and post-2012 loans. The post-2012 interest rate following graduation is linked to a borrower's earnings, so higher earnings will also increase post-2012 interest. The OBR forecast for 2016-17 average earnings growth is 2.6%, rising to 4.3% in the long term. The table below shows the relative percentage changes in earnings growth that would cause a 1% shift in the carrying value of each loan book.

	Pre-2012 Undergraduate loans	Post-2012 Undergraduate full time loans
	1% change = £297 million	**1% change = £303 million**
Increase by 1%	4.0%	2.6%
Decrease by 1%	(3.8%)	(2.6%)

Bank of England base rate

A higher base rate will increase interest for pre-2012 loans, unless RPI is higher than the base rate +1%, in which case the interest rate is determined by RPI. The OBR forecast for the Bank of England base rate in 2016-17 is 0.3%, rising to 4.9% in the long term. The table below shows the relative percentage changes in the Bank of England base rate that would cause a 1% shift in the carrying value of each loan book. Note that these figures are larger than the earnings growth and RPI changes, because the base rate is not forecast to impact the pre-2012 interest rate in the long term. A large short term impact is needed to cause a 1% shift in the carrying value.

	Pre-2012 Undergraduate loans	Post-2012 Undergraduate full time loans
	1% change = £297 million	**1% change = £303 million**
Increase by 1%	31.7%	No impact
Decrease by 1%	(24.5%)	No impact

Historical data over the last five years, from 2011-12 to 2015-16 shows the extent of change to earnings growth, RPI rates and base rates:

- ONS outturn figures for the financial year average of earnings growth have varied between a low of 1.3% in 2012-13 and a high of 2.4% in 2015-16.
- ONS outturn figures for March RPI have varied between a low of 0.9% in 2014-15 and a high of 3.6% in 2011-12.
- The Bank of England base rate has remained at 0.5% throughout this time.

Another important assumption is the discount rate used to calculate impairments on student loans. This is the long term cost of Government borrowing, which is set by HMT. This changes infrequently, with the last changes occurring during 2005-06 and 2015-16.

14.4 Loans to Colleges

Loans to colleges 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.

	2017 Department & Agencies £000	2017 Group £000	2016 Department & Agencies Restated £000	2016 Group Restated £000
Balance as at 1 April	36,513	36,513	6,239	6,239
New loans issued	27,179	27,179	33,681	33,681
Effective interest	(4,117)	(4,117)	(3,302)	(3,302)
Amortisation	1,346	1,346	255	255
Repayments	(10,941)	(10,941)	(360)	(360)
Closing balance at 31 March	**49,980**	**49,980**	**36,513**	**36,513**
Presented as:				
Current assets	25,067	25,067	-	-
Non-currents assets	24,913	24,913	36,513	36,513
	49,980	**49,980**	**36,513**	**36,513**

14.5 Loans to Academy Trusts

Loans issued to Academy Trusts comprise two types:

- Loans to assist with the Academy Trusts' deficit funding following conversion of their schools. The loans are collected by the Group as a deduction against the Academy Trusts' grant payments over the loan term.
- Loans issued to voluntary aided (VA) schools for capital projects under Schedule 3 of the *Schools Standards & Framework Act 1998*. Interest is charged in accordance with the HMT lending rates. The rate set at the time of the loan issue was 4.45%. At 31 March 2017 there was only one outstanding loan (2015-16: one), and all balances are scheduled for repayment by 2025.

14.6 PF2 loans onward

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% (2015-16: 3.65%).

15 Investments

15.1 Investments (non-current)

	2017 Department & Agencies £000	2017 Group £000	2016 Department & Agencies Restated £000	2016 Group Restated £000
Balance as at 1 April	-	12,462	-	14,203
Additions at cost	1,152	4,567	-	5,532
Disposals	-	(2,351)	-	(7,002)
Gains and losses recognised in SoCNE	-	(24)	-	(271)
Closing balance at 31 March	**1,152**	**14,654**	**-**	**12,462**

The investments presented above are all listed securities with values taken from public information as at the year end. Therefore, we consider them to be Level 1 fair values as required by IFRS 13.

15.2 Investments (current)

	2017 Department & Agencies £000	2017 Group £000	2016 Department & Agencies Restated £000	2016 Group Restated £000
Balance as at 1 April	-	82,600	-	88,216
Additions at cost	-	21,975	-	226,640
Disposals	-	(21,950)	-	(231,698)
Gains and losses recognised in SoCNE	-	3,648	-	(558)
Closing balance at 31 March	**-**	**86,273**	**-**	**82,600**

The investments presented above are all listed securities with values taken from public information as at the year end. Therefore, we consider them to be Level 1 fair values as required by IFRS 13.

16 Assets held for sale

	Department & Agencies £000	2017 Group £000	Department & Agencies Restated £000	2016 Group Restated £000
Valuation				
As at 1 April	28,697	28,697	5,195	5,595
Reclassifications	-	-	24,502	24,502
Disposals	(28,697)	(28,697)	(1,000)	(1,400)
Closing balance at 31 March	**-**	**-**	**28,697**	**28,697**

All brought forward assets held for sale were disposed of during the year.

17 Receivables

	Department & Agencies £000	2017 Group £000	Department & Agencies Restated £000	2016 Group Restated £000
Amounts falling due within one year:				
Trade receivables	245,343	232,470	328,460	318,824
VAT receivable	-	-	3,106	689
Other receivables	120,199	359,183	74,654	161,948
Prepayments and accrued income	651,533	665,827	968,753	996,247
Deferred tax asset	-	973	-	1,061
	1,017,075	**1,258,453**	**1,374,973**	**1,478,769**
Amounts falling due after one year:				
Trade receivables	20,286	20,286	7,812	7,812
Prepayments and accrued income	5,968	12,218	5,576	5,576
	26,254	**32,504**	**13,388**	**13,388**

18 Cash and cash equivalents

	2017 Department & Agencies £000	2017 Group £000	2016 Department & Agencies Restated £000	2016 Group Restated £000
Balance at 1 April	451,162	537,921	331,685	388,041
Net change in cash and cash equivalent balances	147,800	139,050	119,477	149,880
Balance at 31 March	**598,962**	**676,971**	**451,162**	**537,921**
The following balances are held as ash at bank and in hand:				
Government Banking Service	558,212	620,756	416,856	480,043
Commercial banks	2,015	17,480	4,067	27,639
Cash held by solicitors on behalf of Group	38,735	38,735	30,239	30,239
Balance at 31 March	**598,962**	**676,971**	**451,162**	**537,921**

19 Current payables

	2017 Department & Agencies £000	2017 Group £000	2016 Department & Agencies Restated £000	2016 Group Restated £000
Tax and social security payables	5,656	8,635	3,880	44,032
VAT payables	10,560	13,698	-	-
Trade payables	24,849	35,814	164,437	176,430
Other payables	217,934	254,313	149,850	150,414
Corporation tax	-	3	-	7
Accruals and deferred income	1,036,447	1,109,104	981,274	1,044,773
Amounts issued from the Consolidation Fund for Supply but not spent at year end	322,139	322,139	182,450	182,450
PFI imputed lease liability	54,315	54,315	16,518	16,518
PF2 loan liabilities	-	14,885	-	23,111
Consolidated Fund extra receipts due to be paid to the Consolidated Fund:				
Received	571	571	186	186
	1,672,471	**1,813,477**	**1,498,595**	**1,637,921**

20 Non-current payables

	2017 Department & Agencies £000	2017 Group £000	2016 Department & Agencies Restated £000	2016 Group Restated £000
PFI imputed lease liability	517,972	517,972	203,366	203,366
PF2 loan liabilities	-	516,518	-	170,615
Other payables	96	67,401	185	43,251
	518,068	**1,101,891**	**203,551**	**417,232**

PF2 senior debt relates to five bank notes and five bond subscriptions. The borrowing facilities are for a total value of £563.3 million (2015-16: £450 million) and as at 31 December 2016 £494.2 million (2015-16: £163 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 £1.6 million (2015-16: £151,000) of accrued interest and an unamortised effective interest adjustment of £7.5 million (2015-16: £5.7 million) as at the year end.

The loans are repayable in six-monthly instalments commencing on 31 March 2017, and ending on 31 March 2041. Interest is charged on amounts drawn under the facilities based on a fixed rate; the weighted average fixed rate is 3.56% (2015-16 3.08%).

The PF2 subordinated debt has been provided by a party related to the Aggeregator Vehicle PLC. As at the year end £313,000 (2015-16: £29,000) interest has been accrued and the effective interest rate adjustment is £513,000 (2015-16: £424,000).

21 Provisions for liabilities and charges

21.1 Analysis

	Department & Agencies 2017 £000	Group 2017 £000	Department & Agencies Restated 2016 £000	Group Restated 2016 £000
Balance at 1 April	181,341	394,527	189,909	430,346
Transferred in on MoG change without restatement	-	-	-	122
Provided in year	53,798	59,309	33,765	37,053
Not required written back	(4,744)	(5,638)	(3,058)	(7,180)
Provision utilised in year	(44,271)	(71,066)	(38,710)	(67,373)
Borrowing costs (unwinding of discount)	2,342	5,156	(2,731)	(3,654)
Discount rate change	13,719	28,202	2,166	5,213
Balance of provision at 31 March	**202,185**	**410,490**	**181,341**	**394,527**
Presented as:				
Current provisions	24,411	48,954	31,392	60,249
Non-current provisions	177,774	361,536	149,949	334,278
	202,185	**410,490**	**181,341**	**394,527**

21.2 Analysis of expected timing of discounted flows

	Department & Agencies 2017 £000	Group 2017 £000	Department & Agencies Restated 2016 £000	Group Restated 2016 £000
Not later than one year	24,411	48,954	31,392	60,249
Later than one year but not later than five years	67,427	160,392	62,308	161,387
Later than five years	110,347	201,144	87,641	172,891
	202,185	**410,490**	**181,341**	**394,527**

21.3 Analysis by provision type – Group

	Early departure costs £000	Retirement compens'n £000	Inherited staff liabilities £000	RPA £000	Other £000	2017 Total £000
1 April 2016	7,926	144,675	205,418	10,261	26,247	394,527
Provided in year	357	15,304	6,140	26,845	10,663	59,309
Not required written back	(469)	-	-	(70)	(5,099)	(5,638)
Provision utilised in year	(5,428)	(12,605)	(26,262)	(21,582)	(5,189)	(71,066)
Borrowing costs (unwinding of discount)	53	1,988	2,814	60	241	5,156
Discount rate change	25	13,782	14,483	(88)	-	28,202
At 31 March 2017	**2,464**	**163,144**	**202,593**	**15,426**	**26,863**	**410,490**

Individual provisions of less than £10 million have been aggregated on the basis of materiality. The Risk Protection Arrangement (RPA) liability has been separately disclosed as considered relevant for the user of the ARA.

Early departure costs

The Group meets the additional costs of benefits beyond normal PCSPS benefits in respect of employees who retire early, and compensation payments payable to employees who take early severance. The Group provides for this in full when the early retirement programme becomes binding on the Group by establishing a provision for the estimated payments.

Retirement compensation

This long term provision relates to premature retirement compensation of teaching staff of ex-Grant Maintained Schools and Colleges and pension payments relating to the staff of former Departmental bodies (Schools Council, Training Commission and NDPBs). The provision was calculated using data supplied by both Capita Business Services Limited for teachers' pensions and Equiniti Paymaster for former departmental bodies and NDPBs. The calculation was based on the average life expectancy for men and women as detailed by ONS.

Inherited staff liabilities

These are certain staff related commitments of HEIs that were previously LA maintained. These liabilities were transferred from LAs to HEIs on incorporation and the Education Reform Act 1988 gave powers to the Polytechnics and Colleges Funding Council (PCFC) to reimburse institutions and LAs for such liabilities. Upon its formation HEFCE assumed the PCFC's main responsibilities and now provides funding for reimbursements as follows:

- early retirement or redundancy compensation payments
- protection of salary

- pension increases under the Local Government Superannuation Scheme for former non-teaching staff of institutions formerly funded by the PCFC

HEFCE has provided for these ongoing reimbursements. As the provision estimate is based on data of all pension scheme members and uses various assumptions, the valuation obtained may vary from that which would be obtained if the data of all pension scheme members was made available to allow a full actuarial valuation. An analytical review is undertaken annually in order to verify the reasonableness of the provision. The provision value is an estimate based upon projected payments, mortality rates and other actuarial assumptions. Current assumptions mean that payments are expected to continue until at least 2041. The provision is discounted using HMT's pension discount rate of 0.24% (2016: 1.37%). The undiscounted value of the provision as at 31 March 2017 was £206 million (2016: £225 million).

Risk Protection Arrangement

The RPA for ATs is a scheme that provides an alternative to insurance where losses that arise are covered by government funds. The provision is based on an actuarial model of expected claims. See Note 23 for further details.

Other provisions

The Group has separately disclosed provisions where these will be presented separately in the departmental group financial statements, or are over £10 million. Provisions of less than £10 million are presented as other provisions.

Other provisions include:

- the redundancy, pensions, due diligence and other associated costs involved in the dissolution of sixth-form colleges and ensuring that existing learners provision and examination is not disrupted;
- the costs of redundancy, write-off of potential funding clawbacks, transfer of leases or capital assets and other costs involved in an academy closure as a result of the Secretary of State terminating the funding agreements of the Discovery New School and Hackney UTC;
- the cost of meeting the obligation to reimburse church ATs who had renewed their commercial insurance arrangements prior to the decision of both the Catholic Education Service and the National Society of the Church of England to join the RPA;
- property provisions established by the Group;
- provision for equal pay claims;
- other sundry provisions including equal pay claims; and

- a provision as a result of the finding of a Judicial Review into European School Teachers relating to promotion and retirement rights, disputed utilities costs and equal pay claims. The Judicial Review created an obligation for the Group to make these payments to European School Teachers.

Under the remit of the *Further and Higher Education Act 1992*, as subsequently amended, this provision covers the redundancy, pensions, due diligence and other associated costs involved in the college dissolution and ensuring that existing learners provision and examination is not disrupted.

Details of other provisions held by the Agencies and NDPBs can be found in their individual ARAs.

22 Financial liabilities and other guarantees

22.1 Analysis

	2017 Department & Agencies £000	2017 Group £000	2016 Department & Agencies Restated £000	2016 Group Restated £000
Balance at 1 April	194,432	194,432	192,542	192,542
Movement in year	(15,020)	(15,020)	13,323	13,323
Utilisation in year	(13,514)	(13,514)	(15,580)	(15,580)
Amortisation	6,100	6,100	4,147	4,147
Balance at 31 March	**171,998**	**171,998**	**194,432**	**194,432**
Presented as:				
Current liabilities	7,845	7,845	12,307	12,307
Non-current liabilities	164,153	164,153	182,125	182,125
	171,998	**171,998**	**194,432**	**194,432**

22.2 Analysis by type – Group

	SFA financial guarantee £000	Student loan debt sale subsidy £000	2017 Total £000	SFA financial guarantee £000	Student loan debt sale subsidy £000	2016 Total Restated £000
Balance at 1 April	31,751	162,681	194,432	29,649	162,893	192,542
Movement in year	410	(15,430)	(15,020)	5,760	7,563	13,323
Utilisation in year	(2,455)	(11,059)	(13,514)	(3,658)	(11,922)	(15,580)
Amortisation	-	6,100	6,100	-	4,147	4,147
Balance at 31 March	**29,706**	**142,292**	**171,998**	**31,751**	**162,681**	**194,432**

SFA financial guarantee

The Professional and Career Development Loans programme operates by providing loans to learners to enable them to complete a course of study. High street banks provide the loans to learners at a rate of interest below what might ordinarily be offered to them in such circumstances. The SFA has a liability for the cost of default on such loans and for the interest costs of the loans while the learners are in learning. Most of the liability is for the default on the loans that is classified as a financial guarantee, in accordance with IAS 39.

Student loan debt sale subsidy

The student loan debt sale subsidy is classified within other financial liabilities and is measured at amortised cost in accordance with IAS 39.

The student debt sale subsidy is the additional cost to the Department arising from the Government subsidising the purchaser of the debts beyond the cost that the Government would have incurred had the debts remained in the public sector. This liability arose from loan sales in 1998 and 1999. The subsidy will continue until all the loans are extinguished which is expected to be no earlier than 2028, which is the 30-year duration of the first debt sale agreement.

The annual debt sale subsidy payments are calculated according to a formula set out in the debt sale contracts signed in 1998 and 1999. The subsidy consists of two elements. The interest subsidy element of the payment is calculated as LIBOR plus margin less RPI. Margin is calculated as a percentage of the portfolio with different rates for each contract. The key risk is therefore that the gap between LIBOR and RPI increases. The other key element relates to compensation payable for loan repayments which are deferred or written off, under the terms of the original loan contracts with borrowers.

23 Risk protection arrangement

In September 2014 the Department launched the RPA as a replacement for commercial insurance for ATs. The launch allows the Group to comply better with HMT's *Managing Public Money's* expectation that central government bodies do not purchase commercial insurance; risks should be borne internally across government.

A flat fee per pupil provides cover in four broad risk types and for two types of claimant:

- AT losses:
  - Property damage and business interruption; and
  - UK travel.
- Non-AT claimants:
  - Employers' liability; and
  - Third party liability.

Claim costs are borne by the Department from existing resources; no reserves fund or portfolio of investment assets is built up to cover future claims. RPA membership is restricted to ATs and covers losses incurred at the academy site on academy business. Consequently, the risks associated with the RPA are limited to the academy schools sector within the UK.

No risk is ceded to re-insurance parties.

23.1 Reported balances

	Department & Agencies	2017 Group	Department & Agencies	2016 Group Restated
	£000	£000	£000	£000
Statement of Comprehensive Net Expenditure				
Membership income (presented in Note 4)	31,802	31,802	21,058	21,058
Expected losses for the year (presented in Note 21, as provisions, provided in year)	26,845	26,845	17,497	17,497
Operational costs (presented in Note 7.1, as professional fees)	856	856	546	546
Statement of Financial Position				
Client bank account (presented in Note 18)	213	213	3,868	3,868
Unsettled claims (presented in Note 19, as other payables)	18,031	18,031	7,516	7,516
Closing RPA provision (presented in Note 21)	15,426	15,426	10,261	10,261

The table above discloses all RPA balances recognised in these accounts at all reporting levels. Membership income is collected monthly by the Department, at source from grants payments payable to ATs.

RPA operational costs are classified as administration costs.

23.2 In-year movements

	Department & Agencies	2016-17 Group	Department & Agencies Restated	2015-16 Group Restated
	£000	£000	£000	£000
Balance at 1 April	10,261	10,261	2,382	2,382
Expected losses in the year	26,845	26,845	17,497	17,497
Unused provisions not required and written back	(70)	(70)	(17)	(17)
Valid claims received in the year	(21,582)	(21,582)	(9,839)	(9,839)
Other changes during the year	(28)	(28)	238	238
Balance at 31 March	**15,426**	**15,426**	**10,261**	**10,261**

The above table describes the movement in RPA provisions during the year. The closing balance is included within the provisions balances in Note 21.

23.3 Claims development

	2014-15 £000	2015-16 £000	2016-17 £000	Total £000
Estimate of cumulative clams:				
At the end of the cover year	3,359	17,480	26,715	
One year later	237	26	-	
Two years later	8	-	-	
Three years later	-	-	-	
Four years later	-	-	-	
	3,604	17,506	26,715	47,825
Cumulative payments	(1,508)	(11,443)	(19,448)	(32,399)
Provision disclosed in accounts	**2,096**	**6,063**	**7,267**	**15,426**

23.4 Assumptions

2016-17 is the third year of RPA operation, and whilst we continue to gain claim experience the Group nevertheless has insufficient internal data upon which to model realistically the Department's expected losses, because of the relative immaturity of RPA. To resolve this, the Group has relied on the Government Actuary's Department (GAD) to perform two formal provision reviews of RPA at August 2016 and as at March 2017. The RPA's four reserving classes allied to size and phase of the academies split the reviews of RPA activities, including volume and value of claims.

The claim provision for each class, provided by GAD, are calculated on a 'best estimate basis' which means that they do not contain any explicit margins for either prudence or optimism.

As more ATs join the RPA and the RPA becomes more established, the claims activity to date will be more statistically credible for estimating future claims experience. It will therefore be reasonable to take more account of actual experience and place less reliance on the survey benchmark conducted by Willis Towers Watson in 2015 and Gallagher Bassett benchmarks.

The output of the GAD reviews is applied to the RPA provisioning model to enable us to build loss expectations for differing annual loss scenarios. Management then reviewed the annual loss scenarios to set loss expectations suitable for a self-insurance scheme.

The two most significant assumptions underpinning the quantification of insurance risk are volume of claims and average claim value. By combining claim volumes and average values we were able to calculate an expected value of claims for a given volume of academies, school pupil numbers are used as the basic membership unit. The expected claims value and volume was then applied to the monthly number of RPA member academies to calculate the expected loss provision.

The Department continues to retain GAD to provide expert support whilst our data set develops. GAD will perform two separate pieces of work for the Group:

- a backward looking review as at the year end to check that the loss assumptions, including timing of claims, applied in a given year are reasonable when compared to actual performance; and
- a forward looking review as at the start of a cover year to calculate the updated assumptions for that cover year’s provisions.

Management are aware that the absence of extensive actual performance data in the early years of the RPA will continue to place reliance on the original survey benchmark results. The increasing RPA membership, allied to the reviews GAD will perform, should be sufficient to provide assurance over the reported RPA balances.

23.5 Risks

Insurance risk
Insurance risk is defined in IFRS 4 as the non-financial risk transferred to an entity in relation to insurance contracts; the risk arising from the unknown outcomes from future loss events. The Department takes on the insurance risk from ATs. Management does not consider that the remaining Group risk is significant.

The Group mitigates insurance risk by improving risk management practice in its academies through Group-wide risk management audits and reviews. The Group has retained the services of a third party insurance specialist to perform the risk management audits and drive best practice adoption.

Market risk
Neither the Department nor the Group is exposed to market risk in relation to the RPA.

The RPA is a group-wide scheme; claims are settled from existing funds of the Group and no asset portfolio designed to support future payments is being acquired. The absence of an asset portfolio, including fair valued listed assets, and the specific nature of the cover provided removes any market risk exposure – there are no life products.

Credit risk
Neither the Department nor the Group are exposed to credit risk.

All membership fees are wholly within the Group, and the Department is able to recover membership fees from grant payments made to member ATs. In addition, the Group does not cede insurance risk to a re-insurance provider.

Liquidity risk
The Department and the Group are exposed to liquidity risk.

In the absence of an underlying investment portfolio whose maturity is matched to the expected profile of claim settlements generates the Group's liquidity risk, the Department (and the Group for third party claims) will provide for claims expected in cover years. The settlement of claims related to past cover years will be made from resources set aside through the provisioning process.

All insurance contracts recognised are for a single year from September to August. ATs that join the RPA after September have shortened contracts for their first membership year to align with the rest of the membership.

24 Retirement benefit obligations

24.1 Equality & Human Rights Commission

EHRC pension liabilities are under a scheme broadly by analogy with the PCSPS. The broadly by analogy pension scheme is unfunded, with benefits being paid as they fall due and guaranteed by the Commission. The liabilities associated at 31 March 2017 was £1.5 million (2016: £1.4 million). Further details of the pension scheme can be found in EHRC's ARA.

24.2 The Student Loans Company Limited

SLC operates the SLC Limited Retirement and Death Benefits Scheme for all permanent staff which is a defined benefits scheme that provides benefits based on final pensionable salary. The scheme deficit as at 31 March 2017 was £40.9 million (2016: deficit of £15.7 million). Further details of the pension scheme can be found in SLC's ARA.

25 Capital and other commitments

25.1 Capital commitments

Contracted and approved commitments at 31 March not otherwise included in these financial statements:

	Department & Agencies 2017 £000	Group 2017 £000	Department & Agencies Restated 2016 £000	Group Restated 2016 £000
Programmes:				
Free schools	2,417,416	2,417,416	2,336,884	2,336,885
PSPB	334,703	334,703	470,238	470,238
National Colleges	30,200	30,200	13,405	13,405
Property, plant and equipment	66,355	67,488	89,764	95,275
Loans & Investments	3,600	3,600	2,050	2,050
Intangible assets	-	379	-	13,091
	2,852,274	**2,853,786**	**2,912,341**	**2,930,944**

The majority of capital commitments relate to school projects managed by the Group. These capital commitments do not include the cost of contract workers engaged in the delivery of the programmes.

The £66 million (2015-16: £90 million) within the Department relates to the project to reconfigure the Old Admiralty Building which will provide a new modern workplace for London based staff, following relocation from Sanctuary Building during 2018.

25.2 Commitments under operating leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

	2017 Department & Agencies £000	2017 Group £000	2016 Department & Agencies Restated £000	2016 Group Restated £000
Land and buildings				
Not later than one year	18,280	23,725	18,495	23,904
Later than one year and not later than five years	29,398	38,977	26,493	35,811
Later than five years	17,868	20,136	21,178	22,713
	65,546	**82,838**	**66,166**	**82,428**
Expected receipts from sub-leases	(7,930)	(7,930)	(11,724)	(11,724)
	57,616	**74,908**	**54,442**	**70,704**
Other				
Not later than one year	133	247	280	398
Later than one year and not later than five years	-	2,101	54	2,261
Later than five years	-	-	-	-
	133	**2,348**	**334**	**2,659**

25.3 Obligations under PFI contracts (on balance sheet)

Total future minimum payments under off-balance sheet PFI and other service concession arrangements are given in the table below for each of the following periods:

	2017 Department & Agencies £000	2017 Group £000	2016 Department & Agencies Restated £000	2016 Group Restated £000
Not later than one year	55,941	55,941	18,769	18,769
Later than one year and not later than five years	268,489	268,489	210,315	210,315
Later than five years	1,472,512	1,472,512	1,245,624	1,245,624
	1,796,942	**1,796,942**	**1,474,708**	**1,474,708**

Under the terms of the PF2 agreement, the Department 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.

25.4 Other financial commitments

The Department has entered into non-cancellable contracts (which are not leases, PFI contracts or other service concession arrangements), for the previous student loan debt sale and marking key stage tests. The payments to which the department are committed are as follows.

		2017		2016
	Department & Agencies	Group	Department & Agencies Restated	Group Restated
	£000	£000	£000	£000
Non-cancellable contracts				
Not later than one year	29,224	29,224	33,157	33,110
Later than one year and not later than five years	54,776	54,776	57,949	57,949
Later than five years	99,328	99,328	111,648	111,648
	183,328	**183,328**	**202,754**	**202,707**

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.

25.5 Education grant funding commitments

Education grant funding commitments include; those held by EFA for private finance initiative grants to local authorities and voluntary-aided schools; HEFCE with higher education institutions; SFA and ECITB with training providers.

		2017		2016
	Department & Agencies	Group	Department & Agencies Restated	Group Restated
	£000	£000	£000	£000
Not later than one year	1,339,985	4,802,974	1,286,152	4,893,850
Later than one year and not later than five years	3,006,712	4,182,984	3,007,157	4,242,377
Later than five years	9,002,424	9,002,424	9,758,636	9,758,636
	13,349,121	**17,988,382**	**14,051,945**	**18,894,863**

25.6 Other educational grants

The Secretary of State is committed to funding the on-going provision of education at a wide variety of providers. The Department cannot quantify fully the commitments as the Department typically agrees funding for one year even though the Secretary of State’s commitment is for a much longer period.

26 Contingent liabilities

26.1 IAS 37 contingent liabilities

26.1.1 Quantifiable

The Department holds the following quantifiable contingent liability to be disclosed under IAS 37. To reflect payments made on behalf of closed academies, this has been reclassified as no longer deemed remote.

Guarantee to the Local Government Pension Scheme
A guarantee to Local Government Pension Scheme funds to meet pension deficits if an AT closes. Increased to £11.5 million in the year (2016: £10.5 million) in line with annual estimates of AT deficits, and has been reported to Parliament by departmental minutes.

26.1.2 Unquantifiable

The Department has entered into the following unquantifiable contingent liabilities.

PSBP asbestos removal
The Group is aware of two outstanding claims from PSBP contractors for the removal of asbestos found at Blackpool Aspire Academy and Annie Holgate Infant School. It is standard Group practise to negotiate with PSBP contractors and partially meet part the cost of removing asbestos found during PSBP projects. In the case of Blackpool Aspire Academy and Annie Holgate Infant School the contractors have not yet quantified the value of their claims and consequently the Group is not able to quantify its liability in respect of these two cases.

PF2 contractual warranties
As a result of entering 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 liability for the EFA. These are considered by the Department to be remote and unquantifiable as they relate to breach of contractual conditions.

Overage Clauses
As a result of entering into contracts on site purchases, the Group are subject to a number of overage clauses. These are considered to be remote as they relate to changes in contractual arrangements.

Pension provision
A contingent liability exists in EHRC regarding pension provision for a Chair and Deputy Chairs of a legacy commission. The Commission does not hold sufficient information to estimate a value. The likelihood of occurrence is deemed possible.

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.

26.2 Contingent assets

South Brough development
Horncastle Group Plc. is required by an S106 planning obligation from East Riding of Yorkshire council, to build a primary school in relation to its South Brough development. The Group has estimated the cost of construction of the primary school at £2.3 million and Horncastle Group Plc. will be required to fund the primary school's construction once 200 houses have been sold from the development.

Legal and General PLC
Legal and General Group PLC is currently holding funds relating to the winding up of the Commission for Racial Equality Pension and Life Assurance Scheme. The trustees are in the process of winding up the scheme, which has a surplus. As the scheme was not funded by the Commission, the surplus funds will be returned to the Department. The amount and date of this are uncertain but is currently estimated to be £4.5 million.

27 Related party transactions

The Department is the parent of the Agencies and sponsor of the NDPBs shown in Note 28. 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.

As described in Note 2 the Department has removed academy trusts from the consolidation boundary in 2016-17, and restated comparatives. Accordingly, transactions between the Group and ATs previously eliminated on consolidation in prior years now remain in the Group’s reported balances. Consequently, transactions between directors and the academy sector may be disclosed as related party transactions.

Relationships with academy trusts, and their academies, are classified as related parties only at the AT level which is the corporate body. Therefore, only Departmental directors who are trustees of ATs are classified as being a related party. The Department considers governors of local governing bodies for individual academies are insufficiently influential at the AT, not being trustees, to be classified as related parties.

In addition, the Group has had a number of transactions with other government departments, other central government bodies, local authorities and some charitable organisations. Most of these transactions have been with the Department for Business, Energy, Innovation and Skills and local authorities. The Department also makes pension contributions into public sector pension schemes including the PCSPS and TPS.

As well as the disclosures in the Remuneration and Staff Report the following relationships are also considered as related parties and have therefore been disclosed in line with IAS 24. Transactions are classified as related party transactions if they occurred during the period the director named held office.

Comparative disclosures have been restated to remove the SFA, which following the transfer of function (see Note 2) is now included in the Group.

Disclosures are split between those individuals who were directors as at the year-end below, and those whose term as a director ended during the year in a separate table:

- Caroline Dinenage is a Minister with responsibilities in the Ministry of Justice.
- Joseph Johnson has the following related parties:
    - the Foreign and Commonwealth Office as his brother is Boris Johnson, the Foreign Secretary; and
    - he is a member of the Council of Management of the Ditchley Foundation;
- Lord Nash and his wife are trustees of Future Academies, an academy trust that operates Pimlico Academy, Pimlico Primary, Millbank Academy, Phoenix Academy and Churchill Gardens Primary Academy.
- David Meller has interests in the following academy trusts:
    - trustee of Hertswood Academy Trust (which operates an academy of the same name);
    - trustee of Harefield Academy Trust (which operates an academy of the same name);
    - trustee of The Meller Educational Trust (two academies: Francis Coombe Academy and The Bushey Academy);
    - trustee of The Elstree UTC, until resigning on 29 March 2017, (which operates an academy of the same name); and
    - trustee of The Watford UTC, until resigning on 29 March 2017, (which operates an academy of the same name);
- Ian Ferguson’s partner is both a trustee of Edmonton Academy Trust and head teacher of the trust’s academy, Edmonton County School, which converted to academy status on 1 September 2016;

- Baroness Ruby McGregor-Smith is a director of Page Group PLC, which operates as Michael Page.
- Marion Plant OBE is:
  - Chief Executive Officer and accounting officer of The Midland Academies Trust (who operate seven academies);
  - trustee of both North Warwickshire and Hinckley College;
  - governor at Stephenson College; and
  - trustee of the Church of England National Society.

Related party disclosures for those directors who were no longer directors as at the year-end are given below. The date individuals ceased to be a director of the Department, and so included in related party disclosures, are also given below.

- Nicky Morgan's spouse is a trustee of the academy trust Mountfields Lodge School (which operates an academy of the same name) and is a governor of Loughborough College (to 13 July 2016).
- Chris Wormald is a trustee of the Whitehall and Industry Group (to 2 May 2016).
- Simon Judge is a board member of the Teacher's Pension Scheme (to 7 September 2015).
- Nick Boles is a Minister with responsibilities in Department for Business, Energy and Industrial Strategy. Mr Boles' brother-in-law is Chair of Trustees for Theale Green School Trust (which operates Theale Green School, an academy) (to 18 July 2016).
- David Laws was a Minister with responsibilities in the Cabinet Office (to 8 May 2015).
- Paul Kissack's spouse is a trustee of Harpenden Academy Limited which operates Harpenden Free School (to 9 December 2016).
- Richard Calvert is a governor of the University of Hertfordshire. (to 31 October 2016)
- Tom Shinner is a trustee of The Greenwich Free School Group which operates the Greenwich Free School (to 13 July 2016).
- Sir Paul Marshall is Chairman of ARK Schools academy trust, who operate 35 academies (to 3 July 2016).

The following table shows the value of material related party transactions entered into during the year:

	2016-17 Net payments /(receipts) £000	2016-17 Receivable /(payable) £000	2015-16 Net payments /(receipts) Restated £000	2015-16 Receivable /(payable) Restated £000
Government bodies				
Department for Business, Energy, Innovation & Skills	749,922	3,146	823,975	11,980
Cabinet Office	-	-	(1,163)	32
Ministry of Justice	830	43	(1,179)	(300)
Teacher's Pension Scheme:				
Contributions	-	-	13,363	1,713
Administrative fees	-	-	(19,386)	-
Academy trusts				
ARK Schools	144,986	58	146,719	(70)
Mountfields Lodge School	2,169	-	2,267	-
The Midland Academies Trust	14,681	43	17,152	-
Theale Green School Trust	5,324	170	6,595	-
Harpenden Academy Limited	1,134	-	2,954	-
Future Academies	18,533	57	14,668	(6)
Hertswood Academy	7,707	-	7,871	-
Harefield Academy Trust	-	-	5,930	-
The Mellor Educational Trust	12,771	(100)	12,769	-
The Elstree UTC	2,247	4	4,665	-
The Watford UTC	2,181	-	4,375	-
The Greenwich Free School Trust	3,268	-	2,676	-
Edmonton Academy Trust	-	-	25	-
Other education sector bodies				
Loughborough College	18,566	-	16,760	49
University of Bath	33,916	(1)	37,002	6
University of Hertfordshire	19,364	11	21,845	(54)
Coventry University	22,858	(56)	28,341	12
North Warwickshire and Hinckley College	23,946	-	257	-
Education Policy Institute (previously Centreforum)	(19)	-	(23)	-
TBAP Foundation	213	(379)	-	-
Non-government bodies				
Whitehall and Industry Group	8	-	7	-
Page Group Plc	975	(38)	76	-
Mitie Group Plc	44	-	2,069	-
Church of England National Society	700	-	860	(47)
Integrated Debt Services Ltd	1,254	(108)	-	-

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.

28 Entities within the Group boundary

28.1 Closing position

The entities within the boundary during 2016-17 comprise supply financed Agencies and those entities listed in the Designation and Amendment Orders presented to Parliament.

They are:

Executive Agency:

- Education Funding Agency (EFA)
- Skills Funding Agency (SFA)
- National College for Teaching and Leadership (NCTL)
- Standards and Testing Agency (STA)

Executive NDPB:

- The Construction Industry Training Board (CITB)
- Engineering Construction Industry Training Board (ECITB)
- Equalities and Human Rights Commission (EHRC)
- Film Industry Training Board (FITB)
- Higher Education Funding Council for England (HEFCE)
- Office of the Children's Commissioner (OCC)
- Office for Fair Access (operating name of Director of Fair Access to Higher Education) (OFFA)
- The Student Loans Company Limited (SLC)
- UK Commission for Employment and Skills (UKCES)

Please note UKCES closed in 2017 as part of the re-allocation of funding stated in the '*Spending Review and Autumn Statement 2015*'[62].

Advisory NDPB:

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

Other:

- Aggregator Vehicle PLC

[62] Spending Review Autumn Statement 2015: https://www.gov.uk/government/publications/spending-review-and-autumn-statement-2015-documents

- Located Property Limited

The ARAs of all of the above can be found on GOV.UK website[63] other than Aggregator Vehicle PLC.

28.2 Movements of bodies in the Group

In July 2016 the Prime Minister completed a reshuffle following the referendum; resulting in the Department acquiring new responsibilities and new Agencies and NDPBs (as explained in Note 2).

The Department has also removed the ATs balances from this ARA and will produce the Academy Trust SARA aligning reporting of financial results with educational performance. Further detail on this is provide in Note 2.

29 Events after the reporting period

29.1 Sale of student loans

On the 6 February 2017 the previous Government announced that the process to start selling part of the English student loan book had begun. To date, no loans have been sold. The new Government will take the decision about whether to continue with a sale process. As such, they are not recognised as assets held for sale.

29.2 Movement of bodies in the Group

On 1 April 2017 EFA and SFA merged forming the Education and Skills Funding Agency. The new Agency will assume all responsibilities of the previous Agencies.

On 1 April 2017 the Institute for Apprenticeships (IFA) started with responsibility for quality assuring apprenticeships.

29.3 Withdrawal from the European Union

On 29 March 2017, the Prime Minister notified the European Council in accordance with Article 50(2) of the Treaty on European Union of the United Kingdom's intention to withdraw from the European Union. The financial effect of this event won't be known until after the reporting period and a reasonable estimate cannot be made at this time.

29.4 General election

On 19 April 2017, the House of Commons voted to dissolve the sitting Parliament with a General Election held on 8 June 2017. The General Election returned the Conservative

[63] The Stationery Office's website is at https://www.gov.uk/government/publications.

Party as a minority government. The Rt Hon Justine Greening retained her role as Secretary of State for Education and the Department's role and policy areas remained broadly stable, we do not anticipate significant changes in the forthcoming year.

29.5 Termination of funding agreement

On 28 June 2017 the ESFA terminated with 12 months' notice the funding agreement made between the Secretary of State and the Durand Academy Trust (DAT), due to a material breach in the conditions of the funding agreement concerning financial management and governance. This is likely to require significant follow through action in 2017-18 to work towards the replacement of DAT with a suitable trust, to ensure continuity of education for pupils at the school.

29.6 Authorisation

These accounts were authorised for issue by Jonathan Slater (Accounting Officer) on the date they were certified by the Comptroller and Auditor General. With the exception of the above, there have not been any other significant post reporting period events that have required disclosures in the accounts.

Annexes

Annex A – Departmental statistics

Fire, health and safety

A1. The Department is committed to ensuring the health and safety of staff and all others who could be affected by our undertaking. We recognise that effective management of fire, health and safety makes a significant contribution to our overall business performance and strategic aims.

A2. As part of our commitment to continual improvement the Department has set up a joint Fire, Health & Safety Committee with DCLG. This will enable effective oversight and assurance of fire, health and safety performance with sensible and proportionate risk management.

A3. The Department's accident and incident data illustrates a reduction in the total number of reported accidents and incidents overall in comparison to last year's data.

Personal data security

A4. 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.

A5. A 'personal data related incident' is defined as a loss, unauthorised disclosure or insecure disposal of protected personal data. 'Protected personal data' is data which the department or its delivery partners hold whose release or loss could cause harm or distress to individuals, including as a minimum:

- information that links one or more identifiable living person with information about them whose release would put them at significant risk of harm or distress; and
- any source of information about 1,000 or more identifiable individuals, other than information sourced from the public domain.

A6. Protected personal data related incidents formally reported to the Information Commissioner's Office in 2016-17 are summarised in the table below:

Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentially affected	Notification steps
March 2017	Possible [suspected] exposure of personal data to an unauthorised third party	Personal data (1,100 individuals) including sensitive personal data (50 individuals) as defined by *Data Protection Act 1998*	1,100	Individuals, police and ICO notified
Further action on information risk	Subsequent investigation and notifications revealed no evidence of any loss or compromise of personal data to the detriment of any individual.			

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.

A7. Protected personal data related incidents reported in 2016-17 are summarised in the table below. Incidents which do not fall within the criteria for reporting to the Information Commissioner's Office, but are recorded centrally within the department, are included. Smaller, localised incidents are not included.

Category	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured government premises	1
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured government premises	None
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	None
IV	Unauthorised disclosure	None
V	Other	None

A8. The information contained in the table above only relates to personal data security for the Department and its Agencies. The Department's NDPBs will report personal data related incidents in their own statutory accounts.

Departmental correspondence

A9. All government departments and agencies have published targets for answering correspondence. The Cabinet Office 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 all correspondence within 15 working days.

A10. In 2016-17, 85% of replies were sent within the 15 working day deadline, a decrease of three percentage points from 2015-16. 91% of replies were sent within 20 working days

A11. For Freedom of Information requests (FOIs), where the deadline is 20 working days: 83% of 2,478 FOIs were answered within the deadline, compared with 80% of 2,161 FOIs in 2015-16.

Communications, publicity and advertising

A12. In 2016-17 the Department continued to deliver highly effective communications activity in support of Ministerial priorities and the wider government communications plan.

A13. High-profile campaigns have included:

- ‘Together, we can tackle child abuse’ which was designed to encourage members of the public to report suspected child abuse;
- ‘Get in go far’ to encourage people to become an apprentice;
- ‘Get into teaching’, our long-running teacher recruitment campaign.

A14. Alongside these campaigns we also continued to deliver proactive communications activity in support of key departmental priorities such as education and qualification reform, social work and childcare, as well as managing a 24/7 news desk to respond to journalist queries.

A15. Most communications continue to be delivered in-house at no additional cost, or at low cost by supporting and coordinating partners’ activity. Where paid-for campaigns were essential (such as those listed above), we have worked with Cabinet Office colleagues to reduce costs and secure approval through the Professional Assurance process.

A16. At 31 March 2017, Communications Group had 64.5 full-time equivalent staff in post, including 10 employees transferred to the Department as part of MoG changes and spent around £754,000 on centrally commissioned activity (not including campaigns funded by business areas). This spend falls within budget and is less than the previous year’s expenditure (we spent around £840,000 in 2015-16, £635,000 in 2014-15, £500,000 2013-14 and £1 million in 2012-13).

Payments policy

A17. 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 5 calendar days.

A18. The Departmental and Agency prompt payment data can be found online[64].

Complaints policy

A19. The Department's complaint policy and guidance on how to make a complaint can be found online[65].

A20. Guidance[66] 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

A21. The Parliamentary and Health Service Ombudsman can look into 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 Member of Parliament.

A22. The table below shows the complaints about the Department and its Agencies and NDPBs in 2015-16. This is the most up to date information at the time of reporting. Cases which relate to LAs and schools (where most of the services are delivered to the public) are outside the jurisdiction of the Parliamentary and Health Service Ombudsman.

	Department	EFA	NCTL	OCC
Enquiries received	19	3	1	-
Complaints assessed	10	2	-	1
Complaints resolved through intervention	-	-	-	-
Complaints accepted for investigation	8	-	-	-
Investigations upheld or partly upheld	-	1	-	-
Investigations not upheld	4	-	-	-
Investigations resolved without a finding	-	-		-
Investigations discontinued	1	-	-	-
Number of recommendations	unk	-	-	-
Number of recommendations complied with	unk	-	-	-

A23. Investigations resolved without a finding are complaints where the Parliamentary Ombudsman starts an investigation but are able to resolve the complaint without having to formally complete the investigation.

64 The Department and Agency prompt payment data is published at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/540227/Prompt_Payment_Data_2015-16.csv/preview

65 The Department's complaint policy is published at: https://www.gov.uk/government/organisations/department-for-education/about/complaints-procedure

66 Guidance for complaining about schools can be found at: https://www.gov.uk/complain-about-school

A24. Investigations discontinued are complaints where the Parliamentary Ombudsman ends the investigation for a variety of reasons, for example, because the complainant asked them to.

Effectiveness of whistleblowing arrangements

A25. Management Committee discussed the effectiveness of the Department's whistleblowing arrangements in September's Management Committee meeting. Since April 2014, the Department has recorded 12 cases of whistleblowing. All cases have been investigated and brought to a conclusion. The outcome of the discussion was that the Department has adopted some good practices in terms of the whistleblowing arrangements and it is evident there is ongoing commitment to whistleblowing:

- the Department has implemented the full suite of Civil Service Employee Policy (CS Employee Policy) Whistleblowing and Raising a Concern Policy and procedures, following the report into whistleblowing by the PAC on the recommendations made by the NAO on whistleblowing and raising and concern within the public sector;
- an independent, external and confidential whistleblowing helpline service was launched on 1 February 2016;
- members of the Department's SCS act as Nominated Officer's (to support whistle-blowers and act as a central point of contact for any investigation). Nominated officers signed up to a cross departmental training workshop which was ran by CS Employee Policy on the 24 October 2016;
- the Department took part in the Civil Service wide whistleblowing awareness campaign w/c 17 October 2016; and
- the CS Employee Policy Whistleblowing Gateway was published on the Department's intranet in October 2016 as an additional tool to support employees and managers to navigate the policy.

A26. An area which the Department is looking into further is the number of anonymous concerns raised. In order to improve the whistleblowing culture within the department and encourage individuals to disclose their names when raising a concern, a series of internal staff surveys are being conducted. The results will be analysed in an annual paper to Management Committee in September 2017. We will also be issuing periodic communications to all employees via the intranet which will be tailored to address the issues identified in the staff survey.

Annex B – Environmental, social and community issues

Better regulation

B1. The *Small Business, Enterprise and Employment Act 2015* and the *Enterprise Act 2016* strengthen the government's focus on reducing the overall burden of regulation. on the business, voluntary and community sectors. The department's stakeholders are privately-funded nurseries; childminders; privately-funded independent schools; residential holiday schemes for disabled children; HEIs; FE colleges; and business, voluntary and community organisations to which equalities regulation applies. Our deregulatory approach is set out below.

Business Impact Target (BIT) and deregulatory budgets

B2. The government has committed to reduce the impact of regulatory burdens on business by £10 billion between 2015 and 2020. In 2015 the Department initiated a thorough review of relevant regulatory stock in order to propose a realistic but challenging evidence-based contribution to the BIT, with a view to finding deregulatory measures whilst maintaining necessary safeguards for children and ensuring they have a good education, and that there are enforceable standards.

B3. The *BIT: First Annual Report 2015-16* reported that the Department introduced one regulatory provision between 8 May 2015 and 26 May 2016 which contributed towards the BIT. This was a deregulatory measure which enabled the single registration of multiple childcare premises and for childminders to also work from non-domestic premises. The *BIT: Second Annual Report 2016-2017* reported that the Department introduced three regulatory provisions between 27 May 2016 and 26 May 2017 which contributed towards the BIT.

Regulatory provisions introduced

B4. Between 1 January and 30 June 2015 the Department introduced three regulations affecting business, which were: *Amendments to the Education (Pupil Registration) (England) Regulations 2006*; *The Education (Postgraduate Master's Degree Loans) Regulations 2016*; and *Keeping Children Safe in Education Statutory Guidance*.

Impact assessments

B5. Regulatory impact assessments are required before the Department makes changes to regulatory measures and additionally, in some cases, before it consults on making the proposed changes. The Department asked the Regulatory Policy Committee to give opinions on eight impact assessments between January and December 2016. Of these, five (63%) were rated as 'fit for purpose' at first submission. The impact assessments which the committee opinion rated as not fit for purpose were resubmitted and later given fit-for-purpose ratings.

Post implementation reviews

B6. All new regulations that have a significant impact on the business sector must include a clause allowing for their review at five years and/or removal at seven years after coming into force, unless a case is made for their retention. The Department had no regulations in scope in this reporting period.

The Cutting Red Tape programme

B7. The Cutting Red Tape programme is a cross-government initiative covering the business sectors. It allows business to tell government how it can cut red tape and reduce bureaucratic barriers to growth and productivity within their sector. Between April and December 2016, the Department, with the Better Regulation Executive, conducted a Cutting Red Tape review to identify barriers to growth and productivity in the childcare sector. The review identified a range of regulatory burdens felt by the childcare sector relating to inspections, guidance, paperwork, workforce skills and learning and development. Government welcomed the findings and its published response[67] set out a range of commitments that directly address the sector's concerns, that will deliver positive change to regulation and its enforcement within the childcare sector.

Alternatives to regulation

B8. Following the 2012 Analytical Review commissioned by the Secretary of State, the Department developed five policy tests as a framework for improving policy making, and later introduced five delivery tests designed to flesh out the key delivery issues that should be considered. By questioning the purpose of the policy, the role of government, the evidence base, the creativity and deliverability of the policy, these jargon free and challenging tests help teams to consider alternative approaches, tools and methods. We introduced a second high-calibre fellowship of policy experts from a range of sectors who worked with policy-makers to inject fresh skills, external expertise and innovative thinking into the Department's policy making and delivery challenges. A decision has not yet been reached on whether to bring in a third cohort.

Sustainability

Strategy

B9. Sustainability is about applying economic, social and environmental thinking to an issue and paying particular attention to the long-term consequences. It can be

[67] https://cutting-red-tape.cabinetoffice.gov.uk/childcare/

thought of as a long-term, integrated approach to achieving quality of life improvements while respecting the need to live within environmental limits.

B10. We subscribe to a number of targets including the mandatory Greening Government Commitments[68] (GGC) for reducing energy, water, paper and other resource use, reducing travel and managing waste.

B11. During 2016-17, the Department has focused on targets which were proving more difficult to meet such as reducing waste to landfill and increasing recycling. The Department has worked closely with its Facilities Management (FM) provider to identify poorly performing sites and improve efficiency.

Scope

B12. The Department agreed new GGC for 2016-20. The data below shows our present position for the financial year 2016-17 against a 2009-10 baseline (unless otherwise stated).

B13. The Department reports on all its Agencies, and NDPBs including three bodies which transferred from the BIS in the 2016 MoG changes: HEFCE, SFA, and SLC.

B14. We are unable to report data from locations where landlords do not provide data.

Governance and data validation

B15. From 2016-17, responsibility for reporting and managing sustainability in the Department transferred to the MoJ Cluster Shared Estates Service, which is responsible for managing the Department's property portfolio. However, overall responsibility for Sustainable Operations remains with Department's executive team.

B16. Internal data validation checks are carried out by the MoJ's Sustainable Operations Team and external validation audits of GGC data are carried out on Defra's behalf by the Building Research Establishment.

B17. Greenhouse gas conversion factors used in this report can be found in the Government environmental impact reporting requirements for business[69].

[68] http://sd.defra.gov.uk/gov/green-government/commitments/

[69] Government environmental impact reporting requirements for business: https://www.gov.uk/government/publications/environmental-reporting-guidelines-including-mandatory-greenhouse-gas-emissions-reporting-guidance

Summary of 2016-17 GGC performance

Requirement	2016-17 performance	Progress compared to 2015-16
Reduce greenhouse gas (GHG) emissions by 22%	48%	Down
Reduce domestic business flights by 30%	14%	Down
Reduce percentage of waste arising compared to 2015-16	71%	Level
Reduce paper use by 50%	72%	Up
Increase recycling rate compared to 2015-16	72%	Up
Reduce waste to landfill to less than 10%	14%	Up
Continue to reduce total estate water consumption	42%	Down

B18. The Department recorded a 48% reduction in its overall greenhouse gas for 2016-17 compared to 2009-10. However, total emissions have increased from 2015-16 reflecting the inclusion of three NDPBs in the Department's GGC reporting from 2016-17. The Department is working with its facilities management provider to improve its waste data, reduce waste to landfill and increase recycling rates.

B19. The Department has achieved in excess of £1.2 million savings from energy bills since 2009-10, due to investment in energy efficiency projects and estate rationalisation.

Greenhouse gas emissions

B20. The Department has reduced its total in-scope gross greenhouse gas (GHG) emissions by 48% since the 2009-10 baseline year. This has been achieved largely through improved building management (primarily relating to heating and cooling), estate rationalisation and co-location, and adopting more resource efficient behaviours.

Greenhouse gas emissions		2009-10	2014-15	2015-16	2016-17
Non-financial indicators (tonnes CO_2e)	Total gross scope 1 (direct) GHG emissions	3,971	2,321	2,279	2,443
	Total gross scope 2 (energy indirect) emissions	17,465	12,199	9,755	8,216
	Total gross scope 3 (official business travel) emissions	5,099	4,866	4,881	3,112
	Total emissions - scope 1, 2 & 3	**26,535**	**19,386**	**16,915**	**13,771**
Related energy consumption (MWh)	Electricity: non-renewable	34,270	24,736	20,957	16,710
	Electricity: renewable	-	6	13	2,865
	Natural gas	21,511	12,435	11,724	8,643
	Gas oil	-	-	-	2,884
	Steam	2,334	369	308	737
	Total energy consumption	**58,115**	**37,546**	**33,002**	**31,839**
Financial indicators (£000)	Expenditure on energy	3,594	1,896	1,584	2,391
	CRC license expenditure	n/a	107	151	109
	Expenditure on official business travel	10,163	10,022	9,042	11,588
	Expenditure on domestic air travel	21	68	40	149
	Total expenditure on energy and business travel	**13,778**	**12,093**	**10,817**	**14,237**

B21. Data for 2016-17 includes HEFCE, SFA and SLC but figures for previous years are exclusive of these bodies.

Travel

International business travel		2009-10	2014-15	2015-16	2016-17
Non-financial indicators (tonnes CO2e)	Flights	184	477	350	299
	Rail	0.4	0.5	0.3	0.4
		184	**478**	**350**	**300**

B22. Data for 2016-17 includes HEFCE, SFA and SLC but figures for previous years are exclusive of these bodies

Domestic air travel	2009-10	2014-15	2015-16	2016-17
Number of flights	184	477	350	299

B23. The Department is voluntarily reporting on its international business travel to provide greater transparency.

B24. Whilst the number of domestic flights has reduced by 14% against the Department's 2009-10 baseline, numbers have increased during 2016-17 due to the inclusion of the three new NDPBs via MoG. We are working with these bodies to explore opportunities for reducing domestic air travel.

Waste management

Waste disposal summary

Waste			2009-10	2014-15	2015-16	2016-17
Non-financial indicators (tonnes CO_2e)	**Total waste**		**3,431**	**933**	**1,125**	**978**
	Hazardous waste		51	-	8	-
	Non-hazardous waste	Landfill	585	178	129	139
		Reused/recycled	2,680	623	747	708
		Composted	-	24	17	15
		Reused	n/a	8	4	-
	ICT Waste	Recycles	34	15	33	9
	Incinerated/ energy from waste		132	84	194	116
Financial indicators (£000)	**Total disposal cost**		**149**	**98**	**180**	**93**
	Paper procured		107	101	64	79

B25. Financial data for 2016-17 includes HEFCE, SFA and SLC but figures for previous years are exclusive of these bodies.

B26. Waste has been reduced by 71% since 2009-10, and 14% of waste is currently sent to landfill. The Department is aiming to reduce waste to landfill to less than 10% of its total waste figure by 2020. The Department works closely with its facilities management provider to actively manage all aspects of the Department's office waste including provision of recycling facilities, data analysis and improving staff awareness.

Paper

	2009-10	2014-15	2015-16	2016-17
Reams of paper procured	169,806	54,424	46,808	48,376

B27. Paper use has been cut by 72%, largely due to better print facilities (including 'print on collection' settings).

Water consumption

Water consumption			2009-10	2014-15	2015-16	2016-17
Non-financial indicators (m^3)	Water consumption	Office estate	104,303	49,682	52,078	67,099
		Whole estate	117,600	64,414	60,987	67,939
Financial indicators (£000)	Water supply & sewage costs		122	106	91	118

B28. Financial data for 2016-17 includes HEFCE, SFA and SLC but figures for previous years are exclusive of these bodies.

B29. Since 2009-10, the Department has reduced water use by 42% through leak reduction and repair work, refining operational processes from plant and equipment such as cooling systems, fitting more efficient devices such as tap aerators, and encouraging more sustainable water use.

Other sustainability commitments

B30. 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:

Sustainable procurement

B31. We have an in-house procurement team who ensure sustainability clauses are embedded within the department's facilities management and ICT contracts. New contracts require that suppliers meet the Government Buying Standards. New procurement staff are provided with training on sustainable procurement.

Climate change adaptation

B32. Sites located within flood risk areas are all registered with the Environment Agency for flood warnings in the event of any risk of flooding. 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.

Biodiversity and natural environment

B33. We are working closely with our FM provider to conduct site surveys and identify opportunities for enhancing biodiversity on our estate.

Procurement of food and catering services

B34. All food supplied is produced to UK or equivalent standards. Menus are designed to reflect in-season produce and purchased locally where feasible to do so to reduce food miles and to assist in supporting our local suppliers. The Government Buying Standard for Food and Defra's Food Balanced Scorecard are requirements in the Department's Future Facilities Management contract specification.

Sustainable construction

B35. The refurbishment of our new HQ, Old Admiralty Building, has achieved an interim (Design Stage) BREEAM rating of 'very good'. Where minor refurbishment work has been carried out, complete site waste management plans are produced to detail all waste removed and recycled.

Rural proofing

B36. Defra's rural proofing impact assessment is an integral part of the Department's approach to developing regulation.

Governance

B37. The Department undertakes a stringent monitoring regime in relation to GGC performance management. Monthly data reports are produced which feed in to quarterly dashboards. The dashboards are a mechanism for highlighting achievements, reporting on overall progress, identifying risks and outlining proposed mitigation measures.

B38. To ensure the data submitted and used for internal and external reporting is both accurate and consistent, an internal governance and assurance process requires thorough checks and validation audits of all data and reports are undertaken. This is supplemented by periodic audits conducted by the GIAA, reported to the Accounting Officer via the Departmental finance function.

B39. 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, who has praised the Department’s good practice in data management.

B40. 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.

B41. 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.

Annex C – Data tables

Table 1: Total Departmental spending

Summary

	2012-13 Outturn Restated £000	2013-14 Outturn Restated £000	2014-15 Outturn Restated £000	2015-16 Outturn Restated £000	2016-17 Outturn £000	2017-18 Plans Restated £000	2018-19 Plans Restated £000	2019-20 Plans Restated £000	2020-21 Plans Restated £000
Resource DEL	62,509,242	64,642,629	62,201,048	62,469,979	68,280,501	64,850,197	66,060,434	66,978,483	-
Resource AME	(863,852)	(498,383)	(1,136,567)	(8,195,962)	(1,840,662)	(2,860,573)	(3,222,015)	(3,587,040)	(3,960,339)
Total resource	**61,645,390**	**64,144,246**	**61,064,481**	**54,274,017**	**66,439,839**	**61,989,624**	**62,838,419**	**63,391,443**	**(3,960,339)**
Capital DEL	4,634,791	4,119,901	4,764,067	5,067,913	5,731,632	5,182,070	6,075,257	4,753,035	4,655,129
Capital AME	6,247,583	8,482,764	10,562,607	11,642,220	13,072,203	15,678,941	18,705,006	21,537,530	23,618,644
Total AME	**10,882,374**	**12,602,665**	**15,326,674**	**16,710,133**	**18,803,835**	**20,861,011**	**24,780,263**	**26,290,565**	**28,273,773**
	72,527,764	**76,746,911**	**76,391,155**	**70,984,150**	**85,243,674**	**82,850,635**	**87,618,682**	**89,682,008**	**24,313,434**
Less depreciation	(3,151,488)	(6,245,918)	(1,993,919)	3,550,943	(8,735,365)	(3,530,327)	(3,951,401)	(4,291,735)	(2,638)
Total Departmental spending	**69,376,276**	**70,500,993**	**74,397,236**	**74,535,093**	**76,508,309**	**79,320,308**	**83,667,281**	**85,390,273**	**24,310,796**
Of which:									
Total DEL	63,655,215	63,283,997	65,576,979	63,945,822	65,276,768	66,503,940	68,186,928	67,442,421	4,655,129
Total AME	5,721,061	7,216,996	8,820,257	10,589,271	11,231,541	12,816,368	15,480,353	17,947,852	19,655,667

C1. Total Departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME.

Resource spending

	2012-13 Outturn Restated £000	2013-14 Outturn Restated £000	2014-15 Outturn Restated £000	2015-16 Outturn Restated £000	2016-17 Outturn £000	2017-18 Plans Restated £000	2018-19 Plans Restated £000	2019-20 Plans Restated £000	2020-21 Plans Restated £000
Resource DEL									
Activities to Support all Functions	358,968	290,535	263,734	254,218	261,506	326,513	317,656	268,943	-
School Infrastructure and Funding of Education (Department)	227,585	128,050	102,749	139,528	536,971	244,671	179,775	177,691	-
School Infrastructure and Funding of Education (ALB) (net)	-	-	-	4,522	965	4,300	-	-	-
Education Standards, Curriculum and Qualifications (Department)	901,267	174,017	136,086	137,165	4,270,711	5,486,151	550,546	594,617	-
Social Care, Mobility and Equality (Department)	-	-	-	-	-	391,139	352,413	352,878	-
Children's Services and Departmental Strategy (Department)	653,382	285,002	359,990	315,807	328,304	-	-	-	-
Social Care, Mobility and Equality (ALB)	-	-	-	-	-	21,934	19,092	16,950	-
Children's Services and Departmental Strategy (ALB) (net)	29,919	21,276	22,144	(1,369)	20,197	-	-	-	-
Departmental Unallocated Provision	-	-	-	-	-	-	-	-	-
Standards and Testing Agency	35,269	42,270	43,250	50,199	50,240	56,857	48,950	48,490	-
National College for Teaching and Leadership	524,701	397,062	313,128	404,451	400,836	480,353	532,249	523,822	-
Education and Skills Funding Agency (ESFA)	-	-	-	-	-	3,039,412	8,272,672	8,357,602	-
Education Funding Agency (EFA)	5,089,021	6,529,918	6,030,611	4,906,513	88,835	-	-	-	-
Skills Funding Agency (SFA)	3,201,225	3,083,273	3,760,016	2,448,366	3,250,204	-	-	-	-
Grants to LA Schools via ESFA	32,842,182	31,421,604	30,832,573	31,133,939	30,353,478	31,506,224	31,288,790	30,455,813	-
Grants to Academies via ESFA	9,391,052	11,668,289	14,749,632	15,405,752	16,739,081	16,976,100	18,271,673	19,806,887	-
Higher Education	5,130,284	7,223,722	3,199,265	5,417,671	10,103,750	4,461,119	4,479,077	4,616,869	-
Further Education	49,500	107,109	168,099	123,592	179,269	195,588	175,859	170,024	-
Higher Education (ALB) (net)	3,979,002	3,193,488	2,183,118	1,711,449	1,680,377	1,657,586	1,569,932	1,586,459	-
Further Education (ALB) (net)	95,885	77,014	36,653	18,176	15,777	2,250	1,750	1,438	-
Total resource DEL	**62,509,242**	**64,642,629**	**62,201,048**	**62,469,979**	**68,280,501**	**64,850,197**	**66,060,434**	**66,978,483**	**-**
Of which:									
Staff costs	504,280	478,571	433,909	418,696	390,027	512,538	482,800	460,340	-
Purchase of goods and services	521,494	518,511	588,191	575,225	665,837	1,039,791	1,041,550	995,202	-
Income from sale of goods and services	(8,239)	(6,759)	(11,319)	(5,274)	(77,493)	-	(59,309)	(68,960)	-

	2012-13 Outturn Restated £000	2013-14 Outturn Restated £000	2014-15 Outturn Restated £000	2015-16 Outturn Restated £000	2016-17 Outturn £000	2017-18 Plans Restated £000	2018-19 Plans Restated £000	2019-20 Plans Restated £000	2020-21 Plans Restated £000
Current grants to local government (net)	34,165,868	33,609,317	33,359,508	32,374,847	30,579,055	31,377,428	31,773,777	30,882,758	-
Current grants to persons and non-profit bodies (net)	14,419,922	13,104,213	12,062,021	9,849,128	10,693,820	11,381,589	9,695,660	9,623,876	-
Current grants abroad (net)	(141,504)	(159,399)	(248,366)	(204,325)	(30,826)	396	279	285	-
Subsidies to private sector companies	3,427	8,043	9,538	11,922	-	-	10,406	10,622	-
Subsidies to public corporations	-	363	3,001	-	5,605	-	-	-	-
Rentals	29,079	23,732	20,443	16,104	171,766	(7,000)	(6,999)	(6,999)	-
Depreciation	3,488,818	5,478,533	1,388,136	3,592,070	8,735,365	3,528,327	3,948,763	4,289,097	-
Changes in pension scheme liabilities	12	-	-	-	-	-	-	-	-
Other resource	9,526,085	11,587,504	14,595,986	15,841,586	17,147,345	17,017,128	19,173,507	20,792,262	-
Resource AME									
Activities to Support all Functions (Department)	63,627	(9,823)	(5,289)	39	21,411	(9,419)	(73,068)	(85,528)	-
Activities to Support all Functions (ALB)	(2,189)	(1,075)	(52)	(33)	(66)	-	-	-	-
Executive Agencies (exc. SFA)	5,780	10,637	(5,958)	(6,507)	4,196	(2,634)	(1,321)	(468)	(262)
Skills Funding Agency	-	-	-	4,256	(3,234)	-	-	-	-
Higher Education	(904,330)	(534,597)	(1,099,695)	(8,140,137)	(1,881,965)	(2,805,692)	(3,130,720)	(3,489,360)	(3,945,434)
Further Education	(76)	(727)	(7,985)	(26,050)	11,746	-	-	-	-
Higher Education (ALB) (net)	(14,015)	33,210	(28,771)	(29,870)	(32,657)	(20,050)	(13,023)	(11,348)	(9,714)
Further Education (ALB) (net)	(12,649)	3,992	11,183	2,340	39,907	(22,778)	(3,883)	(336)	(4,929)
Total resource AME	**(863,852)**	**(498,383)**	**(1,136,567)**	**(8,195,962)**	**(1,840,662)**	**(2,860,573)**	**(3,222,015)**	**(3,587,040)**	**(3,960,339)**
Of which:									
Staff costs	60,711	65,271	58,813	75,476	-	(250)	50,174	45,215	45,258
Purchase of goods and services	56,631	97,694	93,907	197,985	103,620	(24,000)	227,700	237,782	237,868
Income from sales of goods and services	(64,439)	(104,663)	(101,026)	(118,946)	-	-	(89,000)	(85,000)	(85,000)
Current grants to persons and non-profit bodies (net)	132,886	19,011	25,469	-	-	-	24,408	24,872	26,219
Current grants abroad (net)	8	-	-	-	-	-	-	-	-
Subsidies to private sector companies	-	-	137,080	156,746	-	-	-	-	-
Net public service pension	(3,809)	-	-	-	-	-	-	-	-
Rentals	1150	516	663	608	-	-	-	-	-
Depreciation	(337330)	767,385	605,783	(7,143,013)	-	2,000	2,638	2,638	2,638
Take up of provisions	254,081	126,714	(17,840)	79,236	39,455	18,999	5,328	8,686	(8,717)
Release of provisions	(86,037)	(83,358)	(70,724)	(75,509)	(58,202)	(60,544)	(89,674)	(102,650)	-
Change in pension scheme liabilities	3,270	4,557	4,676	-	-	-	5,243	5,358	5,476

	2012-13 Outturn Restated £000	2013-14 Outturn Restated £000	2014-15 Outturn Restated £000	2015-16 Outturn Restated £000	2016-17 Outturn £000	2017-18 Plans Restated £000	2018-19 Plans Restated £000	2019-20 Plans Restated £000	2020-21 Plans Restated £000
Unwinding of the discount rate on pension scheme liabilities	2,426	560	603	6,271	-	-	3,816	3,900	3,986
Other resource	(883,400)	(1,392,070)	(1,873,971)	(1,374,816)	(1,925,535)	(2,796,778)	(3,362,648)	(3,727,841)	(4,188,067)
Total resource budget	**61,645,390**	**64,144,246**	**61,064,481**	**54,274,017**	**66,439,839**	**61,989,624**	**62,838,419**	**63,391,443**	**(3,960,339)**
Of which:									
Depreciation	3,151,488	6,245,918	3,132,145	(3,550,943)	8,735,365	3,530,327	3,951,401	4,291,735	2,638

Capital spending

	2012-13 Outturn Restated £000	2013-14 Outturn Restated £000	2014-15 Outturn Restated £000	2015-16 Outturn Restated £000	2016-17 Outturn £000	2017-18 Plans Restated £000	2018-19 Plans Restated £000	2019-20 Plans Restated £000	2020-21 Plans Restated £000
Capital DEL									
Activities to Support all Functions	(5,260)	2,381	8,579	3,756	30,228	73,555	41,905	23,405	-
School Infrastructure and Funding of Education (Department)	(10,643)	(4,956)	(5,528)	(324)	(117)	1,000	-	-	-
School Infrastructure and Funding of Education (ALB) (net)	-	-	-	164,082	355,512	-	-	-	-
Education Standards, Curriculum and Qualifications (Department)	10,000	-	-	-	-	-	200,000	400,000	(600,000)
Social Care, Mobility and Equalities (Department)	-	-	-	-	-	-	-	-	-
Children's Services and Departmental Strategy (Department)	39,731	(28)	-	-	(12,876)	-	-	-	-
Social Care, Mobility and Equalities (ALB)	-	-	-	510	503	520	-	-	-
Children's Services and Departmental Strategy (ALB) (net)	507	460	443	-	-	-	-	-	-
Departmental Unallocated Provision									
Standards and Testing Agency									
National College for Teaching and Leadership	454	-	(73)	8	-	-	-	-	-
Education and Skills Funding Agency (ESFA)	-	-	-	-	-	1,030,704	2,229,700	2,141,055	2,543,000
Education Funding Agency (EFA)	957,025	632,197	1,265,281	850,110	1,999,381	-	-	-	-
Skills Funding Agency (SFA)	290,355	396,893	320,781	56,630	51,137	-	-	-	-
Grants to LA Schools via ESFA	2,962,450	2,261,443	1,727,329	3,080,235	2,468,255	3,064,172	3,225,000	1,887,101	2,316,000

	2012-13 Outturn Restated £000	2013-14 Outturn Restated £000	2014-15 Outturn Restated £000	2015-16 Outturn Restated £000	2016-17 Outturn £000	2017-18 Plans Restated £000	2018-19 Plans Restated £000	2019-20 Plans Restated £000	2020-21 Plans Restated £000
Grants to Academies via ESFA	306,217	712,530	1,241,319	559,763	612,082	672,819	-	-	-
Higher Education	(22)	(912)	926	-	12,005	17,613	24,972	12,696	24,129
Further Education	7,318	3,835	12,275	34,823	22,762	94,419	203,680	188,778	172,000
Higher Education (ALB) (net)	76,406	115,869	192,596	318,132	192,914	227,268	150,000	100,000	200,000
Further Education (ALB) (net)	253	189	139	188	(154)	-	-	-	-
Total capital DEL	**4,634,791**	**4,119,901**	**4,764,067**	**5,067,913**	**5,731,632**	**5,182,070**	**6,075,257**	**4,753,035**	**4,655,129**
Of which:									
Staff costs	-	-	-	160	-	-	-	-	-
Purchase of goods and services	3,081	4,182	4,560	4,370	-	21,390	5,604	5,721	-
Capital support for local government (net)	3,526,726	2,359,254	2,639,394	1,936,022	2,470,578	3,240,506	5,030,500	3,647,101	4,259,000
Capital grants to persons & non-profit bodies (net)	464,281	485,994	576,899	331,512	-	945,269	835,083	962,788	396,129
Capital grants to private sector companies (net)	(9,242)	82,484	20,848	214,464	2,725,293	-	6,200	6,500	-
Purchase of assets	223,349	480,709	188,955	49,226	562,864	153,956	36,870	18,370	-
Income from sale of assets	(20,275)	(104)	(445)	-	-	-	-	-	-
Net lending to the private sector and abroad	1,790	(5,182)	(709)	-	-	145,510	24,000	1,000	-
Other capital	445,081	712,564	1,334,565	2,532,159	(27,165)	675,439	137,000	112,445	
Capital AME									
Higher Education AME	6,243,383	8,406,836	10,410,042	11,472,178	12,844,897	15,356,000	18,288,000	21,098,000	23,178,000
Further Education AME	-	72,732	150,811	170,876	228,995	317,191	417,720	440,611	441,793
Higher Education (ALB) AME	(2,133)	-	-	(2,834)	(3,318)	-	(3,118)	(3,187)	(3,257)
Further Education (ALB) (net)	6,333	3,196	1,754	2,000	1,629	5,750	2,404	2,106	2,108
Total capital AME	**6,247,583**	**8,482,764**	**10,562,607**	**11,642,220**	**13,072,203**	**15,678,941**	**18,705,006**	**21,537,530**	**23,618,644**

C2. Depreciation in the table above also includes amortisation, impairment and revaluation.

C3. Pension schemes report under IAS 19, the pension figures include cash payments and contributions received, as well as certain non-cash items.

C4. As a result of the Department's Transformation Programme, the new directorate SCME took over the majority of the policy areas from the former Children's Services, Equality sand Communications Directorate. As a result, outturn up to 2016-17 has been shown against the former directorate while plans from 2017-18 onwards against the new directorate.

C5. The ESFA became operational on 1 April 2017 following the merger of the EFA and the SFA. The ESFA budget is the aggregate of the two former bodies. As a result, outturn up to 2016-17 has been shown against the former Agencies while plans from 2017-18 onwards against the new Agency.

C6. Total Departmental staff costs within the table above differs from those published in the accounts, because staff costs above include early departure costs and lump sum payments that have been presented elsewhere in the accounts.

C7. Total Departmental revenue and capital grant costs within the table above differs from those published elsewhere in the accounts due to differences in compilation methodology between these core tables and the accounts.

C8. Total Departmental provisions within the table differ from those published elsewhere in the accounts, because the balances in the table include costs arising from an NDPB pension scheme, which have been disclosed elsewhere in the accounts.

Table 2: Administration costs

	2012-13 Outturn Restated £000	2013-14 Outturn Restated £000	2014-15 Outturn Restated £000	2015-16 Outturn Restated £000	2016-17 Outturn £000	2017-18 Plans Restated £000	2018-19 Plans Restated £000	2019-20 Plans Restated £000	2020-21 Plans Restated £000
Resource DEL									
Activities to Support all Functions	309,298	257,098	239,680	225,851	252,648	259,154	237,388	234,134	-
School Infrastructure and Funding of Education (ALB) (net)	-	-	-	(795)	2,239	4,300	-	-	-
Social Care, Mobility and Equalities (ALB) (net)	-	-	-	-	-	15,424	14,640	13,912	-
Children's Services and Departmental Strategy (ALB) (net)	24,790	18,473	17,516	16,871	14,999	-	-	-	-
Standards and Testing Agency	5,534	5,570	5,629	3,193	3,598	3,183	3,109	3,033	-
National College for Teaching and Leadership	26,015	21,403	18,340	12,680	12,399	12,018	11,252	10,501	-
Education and Skills Funding Agency (ESFA)	178,345	192,460	175,776	-	-	139,177	145,654	136,391	-
Education Funding Agency (EFA)	-	-	-	62,628	76,244	-	-	-	-
Skills Funding Agency (SFA)	-	-	-	88,273	63,372	-	-	-	-
Higher Education (ALB) (net)	60,157	69,129	78,827	71,693	69,276	85,204	85,389	83,902	-
Further Education (ALB) (net)	10,296	7,931	6,311	5,032	15,294	-	-	-	-
Total administration budget	**614,435**	**572,064**	**542,079**	**485,426**	**510,069**	**518,460**	**497,432**	**481,873**	**-**
Of which:									
Staff costs	398,636	351,354	339,774	314,054	317,361	368,448	368,544	346,289	-
Purchase of goods and services	148,638	161,551	157,092	144,633	272,717	131,651	111,691	111,821	-
Income from sales of goods and services	(2,311)	(2,112)	(4,430)	(5,092)	(20,212)	-	-	-	-
Current grants to local government (net)	(32)	-	-	-	-	-	-	-	-
Current grants to persons and non-profit bodies (net)	-	(175)	25	19	-	7,048	3,879	11,393	-
Rentals	23,639	14,963	16,305	13,779	2,824	(7,000)	(7,000)	(7,000)	-
Depreciation	40,052	54,670	40,721	29,647	31,977	45,613	47,618	46,670	-
Change in pension scheme liabilities	12	-	-	-	-	-	-	-	-
Other resource	5,751	(8,187)	(7,408)	(11,614)	(94,598)	(27,300)	(27,300)	(27,300)	-

Glossary of key terms

Abbreviation or term	Description
Academies	All schools operated by Academy Trusts encompassing academies, free schools, university technical colleges and studio schools
Agency	Executive Agency
ALB	Arm's length body
AME	Annually Managed Expenditure
ARA	Annual report and accounts
ATs	Academy Trusts: the charitable companies that operate all types of academy schools
BAME	Black, Asian and Minority Ethnic
CITB	Construction Industry Training Board
DEL/CDEL/RDEL	Departmental Expenditure Limit (Capital/Resource)
Department	The core Department for Education, excluding Executive Agencies, Non-departmental Public Bodies and Academy Trusts.
Department & Agencies	The core Department for Education, 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, Non-departmental Public Bodies.
ECITB	Engineering Construction Industry Training Board
EFA	Education Funding Agency
ESFA	Education and Skills Funding Agency
EHRC	Equalities and Human Rights Commission
Estimate	Group funding, as approved by HM Treasury and subject to specific limits by category of spending.
FE	Further education
FITB	Film Industry Training Board
FReM	Financial Reporting Manual, issued by HM Treasury
GAD	Government Actuary's Department
GGC	Greening Government Commitments
GIAA	Government Internal Audit Agency
HE	Higher education
HEFCE	Higher Education Funding Council for England
HEI	Higher education institution
HMT	HM Treasury
IRT	Insight, Resources and Transformation, a directorate of the Department
LIBOR	London Interbank Offered Rate
MoG	Machinery of Government
NAO	National Audit Office
NCTL	National College for Teaching and Leadership
NDPB	Non-departmental Public Body
OCC	Office of the Children's Commissioner
OFFA	Office for Fair Access (operating name of Director of Fair Access to Higher Education)
OfS	Office for Students
ONS	Office for National Statistics
PAC	Public Accounts Committee
PSBP	Priority School Building Programme, a programme to address the needs of the schools most in need of urgent repair
RPA	Risk Protection Arrangement
RPI	Retail Price Index

Abbreviation or term	Description
SARA	Sector Annual Report and Accounts, the standalone annual report and accounts for the academy sector
SCME	Social Care, Mobility and Equality
SCS	Senior Civil Servant
SEN	Special Educational Needs
SFA	Skills Funding Agency
SoCTE	Statement of Changes in Taxpayers' Equity
SoCF	Statement of Cash Flows
SoCNE	Statement of Comprehensive Net Expenditure
SoFP	Statement of Financial Position
SoPS	Statement of Parliamentary Supply
SLC	The Student Loans Company Limited
STA	Standards and Testing Agency
STEM	Science, Technology, Engineering & Maths
UCAS	Universities and Colleges Admissions Service
UKCES	UK Commission for Employment and Skills
2015-16 & 2016-17	Financial years, ending on 31 March.
2015/16 & 2016/17	Academic years, ending on 31 August.

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