Department for Education

Annual Report and Accounts 2010–11

(For the year ended 31 March 2011)

HC 983

Department for Education

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(For the year ended 31 March 2011)

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Any enquiries regarding this publication should be sent to us at Department for Education, Castle View House, East Lane, Runcorn, Cheshire, WA7 2GJ.

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Contents

Scope

1. Entities within the Departmental accounting boundary

1.1 The entities within the Departmental boundary that make up these financial statements are the core Department for Education (Request for Resources 1), Sure Start, Early Years and Childcare (Request for Resources 2) and the Department's Advisory non-departmental public bodies (NDPBs).

Advisory Non-Departmental Public Bodies (NDPBs)

School Teachers' Review Body (STRB)

Independent Advisory Group on Teenage Pregnancy (IAGTP)[1]

Teachers' TV Board of Governors (TTV)[1]

School Support Staff Negotiating Body (SSSNB)

[1] Closure 31 December 2010

2. Bodies outside the Departmental accounting boundary

2.1 In 2010-11 the Department for Education (DfE) had lead responsibility for the public sector bodies listed below.

Executive Non-Departmental Public Bodies (NDPBs)

British Educational Communications and Technology Agency (BECTA)[1]

Children and Family Court Advisory and Support Service (CAFCASS)

Children's Workforce Development Council (CWDC)

National College for School Leadership (NCSL)

Office of the Children's Commissioner (OCC)

Partnerships for Schools (PfS)

Qualifications and Curriculum Development Agency (QCDA)

School Food Trust (SFT)

Training and Development Agency for Schools (TDA)

Young People's Learning Agency (YPLA)[2]

Unclassified Public Sector Bodies

General Teaching Council for England (GTC)

Academies

[1] Closure 31 March 2011

[2] From 1 April 2010

2.2 The executive NDPBs have their own Accounting Officers who are responsible to Parliament for the funds they receive and publish their own accounts separately. All the executive NDPBs are financed through grant in aid.

2.3 The DfE website contains more up to date information on Arms Length Bodies (ALBs) http://www.education.gov.uk/aboutdfe/armslengthbodies

3. Ministers

3.1 The following ministers formed the ministerial team of the Department during the 2010-11 financial year:

Rt. Hon Michael Gove MP	Secretary of State (from 12 May 2010)
Sarah Teather MP	Minister of State for Children and Families (from 13 May 2010)
Nick Gibb MP	Minister of State for Schools (from 13 May 2010)
John Hayes MP	Minister of State for Further Education, Skills and Lifelong Learning reporting jointly to the Secretaries of State for the Department for Education and Department for Business, Innovation and Skills (from 21 July 2010)
Tim Loughton MP	Parliamentary Under Secretary of State for Children and Families (from 14 May 2010)
Lord Hill of Oareford	Parliamentary Under Secretary of State for Schools (from 14 May 2010)

Other Minister served during the year

Rt. Hon Ed Balls MP	Secretary of State (to 11 May 2010)
Baroness Delyth Morgan	Parliamentary Under Secretary of State for Children, Young People and Families (to 11 May 2010)
Rt. Hon Dawn Primarolo MP	Minister of State for Children, Young People and Families (to 11 May 2010)
Vernon Coaker MP	Minister of State for Schools and Learners (to 11 May 2010)
Diana Johnson MP	Parliamentary Under Secretary of State for Schools (to11 May 2010)
Iain Wright MP	Parliamentary Under Secretary of State for 14-19 Reform and Apprenticeships (to 11 May 2010)
Kevin Brennan MP	Minister of State for Apprenticeships reporting jointly to the Secretaries of State for the Department for Children, Schools and Families and the Department for Business, Innovation and Skills (to 11 May 2010)

4. Management of the Department

The Board

4.1 The Permanent Secretary, Sir David Bell is the Department's Accounting Officer and as such is accountable to Parliament and the wider public for its actions and in spending public funds.

4.2 The DfE Board provides strategic and operational leadership of the Department. It is chaired by the Secretary of State and the members include the full Ministerial team, the Permanent Secretary and Director Generals, plus external members (our non-executive members).

4.3 The Board's responsibilities include advice and challenge with respect to:

- the Department's aims and objectives;
- the most efficient and effective means of implementing the priorities contained in the Business Plan ;
- the implementation of the Department's Spending Review settlement;
- the progress of the Department's work through key performance indicators;
- the Department's risk appetite, informed by the Delivery Assurance, Risk and Audit Committee (DARAC);
- the sound financial management of the Department within the context of the Business Plan; and
- the performance of the Department's arms length bodies.

4.4 The composition of the Board of the Department on 31 March 2011 was as follows:

Board members

Rt. Hon Michael Gove MP	Secretary of State
Sarah Teather MP	Minister of State for Children and Families
Nick Gibb MP	Minister of State for Schools
John Hayes MP	Minister of State for Further Education, Skills and Lifelong Learning reporting jointly to the Secretaries of State for the Department for Education and Department for Business, Innovation and Skills
Tim Loughton MP	Parliamentary Under Secretary of State for Children and Families
Lord Hill of Oareford	Parliamentary Under Secretary of State for Schools
Sir David Bell	Permanent Secretary
Tom Jeffery	Director General, Children, Young People and Families Directorate
Jon Coles	Director General, Education Standards Directorate
Lesley Longstone	Director General, Infrastructure and Funding Directorate
Sue Higgins	Director General, Finance and Corporate Services Directorate
Anthony Salz	Lead non-executive member
Theodore Agnew	Non-executive member
Dame Sue John	Non-executive member
John Nash	Non-executive member

Other members of the DfE Board who served during the year

Caroline Wright	Director, Communications Directorate
Lee Bailey	Acting Director, Communications Directorate
Philip Augar	Non-executive member
Katherine Kerswell	Non-executive member

4.5 Further information on the appointment and policies relating to board members is contained in the Remuneration Report.

Corporate governance

4.6 From October 2010 the DfE Board put in place the following corporate governance structure to support them:

- The Executive Management Board chaired by the Permanent Secretary.
- The Audit and Risk Assurance Committee, was chaired by an independent member. This Board became the Delivery Assurance, Risk and Audit Committee from April 2011 and the chair changed to a non-executive member from the DfE Board.

Executive Management Board

4.7 The purpose of the Executive Management Board is to assist the Permanent Secretary/Accounting Officer in the discharge of his duties and ensure the efficient and effective management of the Department through:

- implementing its strategic aims and objectives;
- setting organisational culture, standards and values;
- determining the allocation of its budgets and people;
- monitoring the implementation of business and other plans;
- maintaining a proper system of risk management and prudent and effective controls;
- reviewing progress against key delivery programmes in the Department and its arms length bodies; and
- leading and overseeing the process of innovation, changes and improvement.

The Audit and Risk Assurance Committee and Delivery Assurance, Risk and Audit Committee (from April 2011)

4.8 The purpose of the Audit and Risk Assurance Committee was to provide an independent view on the management of risk, governance and internal control to the Board. It was set up in line with the *HM Treasury Corporate Governance in Central Government Departments: Code of Good Practice*. It was chaired by both Philip Augar (to May 2010) and Katherine Kerswell (June 2010 to March 2011), non-executive members of the Board, during the year, plus three independent members. The National Audit Office (NAO), the Head of Internal Audit, the Accounting Officer and the Director General of Finance and Corporate Services Directorate also attend the meetings. From 1 April 2011 the Audit Committee will be taken forward by the Delivery Assurance, Risk and Audit Committee (DARAC) chaired by Anthony Salz the lead non-executive member of the DfE Board.

4.9 From March 2011 the DfE Board put in place a new sub-committee of the Board called the Performance Committee which will meet before each Board meeting to review performance information. It will be chaired by Anthony Salz the lead non-executive member of the DfE Board and is made up of the other three non-executive members of the DfE Board, the Permanent Secretary, Directors General and Director of Strategy and Performance.

4.10 The Committee will support the efficient and effective implementation of the priorities contained in the Department's external Business Plan and internal business planning activities, by:

- Monitoring the progress of the Department's work through key performance information.

- Examining progress achieved in the context of the resources available.
- Monitoring the performance of the Department's arms length bodies.

5. Departmental reporting

5.1 The Annual Report and Accounts are reproduced on the Department's website (www.education.gov.uk) and the Department also publishes key performance data related to the Department's structural reform priorities.

6. Pension liabilities

6.1 The Department's Statement of Financial Position does not include the pension liabilities of its staff or ministers. The civil servants' pension liabilities are part of the Principal Civil Service Pension Scheme (PCSPS) and ministers' pension liabilities are included in the Parliamentary Contributory Pension Fund (PCPF). Both pension schemes publish separate Annual Accounts. Further information on accounting treatment of pension liabilities within the Department's accounts can be found in the Remuneration Report (pages 46 – 53) and the notes to the Accounts (note 1 accounting policies page 70).

7. Register of interests

7.1 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 register is open for inspection by appointment at any of the Departmental offices in Darlington, London, Runcorn or Sheffield. Anyone wishing to view the register can contact the Department as follows:

- By e-mail to: malcolm.fielding@education.gsi.gov.uk
- By telephone: 020 7340 7693
- By writing to: Malcolm Fielding, Corporate Finance, Department for Education, Fifth Floor, Sanctuary Buildings, 20 Great Smith Street, London, SW1P 3BT

7.2 Details of directorships and other significant interests held by Ministers are set out in the Register of Members' Interests for MPs http://www.publications.parliament.uk/pa/cm/cmregmem/contents.htm and the Register of Lords' Interests http://www.parliament.uk/mps-lords-and-offices/standards-and-interests/register-of-lords-interests/ . Both these registers are available on the UK Parliament website.

8. Auditor

8.1 The Comptroller and Auditor General (C&AG) is the appointed external auditor of the Department's financial statements. The C&AG, appointed under statute, reports to Parliament the results of his audit examination. The notional cost of work performed by the National Audit Office during 2010-11 totalled £320,000 (2009-10: £320,000) relating to the statutory audit services in respect of the DfE and Teachers' Pension Scheme Annual Accounts.

8.2 The National Audit Office (NAO), on behalf of the C&AG, also carries out Value for Money studies for which it does not receive remuneration from the Department. During 2010-11 the main studies undertaken in relation to the Department were *Cafcass's response to increased demand for its services,* published on 28 July 2010, *The Academies Programme* published on 10 September 2010, *Educating the next generation of scientists,* published on 12 November 2010 and *Getting value for money from the education of 16 to 18 year olds,* published on 23 March 2011. The topics are chosen each year based on the NAO's analysis of the risks to value for money across the Department and government as a whole; the scale of spending involved; and areas of concern to the Public Accounts Committee.

8.3 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 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 the information.

Management Commentary

9. Aim and objectives of the Department

9.1 In November 2010, the Department for Education, published a Business plan covering the period 2011-2015. This Business Plan covered the Department's vision, coalition priorities, structural reform plans, departmental expenditure and information on how it is going to become more transparent. This Business Plan will be updated annually and was last updated in May 2011 reflecting an updated assessment of when the Government will implement its commitments set out in the Programme for Government; these included actions on growth and social mobility. The Business Plan is available at http://www.number10.gov.uk/wp-content/uploads/DFE-Business-Plan1.pdf

9.2 The Business Plan includes the Department's six structural reform priorities which are:

- increase the number of high quality schools and introduce fair funding;
- reform the school curriculum and qualifications;
- reduce bureaucracy and improve accountability;
- train and develop the professionals who work with children;
- introduce new support for the early years; and
- improve support for children, young people and families, focusing on the most disadvantaged.

9.3 The Department's Structural Reform Plan sets out how and when the Department will achieve the reforms. Each month the Department publishes a simple report on progress which is available at http://transparency.number10.gov.uk/transparency/srp/. A summary of the information reported on the No 10 website is shown below.

Structural Reform Priorities	Number of actions due to be completed in 2010-11	Number of actions that were met on time	Number of actions missed by 1 month	Number of actions missed by 2 months	Number of actions missed by 3 months or more
1. Increase the number of high quality schools and introduce fair funding	11 of 17	9	0	2	–
2. Reform the school curriculum and qualifications	4 of 4	3	1	–	–
3. Reduce bureaucracy and improve accountability	7 of 12	5	2	–	–
4. Train and develop the professionals who work with children	2 of 2	2	–	–	–
5. Introduce new support for the early years	4 of 8	1	3	–	–
6. Improve support for children, young people and families, focusing on the most disadvantaged	7 of 17	5	1	–	1
Total DfE	35 of 60	25	7	2	1

9.4 The Department's Business Plan also includes a set of impact and input indicators which it will use to report on its progress in achieving the reforms set out in the plan. The way in which this data will be presented is still being confirmed and the data will be published on the No 10 website http://transparency.number10.gov.uk/transparency/srp/. Because of this the data is not provided here, but the tables below set out the definitions of these indicators and when they will be published. Information on the geographical area down to which these data will be published (e.g. national or local authority) are noted on No 10's website.

Impact indicator	When will publication start?	How often will it be published?
Attainment of 'the basics' at ages 11, 16 and 19: The basics are defined as percentage achieving: at age 11, Level 4 in English and mathematics; at 16, A*-C in GCSE English and mathematics*; and at 19 two definitions – percentage of 19 year olds achieving a Level 3 qualification; plus attainment of Level 2 English and mathematics for those who had not achieved it at 16. * This is currently defined as English and mathematics A*-C GCSE. The intention is that this will include science in the future.	Key Stage 2 – December following the academic year Basics Key Stage 4 – January following the academic year Level 3 qualification and Level 2 English and mathematics at age 19 – March following the academic year	Annual
Attainment beyond the basics at ages 16 and 19: For age 16, the indicator is the percentage achieving English Baccalaureate. At 19 the indicator is any two A levels or achievement of a 16-18 vocational study programme to be defined as part of the work to deliver the recommendations of the Wolf Review.	English Baccalaureate – January following the academic year	Annual
Attainment gap at ages 11, 16 and 19: The gaps proposed to measure are between free school meals (FSM) and the rest at all stages and looked after children (LAC) and the rest at 11 and 16.	Key Stage 2 and Key Stage 4 attainment (FSM and LAC) – December following the academic year Level 3 at age 19 (FSM) – March following the academic year	Annual
Outcome of education: Two indicators; *first*, the percentage of children on free school meals progressing to: i) Oxford or Cambridge; ii) Russell Group; iii) all universities; and second, destinations of young people. Placeholder indicator on 16/17 year old participation to be aligned with the Growth Review.	Publication date to be agreed Destinations data – Spring 2012	Annual
School quality: Number of schools below the floor standard (separate floors for primary and secondary); percentage achieving new 'basics' measure at GCSE (most deprived schools and least deprived schools, and the gap between them); teaching by teachers with qualifications in relevant subject areas.	Floor standards primary December – January following the academic year Deprived schools – December following the academic year Teaching by qualified teachers published in April	Annual
Factors affecting education: Pupil absence; proportion of pupils in alternative provision achieving: i) Level 1, and ii) Level 2, in functional English and mathematics	Pupil absence – March following the academic year Alternative provision – Summer 2011	Annual
Academies / Free Schools: i) Number of academies and free schools opened nationally ii) Number of academies and free schools opened by local authority as a percentage of all schools.	July 2011	Quarterly

Impact indicator	When will publication start?	How often will it be published?
Vulnerable children and young people: Placeholder – will be developed following the publication of the Munro Review.	Publication date to be agreed	Frequency of publication to be agreed
Early Years: Placeholder – currently considering options for measurement.	Publication date to be agreed	Frequency of publication date to be agreed

Input indicator	When will publication start?	How often will it be published?
3-4 year old aggregate spending	2011	Annually
Schools aggregate spending (excluding Pupil Premium)	2011	Annually
Schools aggregate spending (Pupil Premium)	2011	Annually
16-19 year old aggregate spending	2011	Annually
Early Intervention Grant	2011	Annually

9.5 The Public Accounts Committee (PAC) is the House of Commons committee that examines how well government has used its resources. In the period from 1 April 2010 to 31 March 2011 three Treasury Minutes were published replying to reports concerning the Department and its associated bodies.

The associated National Audit Office (NAO) reports can be accessed through http://www.nao.org.uk/ and the full PAC reports (incorporating the transcript of the hearing) are available on the PAC website, accessible through http://www.parliament.uk.

The Treasury Minute replies to the PAC reports are available at:
http://www.hm-treasury.gov.uk/psr_treasury_minutes.htm

9.6 The following commentaries and tables describe the progress being made to address the recommendations in the three PAC reports.

9.7 Cafcass's response to increased demand for its services

NAO report published: 28 July 2010 – HC 289 Session 2010-11

PAC hearing: 7 September 2010

PAC 6th report published: 11 November 2010 – HC 439 Session 2010-11

Treasury Minute published: 16 February 2011 – Cm 8014

The Children and Family Court Advisory and Support Service (Cafcass) has a statutory duty to protect children and ensure that their interests are looked after during family court proceedings. Since November 2008, Cafcass has experienced a significant and sustained increase in demand for its services, receiving around 34 per cent more care cases in 2009-10 than the previous year. The report noted that the sustained increase in workload could not have been foreseen and the family justice system as a whole was under a lot of pressure. At that time work was already underway to improve Cafcass' services to children and families and this has continued.

The PAC report noted that within Cafcass, the data held on cases centrally contain inaccuracies. Sickness absence is unacceptably high, and staff morale is low, reflected in the difficulty management has in achieving staff compliance to changes within the organisation.

The President of the Family Division issued Interim Guidance that allowed 'duty allocation' of care cases as a temporary measure so that Cafcass could start to reduce its unallocated workload. From 1 October 2010, the President and Cafcass made a joint agreement introducing arrangements for another year, which aims to continue the reduction of delays in allocating cases and minimise the use of duty allocations. This agreement is in place pending the final outcomes of the Family Justice Review.

Recommendation	Details of progress made to date, proposed future timetable for implication or note on why the decision has been made not to progress the recommendation
1. The average time to fully allocate care cases has been reduced from 40 to 27 days but this is too high and many geographical areas do not provide a timely service. A report should be provided to the Committee in a year showing improvements made.	During March 2011, Cafcass fully allocated a total of 870 care cases to appropriate officers to undertake the role of Children's Guardian. The average period between receipt of the case by Cafcass and first full allocation to a Children's Guardian was 4.3 working days. Cafcass' remit letter for 2011-2012 makes clear that in cases where local authorities apply to take children into care, Cafcass must work with local authorities, the courts service and the judiciary to make sure cases are dealt with as efficiently as possible and without delay. In particular, where the court appoints a Cafcass Guardian to act in the interests of a child, Cafcass are expected to allocate a Guardian to the case quickly and, in 97% of cases, by the time the case goes to the first substantive court hearing. Performance in this area will be assessed regularly against Cafcass' Key Performance Indicators (KPIs). Cafcass will continue to operate within the terms of the agreement made in October 2010 with the President of the Family Division which reinforces the expectation of joint working between the courts and Cafcass, and the importance of following the published *Public Law Outline* for handling these cases.
2. Cafcass should establish plans to reduce duty allocation of care cases in every area.	At the end of February 2011, the number of duty allocated care cases was 215, compared with 981 at the end of February 2010. In 2011-2012, Cafcass' KPI on the allocation of care cases has been strengthened so that only those cases which have been fully allocated are included in the measure (rather than the wider group of duty allocated cases). In addition, the KPI is only relevant to care cases, since this is an issue of concern. The indicator for successful performance in this area is 97%.
3. Cafcass should establish contingency plans to deal with changed circumstances, such as increases in demand.	Following the sharp increase for demand in November 2008, levels of demand remain at high levels, but have stabilised. In Cafcass' 2011-2012 remit letter, the Secretary of State specifies that Cafcass build on the progress made this year to ensure Cafcass is better-managed and more responsive. Cafcass must provide a service which is able to adapt to provide the best possible service for children and families using the family courts within the limited resources available. Cafcass is expected to continue to reduce the amount spent on back office functions and reduce spend on buildings in the Cafcass estate by 30% over the period 2011-13. Cafcass must also take the necessary steps to address any weaknesses which are identified by future Ofsted inspections; such as improving the way social workers work. In particular, all Cafcass teams across the country must meet the risk assessment duty required of Cafcass in law and, where risk of harm to children is found, refer the case to the relevant local authority.
4. Cafcass should develop an action plan to address skills gaps and to raise performance and staff morale.	Performance and productivity levels increased during the Transformation Programme and intensive work is underway on the drafting of the final version of the Cafcass Operating Manual. This will form the basis of new performance management descriptors and an implementation plan including training and development programmes. Some programmes are in place already eg, on proportionate working, and analytical writing. Morale is being surveyed in staff survey work in a small number of local service areas.

Recommendation	Details of progress made to date, proposed future timetable for implication or note on why the decision has been made not to progress the recommendation
5. Cafcass should develop actions to drive down sickness absences with the Department monitoring progress.	The 2009-10 sickness for Family Court Advisers was an average of 16.4 days per annum. For 2010-11 the sickness had reduced to an average of 12 days, which is comparable with the average local authority social worker sickness rate. Work aimed at reducing high levels of absence generally and in problem areas continues and includes targeted work with individuals and teams; improved processes for managing, and developing and supporting staff. Prompt referrals to occupational health services and telephone or face-to-face counselling are two ways that this is being carried forward.
6. Cafcass should manage the caseloads of individuals so that morale and the quality of court reports does not fall, and ensure that there is succession planning for experienced court advisers approaching retirement.	Until September 2011, Cafcass is currently trialling a workload weighting system that has been developed in collaboration with Napo and Unison. Based on joint modelling work between the unions and management undertaken since summer 2010, bandings have been identified, within which all practitioners Workload Scores are situated. Cafcass' Operating Model for 2011-13 will set out the requirements placed by Cafcass on Children's Guardians. The Model will provide guidance to staff about how to interpret the Family Procedure Rules 2010 and match available resources to the particular circumstances of a case, considering, amongst other issues, the quality of the local authority work and the nature and complexity of the case.
7. Cafcass's top management should take responsibility for explaining the Transformation Programme. Managers at all levels should inspire staff to comply with the corporate requirements and monitor cases of non-compliant behaviour.	The Transformation Programme has reached its completion. Part of the programme included the formulation and early drafting of Cafcass's Operating Model; for which the Chief Executive met approximately 30 teams across England. A key indicator of staff compliance with the programme is demonstrable by the achievement of key deliverables. A number of elements of the programme, particularly those which relate to the remit set for Cafcass by the Secretary of State will be further implemented during 2011-12. Responsibility for this has been allocated to the relevant member of Cafcass' Corporate Management Team.
8. The Department should ensure local authorities are undertaking appropriate pre-action work with the family and thus reduce extra work by Cafcass.	A pilot is taking place in Warwickshire and Coventry where Cafcass officers are working with local authorities, providing independent advice at the pre-proceedings stage of potential care cases. The pilot is testing how local authority assessments and case analysis can be strengthened to deliver better outcomes for children through more robust processes and supporting evidence, where cases do proceed to court. The pilot is due to end in early 2012 (this is because of the time the cases are expected to be completed), and fully evaluated. An interim report will be produced in autumn 2011, which can be considered by the Family Justice Review Panel. It is envisaged that, if successful, the pilot will be rolled out more widely. However, this decision is likely to be made as part of reforms to the family justice system as a whole. Local Performance Improvement Groups are making good progress in sharing knowledge and best practice. A series of high impact case studies on "what works in tackling delay" was drawn together and disseminated in February, for example, Hackney Local Authority has show-cased improvements that can be made in social care. These groups meet quarterly and are supported by the National Performance Partnership (NPP) which provides a steer and crucial data analysis. NPP representatives include senior members of the Judiciary, Department, Ministry of Justice and local authorities. The NPP and the local groups meet quarterly.

Recommendation	Details of progress made to date, proposed future timetable for implication or note on why the decision has been made not to progress the recommendation
9. The Department should support Cafcass in improving the Case Management System.	Cafcass' National Business Centre (NBC) has been set up to deal centrally and more efficiently with data processing and inputting tasks. To ensure the quality of data entered on the Case Management System (CMS), Cafcass carries out internal data audits at the NBC. Three cases from each of the 19 service areas are audited monthly, prior to cases being transferred to local teams. The results and recommendations are sent to the relevant teams for further actions. Audits conducted in May 2011 show an accuracy rate of 99% in the South; 98.5% in the North; and 98% in the Central region. In addition, Cafcass carries out unannounced internal audits to ensure the accuracy of data recorded as cases progress. As part of the unannounced inspection framework, CMS data is interrogated to ensure accuracy, cross checked with case file information, and findings are included in the overall service area report, along with any actions to be taken. These reports are not published, but are used to support service improvement.
10. The Department should oversee Cafcass' implementation of the Transformation Programme.	The Department has monitored the implementation of the Transformation Programme since roll out began. The Parliamentary Under Secretary of State for Children and Families meets the Chief Executive of Cafcass quarterly; there were regular meetings between DfE and Cafcass officials, and DfE is a member of Cafcass' Transformation Programme Board. The Department receives monthly performance reports from Cafcass, which is assessed against the KPIs set out in Cafcass' 2011-2012 remit letter from the Secretary of State.

9.8 Educating the next generation of scientists

NAO report published: 12 November 2010 – HC 492 Session 2010-11

PAC hearing: 23 November 2010

PAC 15th report published: 20 January 2011 – HC 632 Session 2010-11

Treasury Minute published: 24 March 2010 – Cm 8042

A strong supply of people with science, technology, engineering and maths skills is important for the UK to compete internationally and the starting point for this is a good education for children and young people in science and maths.

The PAC report noted that the Department had made impressive progress on aspects of science and maths secondary education. The numbers studying separate GCSE biology, chemistry and physics (known as 'Triple Science' when studied together) have risen by almost 150% between 2004-05 and 2009-10. Attainment has also improved as take-up has increased.

The PAC report concluded that the Department should approach the challenge of improving school science and maths through a coherent, system-wide strategy rather than as a number of initiatives operating in isolation. This strategy would need to ensure that key success factors such as GCSE Triple Science, specialist teachers, good-quality science accommodation, quality careers advice and programmes to increase take-up and achievement are made available in a concerted fashion in all areas of the country.

Recommendation	**Details of progress made to date, proposed future timetable for implication or note on why the decision has been made not to progress the recommendation**
1. DfE should establish whether pupils in disadvantaged communities have less access to Triple Science.	30% of schools do not offer Triple Science but from other indicators DfE does not believe these are necessarily those in deprived communities. DfE will produce further analysis by the end of September 2011 to see if pupils in disadvantaged communities had less access to Triple Science in 2010.
2. Progress in increasing the number of specialist physics and maths teachers has been slow. DfE should evaluate recruitment methods and concentrate on the most effective methods.	DfE is currently evaluating all the routes into teaching to make it more attractive to the most able young people and is considering how teacher training will be funded from August 2012. DfE is proposing to publish later this year further detail of proposals for the reform of initial teacher training for discussion with schools, students, universities and other teacher training providers before confirming plans in time for the recruitment of teachers who start their training in academic year 2012/13.
3. Schools should report the proportion of science and maths teachers with specialist knowledge relevant to the subject they teach.	Information from the new School Workforce Census is being published from April 2011 and shows all teachers' qualifications and the subject area they are teaching. This will enable DfE to monitor progress and ensure resources and initiatives are targeted appropriately. Information from the first annual School Workforce Census that took place in November 2010 was published in Statistical First Release 06/2011 on 20 April 2011. DfE is currently considering the information.
4. Some school laboratories are of poor quality and some may be unsafe. DfE should ensure that all relevant information is used in the current review of capital funding so that the urgency and need for refurbishment is considered alongside other demands.	Building condition was a key factor in the Capital Review led by Sebastian James, which was published in early April 2011. Ministers are considering their response.
5. DfE has funded around 30 centrally driven initiatives costing around £50m annually. DfE should ensure major programmes are properly evaluated to determine their effectiveness.	Proportionate evaluation arrangements will continue to be built into any new centrally funded Science, Technology, Engineering and Mathematics (STEM) initiatives. Earlier evidence is being used to refocus programmes which are being taken forward. The need for evaluation will be written into contract and grant agreements being signed from August 2011. The STEM career awareness timeline pilot has produced useful practical planning tools for schools which help to make careers work more effective by encouraging the development of links with local employers.
6. In developing careers awareness programmes nationally DfE should take account of the Career Awareness Timeline Pilot and encourage schools to involve science and maths teachers in providing careers advice.	DfE will consider how best to increase the knowledge of science teachers so that they can incorporate an understanding of science careers into their teaching. DfE has asked the Science Learning Centres to include careers education as an element of teacher Continuing Professional Development.

Recommendation	Details of progress made to date, proposed future timetable for implication or note on why the decision has been made not to progress the recommendation
7. DfE should continue to collect and publish take-up and performance information for maths and science and set out procedures for appropriate intervention to address deficiencies in schools.	Information will continue to be published, and whenever poor attainment in core subjects is identified DfE will work with local authorities to improve the situation rapidly.
8. DfE should set out the information it expects schools to publish and give guidance on what good performance looks like.	Reformed performance tables will continue to play an important role in the accountability system. The Department has already published significantly more data in 2010 than in previous years, including results for all 84 GCSE subjects and school and local authority expenditure data. For the first time, the 2010 performance tables allowed users to filter and sort schools into league tables based on indicators of their choice (e.g. the percentage of pupils achieving the English Baccalaureate) and to download the underlying data. The 2011 tables (to be published in December 2011/January 2012) will be sharper and more focused on the essentials of a sound education – the new English Baccalaureate demonstrating breadth across key academic subjects and attainment in the Basics of English, mathematics and, in the future, science. Progress measures will be published to support these indicators. We will also publish how deprived pupils perform in the Basics compared to their peers.

9.9 The Academies Programme

NAO report published: 10 September 2010 – HC 288 Session 2010-11

PAC hearing: 27 October 2010

PAC 17th report published: 27 January 2011 – HC 552 Session 2010-11

Treasury Minute published: 24 March 2010 – Cm 8042

Academies are publicly funded independent schools which are directly accountable to the Department. They aim to raise educational standards and aspirations:

- by creating a vibrant group of autonomous and highly performing institutions through encouraging and facilitating existing maintained schools to apply for Academy status; and
- by replacing underperforming schools with Academies managed by a sponsor with the aim of turning around educational performance.

On 1 April 2011 there were 658 Academies: 273 sponsored and 357 converters and by 3 June 2011 this had increased to 704 Academies: 274 sponsored and 430 converters.

The PAC report focused on the performance of sponsored Academies. It concluded that they had performed impressively to date, achieving rapid academic improvements and raising aspirations in some of the most deprived areas in the country. In many cases this has been achieved through high-quality leadership, a relentless focus on standards, and innovative approaches to learning and to the school timetable.

The PAC report highlighted some areas where the Department and the Young People's Learning Agency (YPLA) need to improve the Academies Programme. The PAC's recommendations are set out in the table below, along with how the Department has already begun to respond to them.

Recommendation	**Details of progress made to date, proposed future timetable for implication or note on why the decision has been made not to progress the recommendation**
1. In the future the educational achievements of Academies should not be undermined by poor stewardship of the public funds needed to sustain the impacts of the Programme.	The educational success of Academies has been in large part due to high quality of leadership and governance, and the independence they enjoy from local and central government. The increase in the number of Academies will only help strengthen the quality of leadership and governance across the Academy sector. The Government sees no reason why this should lead to a diminution in the stewardship of public funds. The Department will continue to accept applications from schools to convert in their own right only when the educational standards and capacity of the school justify this decision. Other schools will become Academies only in collaboration with other stronger schools or under the stewardship of an approved sponsor. Furthermore, YPLA will intervene as necessary if any poor stewardship of public funds is identified and will act where appropriate.
2. As the Programme expands, DfE should work with others to develop future school leaders.	DfE will work with others to develop future school leaders by creating a new national network of Teaching Schools, giving outstanding schools the role of leading the training and professional development of teachers and head teachers. DfE will also develop future school leaders by working with the National College for School Leadership to double the number of National Leaders of Education and Local Leaders of Education by 2015.
3. DfE should encourage sponsors of Academies to develop into the primary sector.	The Department is actively working on strengthening the primary Academy sector. Currently, 26 sponsored Academies already offer primary and secondary provision and there are 100 open primary converter Academies which in turn are offering support to other weaker schools, including as sponsors to other academies. The Department is committed to increasing the number of sponsored primary Academies. 57 sponsors have been approved so far to take charge of poorly performing primary schools.
4. YPLA should make it compulsory for all Academies to comply with basic standards of governance and financial management.	YPLA is currently undertaking a review of its financial relationships with Academies. Most outcomes of the review will be in place for the 2011-12 academic year underpinned by a new Academies' financial handbook. YPLA has already taken some action on this recommendation by: ■ clarifying and strengthening the assurance which Academies, the YPLA and the Department can take from Academies' external auditors for the 2011-12 academic year; ■ reducing the number of returns required from Academies – a previous requirement to submit in February 2011 two separate budget returns for mid-year 2010-11 and for the academic year 2011-12 have been withdrawn; ■ as of February 2011 YPLA have enabled Academies to be able to better self assess their own financial management and governance arrangements so they can strengthen their systems where it is needed; and ■ establishing from April 2011 onwards a programme of direct assurance work to support and validate a sample of 5% of Academies' self assessments annually. This programme will be supplemented by a risk based sample depending on identified need.
5. DfE needs to ensure sufficient oversight of Academies' use of public funds.	Besides the measures above YPLA: ■ has developed a self assessment of financial health which will enable Academies to strengthen their systems to ensure value for money and provide robust data for the oversight of Academies' use of public funds; and ■ has conducted 'pilot' audits of pupil number returns at a small number of volunteer Academies to ensure that academies' funding is based on robust data.

<table>
<tr><th>Recommendation</th><th>Details of progress made to date, proposed future timetable for implication or note on why the decision has been made not to progress the recommendation</th></tr>
<tr><td>6. The status and recoverability of promised sponsorship should be clarified and payments monitored.</td><td>DfE and YPLA are reviewing the position on capital sponsorship and endowments as well as their arrangements for monitoring payments in order to ensure that these are sufficiently robust.</td></tr>
<tr><td>7. The objectives for the sponsored Academies and converted Academies should be defined, with the measures of success being clearly set out.</td><td>The objectives of the Academies Programme are framed by analysis of the international evidence which demonstrates that world class education systems devolve as much power as possible to the front line. It also demonstrates that, alongside school autonomy, accountability for student performance is critical to driving educational improvement. The Department wants all schools to be accountable to parents and the wider community. As set out in the Schools White Paper, The Importance of Teaching, Cm 7980, published in November 2010, the Department will make much more information about schools available in standardised formats to enable parents and others to assess and compare their performance.

As part of this process of enabling parents and the wider community to hold all schools to account, the Department is:

■ reforming performance tables so that they set out our high expectations that every pupil should have a broad education, a firm grip of the basics and be making progress;

■ introducing a new measure of how well deprived pupils do and introduce a measure of how young people do when they leave school;

■ reforming Ofsted inspection, so that inspectors spend more time in the classroom and focus on key issues of educational effectiveness, rather than the long list of issues they are currently required to consider;

■ establishing a new ‘floor standard’ for primary and secondary schools, which sets an escalating minimum expectation for attainment; and

■ making it easier for schools to adopt models of governance which work for them – including smaller, more focused governing bodies, which clearly hold the school to account for children’s progress.

The Department will put more information into the public domain, including information on expenditure and the amount allocated per pupil, so that it is possible to understand a school’s performance more fully than now.</td></tr>
<tr><td>8. DfE and YPLA should ensure they have the capacity to regulate funding and monitoring of expanding Academies Programme.</td><td>The Department and YPLA keep under review the requirements of the growing number and greater diversity of Academies to ensure that Departmental capacity and that of the YPLA keep pace with developments. Both the Department and YPLA have re-directed resources within their organisations to expand their capacity to fund and to monitor the performance of the increased number of Academies.</td></tr>
</table>

10. About the Department

10.1 The following paragraphs are a summary of the Department's activities during 2010-11, reported against four key themes: Delivery; Culture; People; and Systems.

Our delivery

10.2 The Department has worked with other government departments, its non-departmental public bodies and other partners (e.g. local authorities and third sector organisations) to achieve the priorities set out in the Business Plan.

10.3 Non-departmental public bodies are arms length bodies which assist ministers and the Department in the making or delivery of its policies. See paragraph 2 for details of the Department's non-departmental public bodies.

Research and evaluation

10.4 During 2010-11 the Department spent £24.7 million on research and evaluation, including studies covering the following policy areas:

- the effectiveness of pre-schools, primary and secondary education;
- the curriculum and qualifications;
- reducing bureaucracy and improving accountability;
- training and developing the professionals who work with children;
- the early years;
- supporting the most disadvantaged; and
- research to develop the parenting programmes and interventions work.

Internal and external influences on future delivery

10.5 The key influences and risks to the successful future delivery of the Department's objectives are:

- the implementation of the reorganisation of the Department's delivery landscape, particularly around planned Arms Length Bodies' reforms, following decisions made through the Spending Review; and
- the resource and governance implications of continuing to deliver new policy priorities to a high standard within the context of a challenging fiscal environment.

Our culture

Equality and diversity

10.6 The Department aspires to be an exemplar equal opportunities employer and to create a workplace which values diversity and is free from any form of unfair discrimination.

10.7 The Department has a Diversity Delivery Plan within which targets have been set to be achieved by 2013 for the representation of women; disabled; Lesbian, Gay, Bisexual and Transgender; and Black and minority ethnic staff. The Department has already met its target for the representation of women.

10.8 The plan focuses on four key objectives:

- changing behaviour to create an inclusive culture;
- strong leadership and clear accountability;
- creating development opportunities and a talent management process to support delivery of a diverse workforce; and

- measuring and communicating impact and success.

Equality and diversity targets and progress

10.9 The following tables show the Department's progress towards its Equality and Diversity targets and an analysis of the Department's headquarters staffing by gender, ethnicity, disability and age as a percentage of staff in the grade.

Progress towards the 2013 Department's Equality and Diversity targets

	DfE target 2013		30 Jun 2009		30 Sep 2009		31 Mar 2010		31 March 2011	
	%	Number	%	Number	%	Number	%	Number	%	Number
Women in Senior Civil Service (SCS)	50	63	51.26	61	53.17	67	56.30	67	55.93	66
Women in Top Management Positions (TMP)	50	15.5	55.56	15	57.14	17	55.17	16	53.85	14
Black and Minority Ethnic (BME) in SCS	8	10	1.68	<5	2.38	<5	2.52	<5	4.2	5
Disabled in SCS	6	7.5	2.52	<5	2.38	<5	2.52	<5	1.69	<5
Lesbian, Gay, Bisexual and Transgender in SCS (LGBT)	6	7.5	3.36	<5	3.17	<5	3.36	<5	3.39	<5
Women in feeder grades	50	361.5	52.4	371	51.80	373	54.92	396	54.6	396
BME in feeder grades	10	72	6.78	48	6.57	49	7.76	56	7.85	57
Disabled staff in feeder grades	8	58	5.93	42	6.19	44	6.66	48	6.89	50
LGBT in feeder grades	6	43	3.66	26	3.73	27	3.61	26	4.13	30

Analysis of the Department's headquarters staffing by gender, ethnicity, disability and age – as at 31 March 2011

Grade	Total staff	Female staff (%)	Male staff (%)	BME staff (%)	Disabled staff (%)	LGBT staff (%)	Staff aged under 24 (%)	Staff aged 50 and over (%)
Executive Assistant	217	69.59	30.41	13.82	10.60	1.84	11.06	40.09
Executive Officer	478	67.57	32.43	19.25	6.69	2.09	2.09	23.85
Higher Executive Officer	602	57.31	42.69	13.62	7.81	1.33	4.49	21.10
Senior Executive Officer	512	56.05	43.95	13.48	6.25	2.54	0.00	23.83
Grade 6 / 7	659	54.32	45.68	8.04	6.83	4.25	0.00	28.07
Senior Civil Service	118	55.93	44.07	4.20	1.69	3.39	0.00	26.27
Total	2,586	59.16	40.84	12.80	7.00	2.59	2.36	25.75

Our people

Recruitment practice

10.10 Recruitment is carried out in accordance 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*.

10.11 The Department's recruitment policy takes account of the current spending controls placed on government departments. It ensures that the Department's approach to filling vacancies is compliant with the Cabinet Office protocols for managing surplus staff and the Civil Service in the English Regions (CSER) Vacancy Filling Scheme which opens posts up to all civil servants in their substantive grade and on promotion.

10.12 To support the Cabinet Office protocols for managing surplus staff, priority movers are considered for internal vacancies in isolation and in advance of other individuals, as set out in the Department's Brokerage Policy. They also have access to vacancies in other government departments in order to maximise their chances of redeployment.

10.13 There are a number of restrictions on where, when and how we can fill vacancies. In order to be fully compliant, and to satisfy Cabinet Office audit requirements, once we have exhausted internal priority movers, and carried out lateral moves, the Department must advertise vacancies on CSVacs (to all current surplus staff across government) before opening the vacancy to all civil servants under the requirements of CSER.

10.14 Where a vacancy cannot be filled internally at this stage it may be advertised externally. However, due to the current 'recruitment freeze' following the introduction of the spending controls in May 2010, all external recruitment is subject to a rigorous internal approval process, which may include Ministerial approval.

Exceptions to fair and open competition

10.15 The Department recruited a very small number of people without full, fair and open competition, in accordance with the exceptions permitted by the Office of the Civil Service Commissioners for example, where it was necessary to secure very specific skills and to deliver specific tasks.

Inward and outward secondments

10.16 Inward and outward exchanges bring a greater diversity of staff background, outlook and experience to the Department's policy making and services. New inward secondments are subject to a rigorous internal approval process arising from the introduction of the spending controls.

Senior civil service

10.17 This table shows the salaries of Senior Civil Service members reflecting staff numbers at 31 March 2011.

Salary range (£s)	Number	Salary range (£s)	Number	Salary range (£s)	Number
55,000 – 64,999	14	85,000 – 94,999	9	115,000 – 124,999	1
65,000 – 74,999	59	95,000 – 104,999	4	125,000 – 134,999	–
75,000 – 84,999	19	105,000 – 114,999	5	Above this level	7

Fire, health and safety

10.18 The Department remains committed to providing a healthy and safe working environment for all people who work in or visit its premises. Health and safety and Fire Safety Management continue to be incorporated into business operation and planning. Over the last year the Department has continued to develop and implement the Department's Health and Safety Action Plan which addresses Policy, Planning, Implementation and Operation. By using recognised industry standards to measure performance the Department has an established appropriate framework for monitoring and reporting progress against objectives.

10.19 The Action Plan gives specific priority to:

- complying with all statutory health, safety and fire requirements;
- providing appropriately targeted resources;
- establishing effective management arrangements;
- defining health, safety and fire responsibilities and competences;
- providing training for staff to assist them in managing their own health and safety management;
- providing competent source of advice on all health and safety issues to staff, visitors and contractors; and
- reporting annually to the Board on performance.

Sick absence

10.20 Figures at 31 March 2011, showed average working days lost through sick absence at 6.0; a 0.6 day reduction from the figures for the year ended March 2010.

Our systems

Departmental correspondence

10.21 All Whitehall departments and agencies have published targets for answering correspondence. The Department's target is to reply to 95% of all correspondence within 15 working days. In 2010-11, 66% of replies were sent within the deadline. This is 23 percentage points lower than the Department's performance in 2009-10. An increase of 20% in ministerial correspondence received compared to the previous year (35% increase for May to December 2010 compared to the same period in the previous year) and a 10% increase in treat official correspondence contributed to a downturn in performance. At present the Department is investing in new processes and resources to ensure improvement in 2011 for all correspondence processes.

Publicity and advertising

10.22 A new Campaigns and Partnerships Division was formed to reflect a shift in focus towards low and no-cost communications. Partnerships and advocacy, PR and social media and events and conferences are used to provide essential marketing support for the Department's policies. Campaigns and Partnerships Division oversaw the winding down or repurposing of former campaigns; delivery of new activity to support priority policy areas; and the communication and implementation of spending controls on paid-for communications.

10.23 Examples of this work included:

- an international conference to support the delivery of Free Schools policy;
- social media activity to support the development of youth policy;
- re-purposing of *Sex. Worth Talking About* campaign material to support local communication activity around preventing teenage pregnancy and improving sexual health; and
- continuing to lead a panel of industry and professional experts to oversee child internet safety.

Risk management

10.24 Risk management in the Department is defined as all the processes and activities required to identify and control its exposure to those risks which may have an impact on the achievement of its business objectives. It is seen as an integral part of good management.

10.25 In managing risk, the Department seeks to minimise, though not necessarily eliminate, threats and maximise opportunities. Successful risk management within the Department involves:

- the proactive identification and assessment of potential threats and risks;

- the proactive anticipation and management of identified risks; and
- the active monitoring and reviewing of the handling of risk, in order to establish whether or not any further mitigation or contingency action may be necessary.

10.26 People in the Department who deliver and implement policy are responsible for managing the risks of failing to deliver; in doing so, they are expected to systematically identify, assess and manage risk, escalating to senior managers, EMB and DARAC as required and in accordance with departmental guidance.

10.27 Processes in place to capture risks on the Strategic Risk Register (SRR) have been reviewed over the past six months and revised arrangements implemented to provide a more focused view of the Department's strategic risks and how they are managed and to provide greater clarity around which risks should be managed at directorate level and which should be escalated.

10.28 Understanding risk and making informed decisions is fundamental to the effective delivery of the Department's policies and services. Managers in the Department are expected to take well managed risks to achieve improved outcomes and make a difference. The Department's approach is to assign risks to those best placed to manage them, at the appropriate level.

10.29 The Department's Risk Appetite statement has recently been developed to provide a clearer typology of risks and the criteria to judge the Department's level of tolerance to them. Having been reviewed by the EMB, it will be presented to the main Board shortly for final approval.

Payment policy

10.30 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 10 calendar days. During 2010-11, 98.9% (2009-10: 98.9%) of valid invoices received from suppliers were paid within 30 calendar days of receipt and 94.1% (2009-10: 93.5%) of valid invoices received from suppliers were paid within 10 calendar days of receipt. The Department made no payment under the *Late Payment of Commercial Debts (Interest) Act 1998* as amended and supplemented by the *Late Payment of Commercial Debts Regulations 2002*.

10.31 The aggregate amount owed to trade creditors at 31 March 2011 compared with the total annual expenditure of the Department (excluding staff costs), expressed as the number of days in proportion to the total number of days in the financial year, is equal to 0.1 days (2009-10 0.4 days).

Sponsorship

10.32 Cabinet Office guidelines require departments to disclose details of sponsorship valued at more than £5,000 which directly contributes to the work of the Department. No sponsorship valued at more than £5,000 was received directly by the Department during the year.

Consultancy and temporary staff spend

10.33 Like all government departments, particularly those with broad and complicated remits such as DfE, consultants are hired to work on projects in a number of specific situations: where the Department does not have the skills internally; where the particular requirement falls outside the core business of civil servants, or where a different, external perspective on difficult issues is needed. When used appropriately, consultancy has proven to be a cost effective and efficient way of getting the temporary and skilled external input that we need.

10.34 In 2010-11, the Department's outturn for consultancy expenditure was £19.8 million (2009-10: £57.4 million). Several programmes required on-going consultancy support, the largest being the 'ContactPoint' system and the Electronic Common Assessment Framework contract, which were both aimed at improving information sharing among professionals working with vulnerable children. Another was the expansion of the Academies Programme where, for example, consultants were providing project management support for the creation of new academies.

10.35 The Department has implemented the consultancy spending controls introduced by Cabinet Office and is fully committed to applying those controls consistently. Internal scrutiny by senior Commercial officials and final internal approval by the Value for Money Minister is required for all consultancy expenditure which is exceptionally requested on the basis of being of operational necessity. As a result of this scrutiny the Department has seen a significant reduction in the expenditure on consultancy during 2010-11.

10.36 The Department has contracts with two recruitment agencies, Reed and Hays, for providing temporary staff to cover short term recruitment requirements usually of a period of up to 12 weeks. Situations when agency staff may be hired are: to cover unexpected absences; short term peaks in workload; short term projects; or a permanent vacancy until the vacancy can be filled. In addition the Department has a contract with Capita for the engagement of interim staff and specialist contractors. As a result of the spending controls on recruitment, introduced in May 2010, any use of contingent labour (temporary staff) is subject to the efficiency controls process and requires Ministerial approval; in 2010-11 the Department's outturn was £4.1m.

11. Environmental, social and community issues

Sustainability development

11.1 The Department is making progress in mainstreaming sustainable development in our policies and operations, as part of our cross-government commitment to sustainability.

11.2 The Department is fully committed to sustainable development and recognises the importance of preparing young people for the future. At the same time, we believe that schools perform better when they take responsibility for their own improvement. The Department wants schools to make their own judgements on how sustainable development should be reflected in their ethos, day-to-day operations and through education for sustainable development. Those judgements should be based on sound knowledge and local needs. To help this happen, the Department is working closely with the Sustainable Schools Alliance, which launched in March 2011. Led by the National Children's Bureau and Sustainability and Environmental Education, its principal aim is to encourage every school in the country to put sustainability at the heart of its thinking.

11.3 In May 2011, the Department published its Departmental Adaptation Plan (DAP). All Government Departments are required by the Department for Environment, Food and Rural Affairs (DEFRA) to produce DAPs setting out how their policies and operations will be adapting to the current and future effects of climate change.

11.4 The Department is working closely with other Government Departments to deliver sustainable development coherently. This includes contributing to DEFRA's Natural Environment White Paper, with its aspiration that the Government would like to see every child in England enjoy the opportunity of experiencing and learning about our natural environment.

11.5 Energy is one of the largest non-staff costs in schools, with £553 million spent on energy in schools in 2008-09. The average cost of energy per school is £27,000, and secondary schools can have bills of over £80,000. The Department is working with its Arms Length Body, Partnerships for Schools, to explore the potential for energy saving companies to take action in school buildings of all ages, designed to reduce energy consumption and carbon reductions.

Department for Education Sustainability Report for the Year ended 31 March 2011

11.6 Introduction

In this first year of reporting, the Department has confined its reporting to the core DfE HQ estate (four buildings), therefore excluding data from any of its non-departmental public bodies (NDPBs). This was in the absence of more complete and verified data at the time of drafting this report. However, the Department will be working towards a wider scope for 2011-12 and to ensure a consistent data set with Greening Government Commitments: Operations and Procurement (GGCOP) reporting requirements.

11.7 Targets

The Department is in the process of aligning its Sustainable Operations delivery plan to the new Greening Government Commitments: Operations and Procurement (GGCOP) (http://sd.defra.gov.uk/gov/green-government/commitments/).

However, during 2010-11 the Department has been working to deliver the Prime Minister's commitment to reduce emissions from central Government office buildings by 10% in twelve months, and the Sustainability Operations of the Government Estate (SOGE) targets which expired on 31 March 2011 (http://www.ogc.gov.uk/sustainability_soge_targets.asp).

11.8 Summary of Performance against Key Sustainability Targets

Carbon Emissions	17.3% decrease
Water Consumption	31.5%decrease
Waste Creation	212% increase
Recycling Rate	92.8%

*The increase in waste was due to stock rebalancing in Publications following the Machinery of Government name change.

GREENHOUSE GAS EMISSIONS		**2010-11**	**2009-10**
Non-Financial Indicators (tCO_2e)	Total Gross Emissions for Scope 1 & 2	7,396	8,994
	Total Net Emissions for Scope 1 & 2	6,639	8,193
	Gross Emissions attributable to Scope 3 official business travel	381	291
	Other Scope 3 Emissions	n/a	n/a
Related Energy Consumption (MWh)	Electricity: Non Renewable	12,086	13,723
	Electricity: Renewable	5,151	n/a
	Gas	4,249	5,274
	Steam	934	2,334
	Other	n/a	n/a
Financial Indicators (£k)	Expenditure on Energy	1,227	1,755
	CRC License Expenditure	n/a	n/a
	Expenditure on Accredited Offsets	n/a	n/a
	Expenditure on Official Business Travel	2,368	4,135
	FIT Income	n/a	n/a

PERFORMANCE COMMENTARY (INCL TARGETS)
The Department expects to achieve the Prime Minister's target to reduce office-related carbon emissions by 10% in May 2011, and is currently developing its delivery plan for meeting the GGCOP. Under SOGE reporting, the DfE Family also included two arms-length bodies which both achieved annual reductions in excess of the 10% reduction target committed to in May 2010.

CONTROLLABLE IMPACTS COMMENTARY
Main direct impacts arise through utility consumption, and the Department has invested significantly to improve efficiency. Extensive sub-metering has been installed to generate more detailed data, which in turn provides better understanding of consumption patterns and enables further efficiencies to be achieved.
OVERVIEW OF INFLUENCED IMPACTS
The Department is able to exert influence over its supply chain through procurement specifications and has developed sustainable procurement expertise amongst its staff. Work is currently underway on mainstreaming sustainable development, and embedding this within the policies, guidance and expectations of the wider Education Sector.

WASTE			**2010-11**	**2009-10**
Non-Financial Indicators (tonnes)	Total Waste		2,085	983.6
	Hazardous Waste	Total	NK	NK
	Non-hazardous waste	Landfill	151	172.2
		Reused/Recycled	1,934	811.4
		Incinerated/energy from waste	incl above	incl above
Financial Indicators (£k)	Total Disposal Cost		98.16	70.66
	Hazardous Waste Disposal Costs		NK	NK
	Non-hazardous waste – Total disposal cost	Landfill	NK	NK
		Reused/Recycled	NK	NK
		Incinerated/energy from waste	NK	NK

PERFORMANCE COMMENTARY (INCL TARGETS)
Waste consumption increased this year primarily due to machinery of government changes. The Department has a 25% reduction target against 2009/10 baselines as part of the GGCOP. As such, DfE's main contracts are currently under review to ensure waste reduction requirements are suitably embedded in our contracted services.
CONTROLLABLE IMPACTS COMMENTARY
The Department's main direct impacts arise from office waste, which includes a high recycling rate. However, an action plan is being developed to take DfE towards its zero waste to landfill aspiration.
OVERVIEW OF INFLUENCED IMPACTS
The Department is able to influence suppliers and actively looks to remove or reduce packaging from carriage of goods to our premises. We will continue to work with staff to educate around segregation and waste reduction and will also look to introduce food waste recycling and composting with and support local initiatives where possible.

WATER			2010-11	2009-10
Non-Financial Indicators (m^3)	Water Consumption	Supplied	31,547	46,031
		Abstracted	n/a	n/a
Financial Indicators (£k)	Water Supply Costs		68.13	94.52

PERFORMANCE COMMENTARY (INCL TARGETS)
Steady improvements have been achieved through estate rationalisation and the Department was on course to meet the SOGE water target, which was replaced by the GGCOP. In support of the new commitments, the Department has set itself a target to achieve 6m3 per FTE by 2013 (good practice) and 4m3 per FTE by 2015 (Best practice).

CONTROLLABLE IMPACTS COMMENTARY
The Departments direct impacts are from water use office tea points and washrooms, and from machinery and building services equipment. Some efficiencies have already been achieved, and further reductions are anticipated through a recently installed rain water harvesting system for toilet flushing and planned water efficiency audits.
OVERVIEW OF INFLUENCED IMPACTS
The Department will continue to educate staff over considerate water usage and methodologies for preservation and avoidance of waste.

NOTES:

1. 2009/10 Scope 2 emissions do not have a carbon intensity assigned to Steam, whereas 2010/11 emissions do. Emissions in 2009/10 for Steam equate to 266 tonnes CO2e.
2. No Hazardous Waste breakdown was available for costs or volumes.
3. Financial costs for waste disposals are not currently broken down in to the level of detail required by this report. Current costs arise through 'uplift charges' through a National Contract.
4. A resale contract is in place for IT Disposal and whilst the volumes are classed and treated as waste arising and recycling within this report, the income generated from the resale of IT items has been subtracted from the total disposal costs for each financial period.
5. 2009/10 Business Travel cost figures exclude Grey Fleet, Bus and Taxi fares (awaiting figures).
6. GCOF II offsets (for Air Travel) for FY 2009/10 and 2010/11 have yet to be purchased.
7. For carbon from road vehicles the following approximation has been used; cost/2 = miles * 0.285 = CO2 kgs. Once actual data is supplied this will be input.
8. Sheffield site has entitlement to the Feed in Tariff for a solar installation. This has not yet been implemented and arranged but will feature in future iterations as will the generation volumes.

Relationship with employees

11.9 The Department worked with its trade unions, both formally and informally, to achieve shared aims and objectives in an equal, positive and constructive relationship. The Department aims to promote a positive employee relations environment where staff and the trade unions can contribute constructively to the Department's objectives.

11.10 The Department conducts a full staff survey annually. The most recent survey took place during October 2010 and the results were published in January 2011. The Department achieved an 85% response rate from its staff. This information is being used to support development of the Department's strategies and continually improve the way the Department manages its people.

Better regulation

11.11 The Coalition Government's programme for regulatory reform has focused on the principle of reducing the overall burden of regulation, and a raft of measures has strengthened the deregulatory approach in both the private and public sectors. Some key measures in place are:

11.12 The 'One In, One Out' (OIOO) framework requires that the introduction of any new regulation affecting the private and civil society sectors has to be counter-balanced by the removal of another similar impact. The following measures have been counted towards the Department's balance of 'Ins' and 'Outs' since the introduction of the OIOO framework on 1 September 2010. The Department has achieved a net reduction to-date of £0.06 million.

Title of Measure	**In-force Date**	**Equivalent Annual Net Cost/ Saving to Business (£m, 2009)**
The Education (Independent School Standards) (England) Regulations 2010	01/09/2010	+£0.01
The Education (Provision of Information by Independent Schools) (England) Regulations 2010	01/01/2011	-£0.07

11.13 A new Cabinet Ministerial Sub-Committee, the Reducing Regulation Committee (RRC), has been set up to make the regulatory process more robust. For this Department, the Regulatory Policy Committee (RPC) has issued four opinions as follows:

Title of Measure	**Impact Assessment Ref.**	**RPC Opinion**
The Education Bill 2010	DFE0002	The RPC Opinion was issued prior to the current rating system. There were some initial issues with the level of analysis, which were explained in subsequent correspondence. The RPC was subsequently satisfied that the analysis of costs to business (particularly in relation to 'One In, One Out') was fit for purpose.
The Education (Provision of Information by Independent Schools) (England) Regulations 2010	DFE0005	Validated only by the RPC.
Her Majesty's Chief Inspector of Education, Children's Services and Skills (Fees and Frequency of Inspections) (Children's Homes etc) (Amendment) Regulations 2011	DFE0007	Validated only by the RPC, as not subject to the 'One In, One Out' framework.

11.14 A review of the existing stock of regulation – In June 2010, officials conducted an initial review of all legislation, central expectations and guidance affecting schools. As a result of this review, the Schools White Paper included a number of measures to reduce bureaucracy and the Education Bill contains provisions to remove burdensome statutory requirements. This includes removing regulations relating to; school improvement, inspection, behavior, Children's Trusts, target setting and the school day. These measures mark the start of an ongoing programme of work and officials across the Department are continuing to review all of the legislation and other requirements that impact upon schools. The Department intends to outline further measures as this work progresses and as reviews report.

11.15 A focus on alternative approaches, with regulation as a last resort. The Department is investing considerable thought into alternative approaches to legislation. At present there are some strong examples of work which is either deregulatory or simplifying. A new website will be launched shortly which explores the Coalition government's principles of policy making, with a strong lead on alternative approaches and the implications for clearance by the Reducing Regulation Committee (RRC). In May 2011, the Department ran a Big Society learning and development month, which included a session with Lord Wei, the government adviser on Big Society. The Department continues to work closely with the Better Regulation Executive, Cabinet Office and Treasury to learn from and contribute to the ongoing debate on alternative approaches.

11.16 There are no EU regulations impacting on the Department.

12. Personal data security

12.1 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.

12.2 The Cabinet Office defines a 'personal data related incident' as a loss, unauthorised disclosure or insecure disposal of protected personal data. 'Protected personal data' is data which the Department or its delivery partner 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.

Table 1: Summary of protected personal data related incidents formally reported to the Information Commissioner's Office in 2010-11

Incidents, the disclosure of which would 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.				
Date of incident (month)	**Nature of incident**	**Nature of data involved**	**Number of people potentially affected**	**Notification steps**
May 2010	**Incident Ref: DSU09-2010.** Theft of a laptop which held personal data from the home of an employee of the British Association for Adoption and Fostering (BAAF). BAAF works on behalf of the Department to run the Independent Review Mechanism (IRM) in relation to prospective adopters or foster carers considered unsuitable to adopt or foster by the agency or provider. The Department's contract with BAAF makes clear that the Secretary of State is the data controller and the BAAF processes personal data on his behalf. The laptop was encrypted but the encryption tool used (while a well-regarded open-source full-disk encryption software) did not fully meet DfE's specification.	Personal details of applicants, panel members and officials from adoption and fostering agencies. Some details of applicants' backgrounds (e.g. health information) were assessed at Impact Level 3.	While the total number of individuals potentially affected is 475, the Department believes that the risk of significant impact was confined to 86 individuals whose sensitive personal data was contained on the laptop.	As a precaution DfE reported the incident to the Information Commissioner and the Cabinet Office Data Review Team. BAAF individually notified each of the 86 data subjects whose sensitive personal data was contained on the laptop.

Table 2: Summary of other protected personal data related incidents in 2010-11

Incident deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner's Office but recorded centrally within the Department are set out in the table below. Small, localised incidents are not recorded centrally and are not cited in these figures.		
Category	**Nature of incident**	**Total**
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	None
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	None
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	None
IV	Unauthorised disclosure	2
V	Other	None

12.3 The information contained in the preceding two tables only relates to personal data security for the core Department. The Department's non-departmental public bodies and other arms length organisations will report personal data related incidents in their own statutory accounts.

13. Financial performance

13.1 The following paragraphs are a summary of the financial performance during the year and the future developments which will impact on financial performance.

Comparison of outturn to Supply Estimate

13.2 The Statement of Parliamentary Supply provides information on how the Department has performed against the Parliamentary controls on resources and cash expended by the Department. This information is supplemented by note 2, which reports outturn in the same format as the Supply Estimate and the Reconciliation of resource expenditure between Estimates, Accounts and Budgets (paragraph 13.12).

13.3 The Statement of Parliamentary Supply shows that the Department has not breached any of the Parliamentary controls, and at Estimate level, outturn was £273 million (0.5% of the budget) lower than the £58.2 billion net resource limit. As a result of the underspend the Department also required less cash than planned in the Supply Estimate. The net cash requirement limit was £58.1 billion, but the Department consumed £58.0 billion in financing its activities, £58 million (0.1%) less than the Parliamentary limit. The following paragraphs provide further information on the outturn and variances for each request for resource (RfR).

Request for resources 1 – Core Department

13.4 In total, RfR 1 outturn was £249.0 million (0.4%) lower than the Supply Estimate net resource limit of £56.1 billion.

The table below shows the outturn and variance explanations for all sections, where the variance exceeds 10% of the budget, as required by the Financial Reporting Manual.

<table>
<tr><th>Section</th><th>Section Description</th><th>Limit £000</th><th>Outturn £000</th><th>Variance (over)/ under £000</th></tr>
<tr><td>C</td><td>Support for Children and Families not paid through Local Authorities</td><td>238,105</td><td>201,992</td><td>36,113</td></tr>
<tr><td colspan="5">Explanation of variance:
This is being driven by a number of underspends across all programmes, most substantially on the Vetting and Barring (VBS). The Home Office (who administer the VBS) put the programme on hold mid-year while it carried out a review of its scope and future leading to the underspend on this section.</td></tr>
<tr><td>G</td><td>Capital Grants for Local Education Authorities to Support Schools</td><td>28,530</td><td>15,143</td><td>13,387</td></tr>
<tr><td colspan="5">Explanation of variance:
The majority of this variance, £12 million, relates to a processing error in the Spring Supplementary Estimate whereby additional budget was added to this Section rather than on Section B.</td></tr>
<tr><td>L</td><td>Activities to Support All Functions (AME)</td><td>943</td><td>25,774</td><td>(24,831)</td></tr>
<tr><td colspan="5">Explanation of variance:
The main causes are the creation of the provision for the lease on the former QCDA building at Bolton Street and releases agreed under the early departure scheme during the year that were not included in the Spring Supplementary Estimate.</td></tr>
<tr><td>P</td><td>Current Grants to Local Authorities to Support Youth Programmes</td><td>125,103</td><td>104,340</td><td>20,763</td></tr>
<tr><td colspan="5">Explanation of variance:
£5 million from the cancellation of the Child Poverty pilots, £3.5 million from the reduced activity in Teenage pregnancy, £4.4 million from Substance Misuse programme following the freeze on marketing and communication spend, £2.7 million Youth Task Force arising from Local Authorities underspend grants recovery. In addition, £1.9 million from Youth Sector Development Fund due to plans not to extend the Empowerment strand to 4 new pilot areas and other small amounts across a number of programmes. In addition there were various other small underspends across a number of programmes.</td></tr>
</table>

Request for resources 2 – Sure Start, Early Years Provision and Childcare

13.5 In total, RfR 2 outturn was £23.8 million (1.1%) lower than the Supply Estimate net resource limit of £2.2 billion.

Section	Section Description	Limit £000	Outturn £000	Variance (over)/under £000
A	Support for Sure Start, Early Years and Childcare not paid through Local Authorities	50,425	22,756	27,669
Explanation of variance: This is being mainly driven by the Sure Start Revenue grants where ultimate spend by Local Authorities (LAs) was £20 million below what they had previously indicated. This is as a result of LAs, a) previously overstated their requirements and b) slowing provision towards the latter of the year to manage with the reduced budgets they will have going forward.				
D	Grant in Aid to NDPBs supporting Children and Families	28,400	23,712	4,688
Explanation of variance: At the year end, the existence of accruals within Children's Workforce Development Council meant that their cash requirement at that time was below the amount budgeted. Following settlement of accrued amounts in April 2011, further Grant in Aid would have been drawn down to cover these.				

Net cash requirement (NCR)

13.6 The table below shows the outturn and variance explanations for elements in the reconciliation of resources to net cash requirement (note 4), that exceed 10% of the estimate.

	Estimate £000	Outturn £000	Variance (over)/ under £000	Explanation of variance
Non-cash Items	14,719	49,440	(34,721)	The variance is caused by the lack of budget cover for Teachers' TTV amortisation and an increase in provision take up.
Changes in working capital other than cash	148,602	(95,589)	244,191	This variance is due to a reduction in trade payables and accruals as a result of reducing budgets, and an improvement in the timing of payments, which were not reflected in the Supply Estimate.
Use of provisions	4,468	12,215	(7,747)	There was no budget cover for the additional early departures that were agreed and released during the year.

Statement of Comprehensive Net Expenditure

13.7 The Statement of Comprehensive Net Expenditure reports total administration costs and programme costs by request for resource.

13.8 Of the £57.9 billion net operating costs, the majority of expenditure is incurred on programme expenditure. More information on programme expenditure is given in note 2 and note 10. Only 0.3% (£181 million) was spent on administration costs (£195 million 0.3% 2009-10).

Statement of Financial Position

13.9 The net liability position has fallen from £176 million to £78 million during the year, mainly due to the reduction of trade payables and accruals as a result of a reduction in the Sure Start budgets and an improvement in the timing of grant payments relating to support for families with multiple problems and National Strategies contract payment.

13.10 The Statement of Cash Flows provides further information on how the Department financed its activities. The main source of funding is the Consolidated Fund. Although the bank account appears to be overdrawn this is because the bank balances are shown net of liabilities for instruments of payment due to be encashed against the Department's bank accounts.

Significant contingent liabilities

13.11 Note 25 to the Accounts provides updated information on the contingent liabilities which the Department was required to report to Parliament at 31 March 2011.

13.12 *Reconciliation of resource expenditure between Supply Estimates, Accounts and Budgets*

	2010-11
	£000
Net resource outturn (Supply Estimates)	**57,945,137**
Adjustments to remove:	
Provision voted for earlier years	–
Adjustments to additionally include:	
Non-voted expenditure in Statement of Comprehensive Net Expenditure	–
Consolidated Fund Extra Receipts (CFER) in the Statement of Comprehensive Net Expenditure	(104)
Other Adjustments	–
Net operating costs (Accounts)	**57,945,033**
Adjustments to remove:	
Capital grants	(751,042)
European Union income related adjustments	–
Voted expenditure outside the budget	–
Adjustments to additionally include:	
Other Consolidated Fund Extra Receipts	–
Resource consumption of Non-Departmental Public Bodies	(5,938,454)
Unallocated resource provision	–
Other adjustments	244
Resource budget outturn (Budget)	**51,255,781**
Of which	
Departmental Expenditure Limits (DEL)	51,267,450
Annually Managed Expenditure (AME)	(11,669)

Data Tables

13.13 The following tables provide an analysis of departmental expenditure in resource terms, showing resource consumption and capital investment. Theses tables are based on the Structural Reform Priorities as set out in the Department's Business Plan. The data included here is in accordance with HM Treasury's guidance contained within PES (2011)02.

Table 1 – Total Departmental Spending, 2006-07 to 2014-15 (£ million)

This table shows spending on programmes which are within DfE's Departmental Expenditure Limit (DEL) and Annually Managed Expenditure (AME). For 2010-11, the outturn was £58.4 billion for DEL and (£11.7) million for AME.

	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Outturn	2010-11 Outturn	2011-12 Plans	2012-13 Plans	2013-14 Plans	2014-15 Plans
Resource Budget									
Resource DEL									
Section A – Activities to Support all Functions	250	255	256	277	224	337	479	443	413
Section B – School Infrastructure and Funding of Education Department	38,269	40,066	42,828	44,912	37,760	34,199	40,170	40,951	42,041
Section C – School Infrastructure and Funding of Education (NDPB) (net)	5	13	10	30	9,261	12,585	7,639	7,689	7,609
Section D – Education Standards, Curriculum and Qualifications (Department)	405	486	508	496	333	565	548	401	396
Section E – Education Standards, Curriculum and Qualifications (NDPB) (Net)	163	202	211	255	196	65	–	–	–
Section F – Workforce Training and Development (Department)	52	56	46	66	57	88	480	437	403
Section G – Workforce Training and Development (NDPB) (Net)	829	907	920	1,010	977	763	213	180	190
Section H – Early Years (Department)	1,090	1,165	1,316	1,535	1,658	95	105	121	125
Section I – Children, Young People and Families (Department)	726	1,443	432	691	660	2,395	2,535	2,488	2,488
Section J – Children, Young People and Families (NDPB) (Net)	111	116	130	133	141	130	112	113	113

	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Outturn	2010-11 Outturn	2011-12 Plans	2012-13 Plans	2013-14 Plans	2014-15 Plans
Section K – Departmental Unallocated Provision	–	–	–	–	–	75	100	100	100
Total Resource DEL	**41,900**	**44,709**	**46,657**	**49,405**	**51,267**	**51,297**	**52,381**	**52,923**	**53,878**
Of which:									
Pay	296	291	336	382	376	565	530	499	471
Net current procurement[1]	254	319	486	1,001	593	610	542	535	578
Current grants and subsidies to the private sector and abroad	2,419	2,504	2,659	2,726	8,346	10,877	5,843	5,404	5,350
Current grants to local government	31,898	33,706	35,980	37,625	41,263	38,358	44,480	45,442	46,379
Depreciation	17	19	20	26	34	27	27	27	28
Other	7,016	7,870	7,176	7,645	655	860	959	1,016	1,072
Resource AME									
Section L – Activities to Support all Functions (Department)	2	(3)	(9)	(23)	14	129	282	384	472
Section M – Activities to Support all Functions (NDPB) (Net)	5	14	(4)	–	(25)	–	–	–	–
Total Resource AME	**7**	**11**	**(13)**	**(23)**	**(11)**	**129**	**282**	**384**	**472**
Of which:									
Current grants and subsidies to the private sector and abroad	–	–	–	–	–	161	287	389	477
Take up of provision	33	25	18	23	27	–	–	–	–
Release of provision	(26)	(20)	(37)	(46)	(41)	(32)	(5)	(5)	(5)
Depreciation	–	6	6	–	3	–	–	–	–
Total Resource Budget	**41,907**	**44,720**	**46,645**	**49,382**	**51,256**	**51,426**	**52,663**	**53,307**	**54,350**
Of which:									
Depreciation [2]	17	26	26	26	37	27	27	27	28
Capital DEL									
Section A – Activities to Support all Functions	17	16	37	60	24	–	–	–	–
Section B – School Infrastructure and Funding of Education (Department)	416	449	595	615	375	453	4,213	3,266	3,378

	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Outturn	2010-11 Outturn	2011-12 Plans	2012-13 Plans	2013-14 Plans	2014-15 Plans
Section C – School Infrastructure and Funding of Education (NDPB) (Net)	2,245	3,203	3,401	5,157	5,411	4,605	–	–	–
Section E – Education Standards, Curriculum and Qualifications (NDPB) (Net)	1	5	13	58	100	–	–	–	–
Section G _ Workforce Training and Development (NDPB) (Net)	3	1	1	1	2	–	–	–	–
Section H – Early Years (Department)	287	440	323	376	486	–	–	–	–
Section I – Children, Young People and Families (Department)	62	80	109	231	188	–	–	–	–
Section J – Children, Young People and Families (NDPB) (Net)	3	1	–	–	–	–	–	–	–
Section L – Supported Borrowing (NDPB)	1,022	1,031	1,045	943	539	–	–	–	–
Total Capital DEL	**4,056**	**5,226**	**5,524**	**7,441**	**7,125**	**5,058**	**4,213**	**3,266**	**3,378**
Of which:									
Net capital procurement[3]	21	21	44	70	24	–	–	–	–
Capital grants to the private sector and abroad	430	444	428	480	240	452	435	319	615
Capital support for local government	3,575	4,708	4,845	6,671	6,310	4,606	3,778	2,947	2,763
Other	30	53	207	220	551	–	–	–	–
Total Capital Budget	**4,056**	**5,226**	**5,524**	**7,441**	**7,125**	**5,058**	**4,213**	**3,266**	**3,378**
Total Departmental Spending [4]	**45,946**	**49,921**	**52,142**	**56,796**	**58,344**	**56,457**	**56,849**	**56,546**	**57,700**
Of which:									
Total DEL	45,939	49,916	52,161	56,820	58,358	56,328	56,567	56,162	57,228
Total AME	7	5	(19)	(23)	(14)	129	282	384	472

1 Net of income from sale of goods and services.

2 Includes impairments.

3 Expenditure on tangible and intangible fixed assets net of sales.

4 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 in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation AME.

Spending by local authorities on functions relevant to the Department (£000)

	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Outturn	2010-11 Outturn
Current spending	**36,040**	**38,249**	**40,456**	**41,670**	**42,401**
Of which:					
Financed by grants from budgets above	31,898	33,706	35,980	37,625	41,228
Capital spending	**3,815**	**4,047**	**5,058**	**5,998**	**7,084**
Of which					
Financed by grants from budgets above	3,575	4,708	4,845	6,671	6,310

Table 2 – Public spending control (£ million)

This table shows year just ended outturn figures from table 1, compared to the final budgetary control totals

	2010-11 Final Estimate	2010-11 Outturn
Resource budget		
Resource DEL		
Section A – Activities to Support all Functions	226	224
Section B – School Infrastructure and Funding of Education (Department)	37,660	37,760
Section C – School Infrastructure and Funding of Education (NDPB) (Net)	9,332	9,261
Section D – Education Standards, Curriculum and Qualifications (Department)	379	333
Section E – Education Standards, Curriculum and Qualifications (NDPB) (Net)	178	196
Section F – Workforce Training and Development (Department)	62	57
Section G – Workforce Training and Development (NDPB) (Net)	978	977
Section H – Early Years (Department)	1,667	1,658
Section I – Children, Young People and Families (Department)	778	660
Section J – Children, Young People and Families (NDPB) (Net)	135	141
Total Resource DEL	**51,395**	**51,267**
Resource AME		
Section L – Activities to Support all Functions (Department)	(4)	14
Section M – Activities to Support all Functions (NDPB) (Net)	–	(25)
Total Resource AME	**(4)**	**(11)**
Capital DEL		
Section A – Activities to Support all Functions	27	24
Section B – School Infrastructure and Funding of Education (Department)	417	375
Section C – School Infrastructure and Funding of Education (NDPB) (Net)	5,438	5,411
Section E – Education Standards, Curriculum and Qualification (NDPB) (Net)	109	100
Section G – Workforce Training and Development (NDPB) (Net)	–	2
Section H – Early Years (Department)	494	486
Section I – Children, Young People and Families (Department)	227	188
Section J – Children, Young People and Families (NDPB) (Net)	–	–
Section L – Supported Borrowing (NDPB)	545	539
Total Capital DEL	**7,257**	**7,125**

Table 3 – Capital employed, 2006-07 to 2014-15 (£million)

Table 3 shows there Capital employed by the Department. For 2010-11, the total capital employed was £304 million.

	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Outturn	2010-11 Projected Outturn	2011-12 Plans	2012-13 Plans	2013-14 Plans	2014-15 Plans
Assets and liabilities on Statement of Financial position at the end of the year:									
Assets									
Non-current assets	112	97	108	154	166	156	148	140	134
of which:									
Intangible assets	14	24	42	68	64	54	46	38	33
Property, plant and equipment	97	72	44	59	75	75	75	75	75
of which:									
Land and buildings	*69*	*50*	*17*	*13*	*52*	*52*	*52*	*52*	*52*
Financial assets	1	1	22	21	21	21	21	21	21
Debtors falling due after more than 1 year	-	-	-	6	6	6	6	6	6
Current Assets	169	976	146	54	67	67	67	67	67
Liabilities									
Current liabilities	(354)	(1,366)	(375)	(357)	(275)	(275)	(275)	(275)	(275)
Provisions	(74)	(64)	(49)	(26)	(36)	(25)	(12)	(8)	(4)
Capital employed within the main department	**(147)**	**(357)**	**(170)**	**(175)**	**(78)**	**(77)**	**(72)**	**(76)**	**(78)**
NDPB net assets	(51)	(7)	(178)	(340)	(226)	(223)	(223)	(223)	(222)
Total capital employed in departmental group	**(198)**	**(364)**	**(348)**	**(515)**	**(304)**	**(300)**	**(295)**	**(299)**	**(300)**

Table 4 – Administration budget, 2006-07 to 2014-15 (£ million)[1]

This table shows details of the Department's spend of its administration budget. This expenditure forms part of the Department's Resource DEL detailed in previous tables and the outturn for 2010-11 is £385.9 million. [2]

	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Outturn	2010-11 Outturn	2011-12 Plans	2012-13 Plans	2013-14 Plans	2014-15 Plans
Analysis by activity									
Section A – Activities to Support all Functions	181	183	185	184	172	289	434	405	376
Section C – Schools Infrastructure and Funding of Education (NDPB) (Net)	10	20	17	20	80	71	–	–	–
Section E – Education Standards, Curriculum and Qualifications (NDPB) (Net)	50	50	77	76	64	37	–	–	–
Section G – Workforce Training and Development (NDPB) (Net)	46	53	65	65	54	55	–	–	–
Section J – Children, Young People and Families (NDPB) (Net)	15	16	17	18	16	17	–	–	–
Total administration budget	**302**	**322**	**361**	**363**	**386**	**469**	**434**	**405**	**376**
Of which:									
Pay bill	200	211	249	250	255	–	–	–	–
Other	105	126	124	122	139	–	–	–	–
Total administration expenditure	**305**	**337**	**373**	**372**	**394**	**469**	**434**	**405**	**376**
Administration income	(3)	(15)	(12)	(9)	(8)	–	–	–	–
Total administration budget	**302**	**322**	**361**	**363**	**386**	**469**	**434**	**405**	**376**

[1] Administration budgets previously covered only the running costs of the Department. As detailed in the Comprehensive Spending Review 2010, from April 2011 this has been extended to include arms length bodies. For consistency, this change has been applied from 2006-07 to 2014-15.

[2] Departmental administration outturn of £172,484,000 (as per note 3 of the Annual Report and Accounts) is included in this figure.

Table 5 – Staff in post

Table 5 shows the number of staff directly employed by the Department.

	April 2009 actual	April 2010 actual	April 2011 actual
Department for Education			
Civil Service full-time equivalents	2,701	2,550	2,469
Casuals	18	20	1
Total	2,719	2,570	2,470

Table 6 – Total spending by country and region, 2005-06 to 2010-11 (£ million)

				National Statistics		
Department for Education	**2005-06 Outturn**	**2006-07 Outturn**	**2007-08 Outturn**	**2008-09 Outturn**	**2009-10 Outturn**	**2010-11 Plans**
North East	555	589	576	626	710	444
North West	1,263	1,279	1,391	1,517	1,720	1,134
Yorkshire and the Humber	925	937	1,036	1,153	1,326	912
East Midlands	730	775	846	921	1,036	696
West Midlands	987	1,036	1,127	1,216	1,426	896
East	838	893	1,001	1,057	1,178	820
London	1,398	1,500	1,458	1,712	1,958	1,115
South East	1,242	1,336	1,494	1,634	1,807	1,220
South West	858	919	961	1,016	1,160	813
Total England	8,796	9,265	9,890	10,853	12,319	8,050
Scotland	7	8	10	13	17	18
Wales	84	94	111	136	189	203
Northern Ireland	–	–	–	1	2	1
UK identifiable expenditure	8,887	9,367	10,012	11,002	12,527	8,272
Outside UK	25	28	32	39	52	57
Total identifiable expenditure	8,912	9,395	10,044	11,042	12,579	8,329
Non-identifiable expenditure	(2)	(3)	–	(30)	–	118
Total expenditure on services	8,910	9,392	10,044	11,012	12,579	8,447

1. **Tables 6, 7 and 8** show analyses of the department's spending by country and region, and by function. The data presented in these tables are consistent with the country and regional analyses (CRA) published by HM Treasury in Chapter 9 of Public Expenditure Statistical Analyses (PESA) 2011. The figures were taken from the HM Treasury public spending database in November 2010 and the regional distributions were completed in early 2011. Therefore the tables may not show the latest position and are not consistent with other tables in the Departmental Report.

2. The analyses are set within the overall framework of Total Expenditure on Services (TES). TES broadly represents the current and capital expenditure of the public sector, with some differences from the national accounts measure Total Managed Expenditure. The tables show the central government and public corporation elements of TES. They include current and capital spending by the department and its NDPBs, and public corporations' capital expenditure, but do not include capital finance to public corporations. They do not include payments to local authorities or local authorities own expenditure.

3. TES is a cash equivalent measure of public spending. The tables do not include depreciation, cost of capital charges, or movements in provisions that are in departmental budgets. They do include pay, procurement, capital expenditure, and grants and subsidies to individuals and private sector enterprises. Further information on TES can be found in Appendix E of PESA 2011.

4. The data are based on a subset of spending – identifiable expenditure on services – which is capable of being analysed as being for the benefit of individual countries and regions. Expenditure that is incurred for the benefit of the UK as a whole is excluded.

5. Across government, most expenditure is not planned or allocated on a regional basis. Social security payments, for example, are paid to eligible individuals irrespective of where they live. Expenditure on other programmes is allocated by looking at how all the projects across the department's area of responsibility, usually England, compare. So the analyses show the regional outcome of spending decisions that on the whole have not been made primarily on a regional basis.

6. The functional analyses of spending in **Table 8** are based on the United Nations Classification of the Functions of Government (COFOG), the international standard. The presentations of spending by function are consistent with those used in chapter 9 of PESA 2011. These are not the same as the strategic priorities shown elsewhere in the report.

Table 7 – Total spending per head by country and region per head, 2005-06 to 2010-11 (£ per head)

				National Statistics		
Department for Education	**2005-06 Outturn**	**2006-07 Outturn**	**2007-08 Outturn**	**2008-09 Outturn**	**2009-10 Outturn**	**2010-11 Plans**
North East	218	231	224	243	275	271
North West	185	187	203	221	249	164
Yorkshire and the Humber	181	182	200	221	252	172
East Midlands	169	178	192	208	233	155
West Midlands	185	193	209	225	262	164
East	151	159	177	184	204	141
London	188	200	193	225	253	143
South East	152	162	180	195	214	144
South West	169	179	186	195	222	153
England	174	183	194	211	238	154
Scotland	1	2	2	2	3	4
Wales	29	32	37	45	63	67
Northern Ireland	–	–	–	1	1	1
UK identifiable expenditure	148	155	164	179	203	133

Table 8 – Spending by function or programme, by country and region, for 2009-10 (£ million)

Data in this table are National Statistics	North East	North West	Yorkshire and the Humber	East Midlands	West Midlands	East	London	South East	South West	England	Scotland	Wales	Northern Ireland	UK identifiable expenditure	Outside UK	Total identifiable expenditure	Not Identifiable	Totals
General public services																		
General public services n.e.c.	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(0.3)	(0.3)
Total general public services	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(0.3)**	**(0.3)**
Public order and safety																		
Law courts	8.8	20.5	17.5	9.9	13.9	10.6	19.6	16.8	11.3	128.9	–	–	–	128.9	–	128.9	–	128.9
Total public order and safety	**8.8**	**20.5**	**16.3**	**9.9**	**13.9**	**10.6**	**19.6**	**16.8**	**11.3**	**128.9**	**–**	**–**	**–**	**128.9**	**–**	**128.9**	**–**	**128.9**
Education																		
Pre-primary and primary education	4.3	10.6	7.7	5.9	7.9	6.4	11.7	9.2	6.1	69.8	–	–	–	69.8	–	69.8	–	69.8
of which: Primary education	*0.5*	*1.3*	*1.0*	*0.8*	*1.0*	*1.1*	*1.4*	*1.6*	*1.0*	*9.7*	–	–	–	*9.7*	–	*9.7*	–	*9.7*
of which: Under fives	*3.8*	*9.3*	*6.7*	*5.0*	*6.8*	*5.4*	*10.3*	*7.6*	*5.1*	*60.1*	–	–	–	*60.1*	–	*60.1*	–	*60.1*
Secondary education	442.2	1,023.4	731.1	608.2	895.8	674.5	1,360.8	1,070.4	640.9	7,447.2	0.1	1.6	0.1	7,449.0	–	7,449.0	–	7,449.0
Tertiary education	17.6	49.3	35.2	31.7	38.8	38.8	52.9	56.4	31.7	352.5	–	–	–	352.5	–	352.5	–	352.5
Education not definable by level	3.1	8.2	6.2	5.3	6.4	6.8	9.1	9.9	6.2	61.3	–	–	–	61.3	–	61.3	–	61.3
Subsidiary services to education	35.7	97.6	70.5	60.3	77.1	75.0	103.8	112.5	68.9	701.4	–	2.1	–	703.6	–	703.6	–	703.6
R&D education	0.5	1.3	1.0	0.8	1.0	1.1	1.5	1.6	1.0	9.8	–	–	–	9.8	–	9.8	–	9.8
Education n.e.c.	67.5	177.8	129.8	112.6	136.4	139.0	168.1	194.7	128.2	1,254.1	0.3	2.8	–	1,257.2	0.8	1,258.0	–	1,258.0
Total education	**571.0**	**1,368.3**	**981.6**	**824.8**	**1,163.4**	**941.6**	**1,707.8**	**1,454.7**	**883.0**	**9,896.3**	**0.4**	**6.6**	**0.1**	**9,903.3**	**0.8**	**9,903.3**	**–**	**9,904.2**

Data in this table are National Statistics	North East	North West	Yorkshire and the Humber	East Midlands	West Midlands	East	London	South East	South West	England	Scotland	Wales	Northern Ireland	UK identifiable expenditure	Outside UK	Total Identifiable expenditure	Not Identifiable	Totals
Social protection																		
Sickness and disability	53.3	134.5	102.3	79.9	95.0	83.9	52.6	124.2	108.8	834.5	8.3	92.6	1.1	936.4	25.1	961.5	–	961.5
of which: incapacity, disability and injury benefits	*53.3*	*134.5*	*102.3*	*79.9*	*95.0*	*83.9*	*52.6*	*124.2*	*108.8*	*834.5*	*8.3*	*92.6*	*1.1*	*936.4*	*25.1*	*961.5*	–	*961.5*
Old age	51.5	132.0	99.0	80.8	98.2	93.1	76.6	139.6	105.9	876.6	6.4	70.5	0.2	953.7	20.8	974.5	–	974.5
of which: pensions	*51.5*	*132.0*	*99.0*	*80.8*	*98.2*	*93.1*	*76.6*	*139.6*	*105.9*	*876.6*	*6.4*	*70.5*	*0.2*	*953.7*	*20.08*	*974.5*	–	*974.5*
Survivors	13.9	35.5	26.7	21.8	26.5	25.1	20.3	37.5	28.5	235.8	1.8	19.4	0.2	257.1	5.7	262.8	–	262.8
of which: widow's benefits	*13.9*	*35.5*	*26.7*	*21.8*	*26.5*	*25.1*	*20.3*	*37.5*	*28.5*	*235.8*	*1.8*	*19.4*	*0.2*	*257.1*	*5.7*	*262.8*	–	*262.8*
Family and children	6.3	16.3	89.3	10.9	18.6	13.3	67.2	19.2	12.5	253.7	–	–	–	253.7	–	253.7	–	253.7
of which: family benefits, income support and tax credits	*0.8*	*2.7*	*78.5*	*2.0*	*7.8*	*2.6*	*50.7*	*3.8*	*2.5*	*151.3*	–	–	–	*151.3*	–	*151.3*	–	*151.3*
of which: personal social services (family and children)	*5.5*	*13.6*	*10.8*	*8.9*	*10.8*	*10.7*	*16.5*	*15.4*	*10.1*	*102.4*	–	–	–	*102.4*	–	*102.4*	–	*102.4*
Social protection n.e.c.	4.8	12.6	9.4	8.1	9.8	10.4	13.9	15.1	9.5	93.6	–	–	–	93.6	–	93.6	–	93.6
Total social protection	**129.8**	**330.8**	**326.7**	**201.5**	**248.1**	**225.7**	**230.6**	**335.6**	**265.2**	**2,294.2**	**16.6**	**182.4**	**1.4**	**2,494.5**	**51.6**	**2,546.1**	**–**	**2,546.1**
Total Department for Education	**709.6**	**1,719.6**	**1,325.9**	**1,036.2**	**1,425.5**	**1,177.9**	**1,958.0**	**1,807.1**	**1,159.5**	**12,319.3**	**16.9**	**189.0**	**1.5**	**12,526.8**	**52.4**	**12,579.2**	**(0.3)**	**12,578.9**

13.14 Information on schools funding and 16-19 learning can be found on the department's website. The relevant links are: for schools funding

http://www.education.gov.uk/rsgateway/DB/TIM/m002012/index.shtml, for 16-19 learners http://readingroom.ypla.gov.uk/ypla/grant_letter-april2010-v1-1.pdf, and

http://readingroom.lsc.gov.uk/YPLA/ypla-16-19_Statement_of_Priorities_and_Investment_Strategy_2010-11-fs-Jan10-v1.pdf . These sites set out detail around learner numbers and funding.

Education Endowment Fund

13.15 The government asked the department to establish an Education Endowment Fund (EEF). The EEF – which will exist for a minimum of 10 years – will:

- Support new approaches to raising the attainment of disadvantaged pupils;(through the awarding of grants);
- Stimulate existing effective approaches; and
- Share the results with schools and others.

The EEF will be managed by the Sutton Trust in partnership with the Impetus Trust. Funding from the Department, totalling £125m, will be invested by the Trust. Interest from that investment, together with additional contributions from other organisations, will fund proposals. No further public investment is required. EEF grants will be available to schools, voluntary and community sectors, mutuals, charities, social enterprises and others to ensure a bottom-up approach to education trialling and stimulate the development of new partnerships seeking to deliver improved outcomes for disadvantaged pupils. By gathering robust evaluation of the impact and presenting that evidence to schools and others in a clear and coherent way, the Department hopes that the EEF will help to bring coherence to what is currently a fragmented information market.

14. Investment

14.1 In 2010-11, the Department completed its delivery of capital funding agreed in the previous spending review settlement. This included continuing investment in Building Schools for the Future (BSF) and Academy programmes, funding for additional school places and for the needs of the school estate, as well as a range of targeted programmes including funding for early years and for young people. 153 schools with new refurbished buildings opened in 2010-11, benefitting from strategic capital investment through BSF and the Academies programmes. An allocation of £246 million was made to the 36 local authorities with the greatest need for additional school places, in response to applications made in 2009.

14.2 To help in meeting its deficit reduction target, the Government asked the Department to find savings from its capital programme in 2010-11. A range of schools and youth services capital programmes was therefore partially or wholly cut, and further savings were made where possible. Programmes affected include funding to local authorities for extended schools; for Harnessing Technology; for Play and Well-being; for improving facilities for the delivery of 14-19 diplomas and special educational needs, and for the youth opportunity and youth capital funds.

14.3 On 5 July 2010, it was announced that the BSF programme was to be closed to projects which had not reached financial close or final business case, whilst other Academy projects were also halted to allow time for further consideration. The decision to cancel BSF projects was challenged by six Local Authorities, who sought a judicial review (JR) on grounds of irrationality, failure to consult, failure to have due regard for equalities and that there was an substantive legitimate expectation that they would receive funding for their schemes.

14.4 On 11 February 2011, Mr Justice Holman ruled that the Secretary of State won on the legal points of irrationality and substantive legitimate expectation and the decision to stop the programme had been lawful. The Judge ruled in favour of the claimants on failure to consult and to consider the equality impact. The Judge ruled that the Secretary of State should reconsider his decision after representations from the six authorities. The consultation launched by the Secretary of State with the claimant authorities is in progress.

Sure Start

14.5 This long term capital programme to establish a national network of children's centres was completed during 2010-2011. As at March 2010, a total of nearly £1.5 billion had been spent on building new centres and converting buildings for use as part of the network. The full cost of central government funding will be confirmed once the 2010-11 audits have been received and processed. Sure Start Children's Centres offer access to: integrated early learning and care for children aged 0-5; a range of family support, outreach and health services including ante-natal and post-natal advice; employment and training advice for parents; and support for families with special needs. Over the new SR period (covering 2011-15), capital funding to support the children's centres network will be available from the Schools Maintenance Capital Funding pot.

Myplace

14.6 The Department is continuing to invest in the *myplace* programme. Managed by the Big Lottery Fund, *myplace* is providing capital grant awards of between £1 million and £5 million to develop world class youth centres in some of the most deprived areas of the country. These centres will encourage more young people at risk of negative outcomes to take part in out of school activities and access advice or support as and when they need it. Projects are being led by a variety of organisations, ranging from large top tier local authorities (e.g. Birmingham City Council) to small voluntary and community sector organisations (e.g. The Square Chapel Trust in Halifax). All projects are required to have real youth involvement, extensive partnership working and enterprising business development plans, so as to ensure their long-term sustainability.

Private Finance Initiatives, Public Private Partnerships

14.7 The Department is working with HM Treasury and other partners to consider whether Private Public Partnerships can be developed to lever in the additional investment in the educational infrastructure that Private Finance Initiative (PFI) brought. The Department's capital settlement for 2011-15 is in the form of capital grant, replacing the supported borrowings and PFI credits previously used.

Spending Review 2010

14.8 The new spending review settlement announced a capital allocation of £15.8 billion across the period (2011-15), with an additional £125.9 million in 2011-12 to provide support for University Technical Colleges and other needs. By 2014-15, annual capital funding will be cut by 60% in real terms; the on-going elements of BSF and Academies carry a significant forward commitment into the new spending review period.

14.9 In December 2010, the Secretary of State announced detailed allocations of funding to local authorities and schools for 2011-12, with prioritisation of the provision of additional school places where they are needed, and addressing the worst condition needs.

14.10 In July 2010, the Secretary of State commissioned an independent review of all the Department's capital programmes from Sebastian James. The aim is to ensure that capital will be used for priority needs and that the greatest possible number of children will benefit. Mr James delivered his report and it was published on 7 April 2011. It is available at:
http://media.education.gov.uk/assets/files/pdf/c/capital%20review%20final%20report%20april%202011.pdf

14.11 The government's response is expected in early summer 2011, but had not been published at the time of this report.

Remuneration Report

Part A: Unaudited

15. Ministers' and other board members' remuneration policy

15.1 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*.

15.2 The Permanent Secretary's pay is set by the Prime Minister on the recommendation of the Permanent Secretaries Remuneration Committee. The Committee's membership comprises the Chairman of the Senior Salaries Review Body (SSRB) (who acts as chair), two other members of the SSRB, the Cabinet Secretary and the Permanent Secretary of HM Treasury.

15.3 The pay of Senior Civil Servants (SCS) in DfE is decided by the SCS Pay Committee, chaired by the Permanent Secretary, and comprising members of the Executive Management Board. The SCS Pay Committee makes decisions within the limits and delegated authorities set by the Government in response to the annual report of the Senior Salaries Review Body (SSRB). The Permanent Secretary meets separately with a non-executive member to determine the pay of board members.

15.4 Performance management and reward policy for members of the Senior Civil Service including board members is managed within the central framework set by the Cabinet Office. It allows for annual performance related base pay and bonus awards, agreed centrally each year following SSRB recommendations. The Senior Civil Service Performance Management and Reward principles for 2010-11, which include explanations of how base pay and bonus levels are determined and their relative value, can be found at: www.civilservice.gov.uk. The SCS performance bonuses 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 2010-11 this 'pot' was limited by the Cabinet Office to less than 5% (2009-10 8.6%) of the total SCS salary bill from which individuals were awarded varying amounts, dependent on performance.

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

16.1 The permanent head of the Department (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.

16.2 Members of the Executive Management Board are appointed by the Permanent Secretary with the agreement of the Prime Minister and the Senior Leadership Committee where appropriate, which consists of Permanent Secretaries from across Whitehall and is chaired by the Cabinet Secretary.

16.3 All board members contractual terms comply with the requirements set centrally for the Senior Civil Service 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 at www.civilservice.gov.uk

17. Service contracts

17.1 The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information can be found at www.civilservicecommission.org.uk

Part B: Audited

18. Remuneration (including salary) and pension entitlements

18.1 Remuneration (salary and payments in kind)

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

Ministers	**2010-11**		**2009-10**	
	Salary £	**Benefits in kind (rounded to nearest £100)**	**Salary £**	**Benefits in kind (rounded to nearest £100)**
Rt Hon Michael GOVE MP [1] *Secretary of State (from 12 May 2010)*	61,056	–	–	–
Nick GIBB MP [2] *Minister of State (from 13 May 2010)*	29,187	–	–	–
Sarah TEATHER MP [2] *Minister of State (from 13 May 2010)*	29,187	–	–	–
Tim LOUGHTON MP [3] *Parliamentary Under Secretary of State (from 14 May 2010)*	20,894	–	–	–
Lord Hill of Oareford CBE [4] *Parliamentary Under Secretary of State (from 14 May 2010)*	92,648	–	–	–
John HAYES MP [5] *Minister of State (from 21 July 2010)*	–	–	–	–

[1] Figure quoted is for the period 13 May 2010 to 31 March 2011. Full year equivalent, £68,827.

[2] Figure quoted is for the period 13 May 2010 to 31 March 2011. Full year equivalent, £33,002.

[3] Figure quoted is for the period 14 May 2010 to 31 March 2011. Full year equivalent, £23,697.

[4] Figure quoted is for the period 14 May 2010 to 31 March 2011. Full year equivalent, £105,076.

[5] Joint post as a Minister of State and paid by Business, Innovation and Skills (BIS).

Ministers of the former Department for Children, Schools and Families (DCSF)

Former Ministers	**2010-11**		**2009-10**	
	Salary	**Benefits in kind (rounded to nearest £100)**	**Salary**	**Benefits in kind (rounded to nearest £100)**
Rt. Hon Ed BALLS MP [1] *Secretary of State (to 11 May 2010)*	£8,847	–	£78,356	–
Baroness Delyth MORGAN [2] *Parliamentary Under Secretary of State (from 6 October 2008 to 11 May 2010)*	£12,488	–	£110,648	–
Rt. Hon Dawn PRIMAROLO MP [3] *Minister of State (from 6 June 2009 to 11 May 2010)*	£4,589	–	£30,485	–
Vernon COAKER MP [3] *Minister of State (from 8 June 2009 to 11 May 2010)*	£4,589	–	£30,487	–
Kevin BRENNAN MP [3] *Minister of State (from 8 June 2009 to 11 May 2010)*	£4,589	–	£31,105	–
Diana JOHNSON MP [4] *Parliamentary Under Secretary of State (from 9 June 2009 to 11 May 2010)*	–	–	–	–
Iain WRIGHT MP [5] *Parliamentary Under Secretary of State (from 9 June 2009 to 11 May 2010)*	£3,483	–	£23,138	–

[1] Figure quoted is for the period 1 April 2010 to 11 May 2010. 2010-11 full year equivalent, £78,356.

[2] Figure quoted is for the period 1 April 2010 to 11 May 2010. 2010-11 full year equivalent £110,606.

[3] Figure quoted is for the period 1 April 2010 to 11 May 2010. 2010-11 full year equivalent £40,646. (2009-10: £40,646).

[4] Joint post as an Assistant Government Whip and paid by HM Treasury.

[5] Figure quoted is for the period 1 April 2010 to 11 May 2010. 2010-11 full year equivalent £30,851. (2009-10: £30,851).

Other Board Members			**2010-11**			**2009-10**
	Salary £000	**Bonus payments £000**	**Benefits in kind (rounded to nearest £100)**	**Salary £000**	**Bonus payments £000**	**Benefits in kind (rounded to nearest £100)**
Sir David BELL *Permanent Secretary*	180-185	–[1]	100	180-185	–	100
Mr Tom JEFFERY *Director General*	140-145	10-15	–	140-145	10-15	–
Mr Jon COLES *Director General*	135-140	10-15	900	135-140	10-15	–
Ms Lesley LONGSTONE *Director General*	140-145	10-15	–	140-145	10-15	300
Ms Susan HIGGINS *Director General (from 10 August 2009)*	135-140	5-10	–	85-90 *(135-140 full year equivalent)*	–	–
Mr Lee BAILEY *Acting Director of Communications (from 27 August 2009 to 5 April 2010)*	0-5 *(85-90 full year equivalent)*	5-10	–	50-55 *(85-90 full year equivalent)*	–	–
Ms Caroline WRIGHT *Director (to 26 August 2009 and from 6 April 2010 to 6 June 2010)*	15-20 *(100-105 full year equivalent)*	0-5	–	40-45 *(100-105 full year equivalent)*	5-10	–

[1] Permanent Secretaries decided not to accept individual non-consolidated performance related pay awards (bonuses) in relation to the 2008-09 and the 2009-10 performance years.

18.2 '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 these accounts. 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 (£65,738 from 1 April 2010), 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.

18.3 None of the non-executive board received any remuneration from the Department, other than Katherine Kerswell who received £3,750 (2009-10: £15,000) remuneration from the Department.

18.4 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.

18.5 During the year two members of the Board received benefits in kind. Sir David Bell received an interest free advance for the purchase of a season ticket which is being repaid on an instalment basis. Jon Coles received nursery vouchers

18.6 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 2010-11 relate to performance in 2009-10 and the comparative bonuses reported for 2009-10 relate to the performance in 2008-09.

19. Pension benefits

Ministers	Accrued pension at age 65 at 31/03/11 £000	Real increase in pension at age 65 £000	CETV at 31/03/11 £000	CETV at 31/03/10 £000	Real increase in CETV £000
Rt. Hon Michael GOVE MP *Secretary of State (from 12 May 2010)*	0-5	0-2.5	11	–	5
Nick GIBB MP *Minister of State (from 13 May 2010)*	0-5	0-2.5	10	–	6
Sarah TEATHER MP *Minister of State (from 13 May 2010)*	0-5	0-2.5	5	–	2
Tim LOUGHTON MP *Parliamentary Under Secretary of State (from 14 May 2010)*	0-5	0-2.5	7	–	4
Lord Hill of Oareford CBE *Parliamentary Under Secretary of State (from 14 May 2010)*	0-5	0-2.5	18	–	10
John HAYES MP *Minister of State (from 21 July 2010)*	0-5	0-2.5	15	4	7

Ministers of the former Department for Children, Schools and Families

Former Ministers	Accrued pension at age 65 at 31/03/11 £000	Real increase in pension at age 65 £000	CETV at 31/03/11 £000	CETV at 31/03/10 £000	Real increase in CETV £000
Rt. Hon Ed BALLS MP *Secretary of State (to 11 May 2010)*	0-5	0-2.5	42	40	1
Baroness Delyth MORGAN *Parliamentary Under Secretary of State (from 6 October 2008 to 11 May 2010)*	15-20	0-2.5	153	131	(9)
Rt. Hon Dawn PRIMAROLO MP[3] *Minister of State (from 6 June 2009 to 11 May 2010)*	10-15	0-2.5	243	234	1
Vernon COAKER MP[3] *Minister of State (from 8 June 2009 to 11 May 2010)*	0-5	0-2.5	62	61	1
Diana JOHNSON MP[2] *Parliamentary Under Secretary of State (from 9 June 2009 to 11 May 2010)*	0-5	0-2.5	9	8	–
Iain WRIGHT MP[3] *Parliamentary Under Secretary of State (from 9 June 2009 to 11 May 2010)*	0-5	0-2.5	9	8	–
Mr Kevin BRENNAN MP[1] *Minister of State (from 8 June 2009 to 11 May 2010)*	–	–	–	–	–

[1] Opted out of pension scheme, no disclosure required.

[2] Joint post as an Assistant Government Whip and paid by HM Treasury.

[3] CETV at start date.

[4] CETV at leaving date.

19.1 Pension benefits for Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute (the regulations are set out in Statutory Instrument SI 1993 No 3253, as amended).

19.2 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 report). The arrangements for Ministers provide benefits on an 'average salary' basis, taking account of all service as a Minister. The accrual rate has been 1/40th since 15 July 2002 (or 5 July 2001 for those that chose to backdate the change) but Ministers, in common with all other members of the PCPF, can opt for a 1/50th accrual rate and a lower rate of employee contribution. An additional 1/60th accrual rate option (backdated to 1 April 2008) was introduced from 1 January 2010.

19.3 Benefits for Ministers are payable at the same time as MPs' benefits become payable under the PCPF or, for those who are not MPs, on retirement from Ministerial office from age 65. Pensions are re-valued annually in line with the Pensions Increase legislation. From 1 April 2009 members pay contributions of 5.9% of their Ministerial salary if they have opted for the 1/60th accrual rate, 7.9% of salary if they have opted for the 1/50th accrual rate or 11.9% of salary if they have opted for the 1/40th accrual rate. There is also an employer contribution paid by the Exchequer representing the balance of cost as advised by the Government Actuary. This is currently 28.7% of the Ministerial salary.

19.3 The accrued pension quoted is the pension the Minister is entitled to receive when they reach 65, or immediately on ceasing to be an active member of the scheme if they are already 65.

19.4 The **Cash Equivalent Transfer Value (CETV)** is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the 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 within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when benefits are taken.

19.5 The **real increase in the value of the CETV** 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.

Other Board Members	Accrued pension at pension age as at 31/03/11 and related lump sum £000	Real increase in pension and related lump sum at pension age £000	CETV at 31/03/11 £000	[1]CETV at 31/03/10 £000	Real increase in CETV £000	Employer contribution to Partnership pension account (nearest £100)
Sir David BELL *Permanent Secretary*	55-60 plus lump sum 170-175	0-2.5 plus lump sum 0-2.5	1,032	954	–	–
Mr Tom JEFFERY *Director General*	50-55 plus lump sum 155-160	0-2.5 plus lump sum 0-2.5	1,178	1,091	2	–
Mr Jon COLES *Director General*	25-30 plus lump sum 75-80	0-2.5plus lump sum 2.5-5	260	229	5	–
Ms Lesley LONGSTONE *Director General*	40-45 plus lump sum 120-125	0-2.5 plus lump sum 0-2.5	583	531	5	–
Mr Lee BAILEY[1] *Acting Director (from 27 August 2009 to 5 April 2010)*	10-15 plus lump sum 35-40	0-2.5 plus lump sum 0-2.5	125	123	1	–
Ms Susan HIGGINS[1] *Director General (from 10 August 2009)*	70-75 plus lump sum 0-5	70-72.5 plus lump sum 0-2.5	626	11	–	–
Ms Caroline WRIGHT[2] *Director (to 26 August 2009 and from 6 April 2010 to 6 June 2010)*	10-15 plus lump sum 40-45	0-2.5plus lump sum 0-2.5	126	126	1	–

[1] The actuarial factors used to calculate CETVs were changed in 2010-11. The CETVs at 31/3/10 and 31/3/11 have both been calculated using the new factors for consistency. The CETV at 31/3/10 therefore differs from the corresponding figures in last years report which was calculated using previous factors.

19.6 Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (**classic**, **premium** or **classic plus**); or a 'whole career' scheme (**nuvos**). 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** and **nuvos** are increased annually in line with Pensions increase legislation. 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).

19.7 Employee contributions are set at the rate of 1.5% of pensionable earnings for **classic** and 3.5% for **premium**, **classic plus** and **nuvos**. 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 their 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 Pension Increase legislation. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

19.8 The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three 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 to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

19.9 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** and 65 for members of **nuvos**.

19.10 Further details about the Civil Service pension arrangements can be found at the website http://www.civilservice.gov.uk/my-civil-service/pensions/index.aspx

19.11 The **Cash Equivalent Transfer Value (CETV)** is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

19.12 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 within guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefit are taken.

19.13 The **real increase in CETV** 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.

20. Amounts payable to third parties for services of senior managers

20.1 There were no monies paid to third parties for services of executive board members during 2010-11.

Sir David Bell 29 June 2011
Accounting Officer

Statement of Accounting Officer's Responsibilities

Under Section 5 of the Government Resources and Accounts Act 2000, HM Treasury has directed the Department for Education to prepare, for each financial year, Annual Accounts detailing the resources acquired, held, or disposed of during the year and the use of resources by the Department during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department for Education, and of its net resource outturn, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- observe the Accounts Direction issued by HM Treasury, relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the *Government Financial Reporting Manual*, have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

HM Treasury has appointed the Permanent Head of the Department as Accounting Officer of the Department for Education. 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 safeguarding the Department for Education's assets, are set out in *Managing Public Money* published by HM Treasury.

Statement on internal control

Scope of responsibility

21.1 As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Departmental policies, aim 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*.

21.2 Similarly, the Chief Executives of the non-departmental public bodies (NDPBs), which are sponsored by the Department, are responsible for the maintenance and operation of the system of internal control in their individual NDPBs. Each Chief Executive has signed a statement on internal control relating to those systems which are reproduced in the accounts of each body.

21.3 The Departmental Board provides strategic and operational leadership of the Department, by bringing together Ministerial and official leaders with Non-Executive Members from outside government. The Board is chaired by the Secretary of State and its membership includes all the Ministers, the Permanent Secretary, all Directors General and the Non-Executive Members, largely drawn from the commercial private sector. The DfE Board is responsible for:

- the Department's aims and objectives;
- the most efficient and effective means of implementing the priorities contained in the Business Plan ;
- the implementation of the Department's Spending Review settlement;
- the progress of the Department's work through key performance indicators;
- the Department's risk appetite, informed by the Delivery Assurance, Risk and Audit Committee (DARAC);
- the sound financial management of the Department within the context of the Business Plan; and
- the performance of the Department's arms length bodies.

21.4 In June 2010 an Executive Management Board (EMB) was established as a standing sub-committee of the Main Board, part of the new governance arrangements aimed at improving the management of the Department. With a core membership of the Permanent Secretary and the Directors General, EMB will be focused on providing collective and corporate leadership by visibly and transparently:

- taking forward the Department's agreed strategic aims and objectives;
- advising on the allocation of financial and human resources;
- managing departmental resources and monitoring the achievement of performance objectives;
- setting standards and values;
- maintaining a transparent system of prudent and effective controls (including internal controls);
- assessing and managing risk; and
- leading and overseeing the process of change and innovation which enhances the Department's capacity to deliver.

The purpose of the system of internal control

21.5 The system of internal control is designed to manage risk to a reasonable level, rather than to eliminate all risk of failure to achieve policies, aim and objectives. It can, therefore, only provide a reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Departmental policies, aim and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them economically, efficiently and effectively. The system of internal control has been in place in the Department for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts. This system accords with HM Treasury guidance.

Capacity and capability to manage risk

21.6 Following the change in Government, new governance arrangements were introduced for all Departments of State, which included the creation of Secretary of State- chaired Departmental Boards, and Permanent Secretary-chaired Executive Management Boards (EMBs). DfE's EMB owns the Department's Strategic Risk Register (SRR), formerly known as the High Level Risk Register, and agrees the strategic risks to be monitored at a corporate level. EMB reviews the SRR quarterly, considering and commenting on the appropriateness of planned actions and progress. EMB mandates additional work or escalates major risks to the DfE Board where necessary.

21.7 The Department has also created a Delivery Assurance, Risk and Audit Committee (DARAC) to replace the previous Audit and Risk Assurance Committee from April 2011 (and also the Delivery Assurance Board) to provide independent scrutiny of our risks. DARAC provides Ministers, the Departmental Board and EMB with independent assurance on audit, risk and control issues that may jeopardise the achievement of the Department's objectives, and an oversight on the Department's key delivery initiatives, including those led and managed by arms length bodies (ALBs) on the Department's behalf.

21.8 The Department's Performance Unit has continued to work with me, non-executive and executive board members, my Head of Internal Audit and my Director General of Finance and Corporate Services to ensure better oversight and assurance on the Department's major programmes and projects, including those led and managed by ALBs on its behalf.

21.9 The Performance Unit has also been working with risk managers throughout the Department, to further develop guidance on the identification, assessment and active management of risk (including information risk) in the Department. This is available to all staff, and is used to identify risks being managed in directorates that should be escalated to the SRR, for scrutiny by the EMB and DARAC. A major refresh of the guidance is now nearing completion.

21.10 The SRR processes have been reviewed over the past six months and revised arrangements implemented to provide a more focused view of the Department's strategic risks; how they are managed and greater clarity around which risks should be managed at directorate level and which should be escalated. The Performance Unit are continuing to work with the EMB, DARAC and directorates to ensure the processes are robust and effective.

21.11 The Department's Risk Appetite statement has recently been further developed to provide a clearer typology of risks and the criteria to judge the Department's level of tolerance to them. This has been reviewed by the EMB and twice by ARAC, and will be presented to the main Board shortly for approval.

21.12 During the course of the year:

- Relevant corporate and policy directorate teams have worked both internally and with others across Whitehall to review, update, improve and implement the Department's business continuity, crisis management and recovery plans for the delivery system to ensure that they are fit for purpose and compliant with the British Standard for Business Continuity Management – BS 25999. This updating has included our contingency plans for responding to pandemic flu and severe weather scenarios.
- I have continued to ensure that Information Assurance (encompassing data security) is a priority area in the Department and its ALBs. Information Asset Registers and the Information Asset Owner community are supported by the Chief Information Officer's Group; all Information Asset Owners (IAOs) have access to online training provided by the National School for Government, and the IAO coordination lead is currently ensuring that all IAOs have undergone training and accreditation to Protecting Information Level 2 (PIL2) for the current

reporting. A communications campaign to ensure that all staff have achieved Protecting Information Level 1 (PIL1) accreditation has taken place. The IAO support will be reviewed following the submission of this year's Information Asset Annual Statement, and an Information Asset Centre is currently under development for delivery early next reporting year. Internal Audit are currently reviewing Information Assurance Compliance.

- I submitted the Department's annual report on the management of security, '*The Security Risk Management Overview*', to the Cabinet Office in June 2010. It describes how the Department and ALBs address the mandatory polices and standards that apply to protective security and risk management This year's report, due in June 2011, will describe the risk based approach we take in complying with these policies and standards and show the effectiveness of our management regime in delivering security and information risk management.

The risk and control framework

21.13 The key risks have been identified and agreed by the EMB and the Audit and Risk Assurance Committee (DARAC from April). As mentioned above, EMB and DARAC review the portfolio of risks, consider new and emerging threats and escalate risks to the Departmental Board as appropriate.

21.14 The Department assigns risks to those best placed to manage them. Individual managers are responsible to the risk owners (Directors General and Directors) as they have knowledge of the issues and can best manage risk and mitigate the potential impact. All managers know they are expected to systematically identify, assess and manage risk and document the underlying assumptions. Procedures are in place to ensure that significant risks are reported to senior management and, if required, escalated to the Board, and the Performance Unit reviews directorate-level risks with directorate risk managers to pick up any that have not been escalated to the SRR but that should.

21.15 A proactive approach to fraud awareness, prevention, detection and investigation is taken by the Department. It has recently been enhanced with the appointment of the Departmental Security Officer as our Counter Fraud Champion. This new role is part of a new network of Counter Fraud Champions, based in all major government Departments to help strengthen the fight against fraud and error in the public sector. These arrangements are subject to scrutiny and monitoring by the Fraud Committee, a sub-committee of DARAC. Allegations of fraud arising from financial loss have been fully investigated in accordance with the Fraud Response Plan. There are no material frauds to report.

21.16 There was one significant incident concerning personal data that arose during the year, which was reported to the Information Commissioner. This concerned an adoption charity working under contract to the Department, where a laptop computer was stolen from an employee's home. Personal data supplied by the Department was encrypted on the charity's computer but not to the Department's standards. The charity individually notified all 86 individuals whose sensitive personal data was of significant impact and contained on the computer. Only two of the individuals affected got in touch, and both were satisfied with the advice they were given. The Department advised the charity on enhancing encryption; more generally, we are taking action to ensure that our suppliers use encryption products that meet Departmental standards when holding or using our data.

21.17 The Department played an active part in the development of the cross-Government *Managing Risk of Financial Loss* programme and is ensuring these principles are reflected in its risk management strategy.

Review of effectiveness

21.18 As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the Directors General within the Department who have responsibility for the development and maintenance of the internal control framework, Internal Audit, and comments made by the external auditors in their management letter and other reports. I require each Director General, and the heads of certain other units who report directly to me, to sign an annual assurance statement covering risk management and the operation of related controls in their areas of responsibility. This supplements the regular reporting to the Board on the stewardship of risks.

21.19 Interim assurance declarations were provided for the period 1 April 2010 to 31 December 2010 and followed up after the year end by statements updating the position. The statements from within the Department and from ALBs have been scrutinised and further information sought when necessary.

21.20 The Department for Work and Pensions (DWP) has provided the Department with an assurance for the shared services they provide in a letter from the DWP Accounting Officer, supplemented with detail covering the general aspects of the service and specific events that occurred in the year. DWP recognise that there are risks in continuing to use the Oracle Financial Analyser (OFA) system which is no longer supported, and discussions are underway to consider likely replacement applications. DWP also acknowledge that there is more work needed to embed the provision of in year assurance.

21.21 During the year the Department has made suggestions to DWP on:

- how the client plan could be improved to ensure that day to day incidents are used to help learn lessons about the control environment;
- improvements to the process whereby the DWP Shared Services letter of assurance is prepared; and
- Shared Services' approach to cross-government initiatives, where we believe they should be taking more of a lead.

21.22 Internal Audit has identified a number of risks and issues concerned with the supplier database, with evidence of duplication of suppliers and some suppliers being set up without DfE authority. These concerns have been shared with Shared Services who have agreed to review some of the processes surrounding supplier set up to ensure that clients are consulted prior to set up; they have also agreed to undertake a supplier cleansing exercise.

21.23 Considerable work has been carried out following implementation of the resource management system to address concerns over data quality and management information. To address these concerns, we have developed and tested a standard suite of staffing, procurement and finance reports, together with a series of toolkits to help people better understand both the reports and the interactions within the system.

21.24 The Department's internal auditors undertake a full work programme, approved by me, to review risk management, internal control and governance together with specific programme and thematic reviews. It covers a rolling list of key risk areas identified with risk managers and is used as the basis for focusing audit work within the Department. EMB receives a regular update on the current work plan, upcoming reviews, audit findings and business progress in resolving management actions. I meet with the Head of Internal Audit (HIA) monthly to discuss the current activity and specific points of note around the control framework.

21.25 The Head of Internal Audit's end year assurance opinion concluded that I can take moderate assurance that overall governance, risk management and control systems are operating effectively.

21.26 For 2010-11 the Audit and Risk Assurance Committee (ARAC) continued to support me by offering objective advice on issues concerning control and governance. From April 2011 the new DARAC is being chaired by our lead Non-Executive Board Member. DARAC has made an assessment of the contents of this Statement and is satisfied that it is consistent with its knowledge of the Department.

21.27 I am satisfied that the Department and its NDPBs comply with Treasury's requirements on risk management, internal control and governance.

Internal controls

Background

21.28 During the period under consideration, major changes have affected the Department and its ALBs. I have given particular attention to ensuring that changes have been led and managed well and with appropriate controls, and that risks are understood and mitigated where possible.

21.29 Following the General Election on 6 May 2010, the new government introduced significant changes in policy and refocused priorities. The Business Plan published in November 2010 and revised in May 2011 sets out the department's Structural Reform Plan, together with the timetable and milestones in place to achieve the Department's commitments.

21.30 Following the Chancellor's announcement on 24 May 2010 of the £6.2 billion of savings to be made across Government in 2010-11, the Efficiency and Reform Group was set up in the Cabinet Office. Finance and Corporate Services Directorate provided overall coordination through the Efficiency and Reform Programme (ERP) to ensure that the controls were implemented effectively across the Department and its ALBs.

21.31 Controls were put in place on the recruitment of staff, employment of consultants and spending on ICT, publications, marketing and travel. Proposals are vetted by review boards with essential and small schemes requiring approval by senior staff. Larger schemes which are considered essential require Cabinet Office approval. All Cabinet Office criteria have been met and, in its recent review of the controls, Internal Audit identified no significant weakness.

Arm's Length Body (ALB) Reform

21.32 In response to the Government's policy of radically increasing the transparency and accountability of all public services, an ALB Reform Programme was quickly established. This will ensure that we have the right organisations in place to support implementation of Government policy and will play a major part in delivering administrative cost savings through simplifying the ALB landscape, removing duplication and better aligning the ALB sector with the rest of the education sector.

21.33 An ALB Group (ALBG) was set up to ensure that the changes to our ALB landscape were managed well, not least the tension between continuing to deliver reliable services whilst ensuring that the Department achieves the necessary efficiencies, savings and improved alignment across the education sector. The planning and project management of this reform is now well advanced.

21.34 The main changes to the landscape are:

- The British Educational Computer and Technology Agency (BECTA) ceased operations on 31 March 2011 after the ministerial decision in autumn 2010 to cease Departmental funding. The remaining assets and liabilities were passed to liquidators. The final accounts are expected to be signed in June 2011;
- the future of the School Food Trust is still being considered, although it is expected to remain a charity but to become independent;
- The Office of Children's Commissioner is expected to remain in existence while the future of the Children and Family Court Advisory Service (CAFCASS) is dependent on the Family Justice Review expected in autumn 2011;
- subject to the successful passage of the Education Bill, which is currently before Parliament, a number of executive arms length bodies will be closed. These are: the General Teaching Council for England, the Training and Development Agency for Schools, the Qualifications and Curriculum Development Agency and the Young People's Learning Agency;
- Partnerships for Schools (PfS) does not require legislation for closure and will be closed by April 2012;
- much of the remaining work being undertaken by all these bodies and by the Children's Workforce Development Council, and the National College for School Leadership will be taken back into the main Department or into four Executive Agencies being established between September 2011 and April 2012.

21.35 The focus over the next few months will be ensure that effective delivery remains the main focus while work on transforming the ALBs is underway. The new Executive Agencies need to start work with a near full complement of staff, in adequate accommodation and with working IT systems. The possibility of sharing support services and standardising business processes and systems across the Executive Agencies and Department is being actively pursued as a means to save costs.

21.36 The Government had specified in *'The Coalition: our programme for government'* its desire to increase the number of academies and create Free Schools, which are schools established by parents and/or businesses, funded by the Department but free from local authority control. To ensure that the Department focused effectively on these new priorities, I decided that the existing Departmental structure should be rebalanced.

21.37 Therefore, and in addition to the creation of the ALBG, the Communications Group was absorbed into Finance and Corporate Services Directorate (reflecting the reduced focus on marketing and publicity) and the responsibilities of the three policy directorates were restructured, as set out below:

- Education and Standards Directorate focuses on the school curriculum and behaviour, the school workforce and raising standards.
- Children, Young People and Families Directorate focuses on early years, safeguarding children in care and family support.
- Infrastructure and Funding Directorate, whose primary focus is Academies and Free Schools and the relationship between the Department and the Young People's Learning Agency (YPLA).

Academies and Free Schools

21.38 The Academies Act 2010 (which received Royal Assent in July 2010) enabled the Academies Programme to expand beyond the traditional sponsored model; all schools, including primary and special schools, can now apply for conversion to Academy status. The first 35 such Academies were established in September 2010. In April 2010 there were 203 open Academies; this had risen to 629 open Academies by 1 April 2011 and on 3 June 2011 there were 704 open Academies. The inherent risks of the rapid development of the Academies and Free Schools programmes were recognised at an early stage and staff have been recruited to support the programmes. Until its closure, PfS will continue delivering the capital requirements for Free Schools and schools converting into Academies. It is currently working with approximately 40 Free Schools in the pre-opening stage.

21.39 A joint review of the end to end processes for reviewing Academy and Free Schools funding has been undertaken to support this rapid scaling up of the programme. Action is in hand to take forward the recommendations and Internal Audit are about to undertake a Lessons Learned review. These two combined will form a key plank of the work to ensure the smooth transition to the new Education Funding Agency by April 2012.

21.40 A pressure was identified late in the financial year of around £35 million resulting from YPLA's profile of General Administration Grant payments to academies being different to the recoupment of these costs from local authorities. This mismatch has not been detected in previous years as the numbers of academies was relatively low. The increase in the number of academies during 2010-11 has exposed this problem which could become a significant issue in 2011-12 as the programme expands significantly. Work is on-going to determine the accounting treatment of this pressure and to assess the impact and action required.

21.41 Having begun its operations on 1 April 2010 with inherited responsibilities for 16-19 education and training from the Learning and Skills Council, YPLA took on additional responsibility for funding open academies from the Department. In August 2010, they also took over local authorities' responsibility for making payments to sixth form colleges, general further education colleges and other providers. To this was added, from April 2011, responsibility for making payments to local authorities in respect of school sixth forms.

Other Issues

21.42 Responsibility for allocating the Dedicated Schools Grant to maintained schools lies with local authorities. Local authorities allocate funding they receive from the Department using a local formula in consultation with School Forums – local committees comprising head teachers, school governors and academy representatives. Funding for open academies replicate the specific local formula and is topped up with a share of the monies held back by the local authority for central costs. The system has meant that over 100 different funding formulae have had to be used in making allocations.

21.43 Despite this complexity, administration grant of £2,020 million was paid to academies in 2010-11, but three cases of overpayment of grants to academies did occur, leading to a £4.8 million write off. The error occurred through the inclusion of additional year groups in a calculation using year groups who had recently sat Key Stage tests. Ministers agreed that recovery of a proportion of the overpayments (16% of the total overpayment) struck the right balance between value for money and affordability for the academies (given that the overpayment straddled several years); write-off of the outstanding balance has been approved by HM Treasury.

21.44 YPLA has sought to mitigate the risk of recurrence by enhancing the associated assurance processes and has also increased the staffing levels dedicated to this work. In the longer term, the implementation of a fairer funding formula will both militate against the risk of overpayment and provide a more cost effective way of funding academies.

21.45 The Financial Management Standard in Schools (FMSiS) was withdrawn by the Department with effect from 15 November 2010. FMSiS was introduced in the early 2000s and made compulsory in 2007 for all schools. Schools were required to meet the standard every three years by using a self-evaluation tool. The Department is working with schools and local authorities to develop a less complex standard, the Schools Financial Value Standard (SFVS). SFVS is expected to be introduced to all maintained schools in England in summer 2011 and become operational from September 2011.

21.46 Shortly after the Election, the Government announced its decision to close ContactPoint (run by the Department) and the Home Access scheme (operated by BECTA). ContactPoint was switched off on 6 August 2010 and decommissioned in line with Government standards on the Secure Sanitisation of Protectively Marked or Sensitive Information. The cost of setting up ContactPoint was £250 million and the annual administration costs were some £40 million. As detailed in Note 25 (a) (iv) to the Accounts, the cost of terminating the contract was £4.7 million. NAO will be looking at the wind up of the ContactPoint programme and the lessons learned from it; whilst this has yet to commence, they have reviewed the Home Access programme and concluded that governance of the programme, including departmental oversight, had been generally effective.

21.47 The Government also announced that future capital investment in schools would be prioritised so that there would be enough school places to meet demographic pressures and address urgent maintenance needs. The Building Schools for the Future (BSF) programme, delivered by PfS, has therefore been curtailed, with projects which had not yet reached financial closure or final business case being halted.

21.48 This decision was challenged by six Local Authorities, who sought a judicial review (JR) on grounds of irrationality, failure to consult, failure to have due regard for equalities and that there was an substantive legitimate expectation that they would receive funding for their schemes.

21.49 In February 2011, Mr Justice Holman ruled that the Secretary of State won on the legal points of irrationality and substantive legitimate expectation and that the decision to stop the programme had been lawful. The judge ruled in favour of the claimants on failure to consult and to consider the equality impact and ruled that the Secretary of State should reconsider his decision after representations from the six authorities. The consultation launched is in progress.

21.50 For capital programmes more broadly, Sebastian James was asked to undertake an independent review into the future school capital funding and delivery; the report was published on 8 April 2011 and is being considered.

21.51 After the Election there was a very large increase in the volume of letters and emails to Ministers and a backlog of correspondence built up. It was expected that the volumes would subside, but this proved not to be the case. A new Ministerial Correspondence Unit has been established and priority is being given to clearing the backlog.

Update on Issues reported in 2009-10

21.52 Last year I reported that the 2008-09 Accounts for the School Food Trust were qualified because remuneration of £15,000 being paid to the Chair had not received the approval of the Charity Commission. In 2009-10 remuneration amounting to £12,750 was paid to the Chair, covering the period to 31 January 2010 when she retired as Chair; the accounts for 2009-10 were also qualified as the payments was irregular. The Trust ceased paying its new Chair from February 2010 pending approval from the Charity Commissioners. This approval was given in August 2010.

21.53 Last year I reported on the progress that BECTA had made on moving the Universal Home Access computer programme from pilot stage to full nationwide rollout. Home Access provided a grant for low income families in receipt of benefit to provide internet access at home. There was recognition, despite the controls that had been put in place, that levels of fraud might rise to an unacceptable level because of the inherent risk of fraud in the benefit system. In June 2010, the new Government announced that the Home Access programme would be run down as finance for the grant was used up. In the event BECTA's internal controls around the programme at the time of closure suggest that actual fraud levels were 0.05% at the time of closure.

21.54 Last year I reported that CAFCASS had been particularly challenged during the year as there has been a 34% rise in public law cases and 16% rise in private law cases for the year 2009-10 compared to the previous year. A National Audit Office report of 28 July 2010 and subsequent Public Accounts Committee report of 11 November 2010 noted how CAFCASS was responding to the increased workload. The increasing workload has continued during the year, although at a slower rate.

21.55 CAFCASS's Transformation Programme is well on the way to improving performance and productivity. There has been a virtual elimination of unallocated cases and the annual sickness rate for practitioners has reduced from 16 days in 2009-10 to 12 days in 2010-11. A Family Justice Review is underway, looking at how to improve the system so that it is quicker, simpler, more cost effective and fairer while continuing to protect children and vulnerable adults. The interim report was published on 31 March 2011 and, after consideration of comments, the final report will be published in the autumn. This report may have implications for the future of CAFCASS.

Conclusion

21.56 As Accounting Officer, other than for the issues mentioned above, I am satisfied that Department and its NDPBs comply with Treasury's requirements on risk management, internal control and governance, and that prompt remedial action has been taken to address issues that have arisen throughout the period under review.

Sir David Bell *29* June 2011
Accounting Officer

The Certificate and Report 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 for the year ended 31 March 2011 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, Statement of Comprehensive Net Expenditure and the Statement of Financial Position, the Statement of Cash Flows, the Statement of 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 information in the Remuneration Report that is described in that report 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 circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Department; 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. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on Regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions 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 affairs as at 31 March 2011 and of its net cash requirement, net resource outturn and 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 there under.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Management Commentary 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
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

5 July 2011

Statement of Parliamentary Supply

Summary of Resource Outturn 2010-11

		Estimate			Outturn			2010-11 £000	2009-10 £000 Outturn
Request for resources	**Note**	**Gross expenditure**	**A in A**	**Net total**	**Gross expenditure**	**A in A**	**Net total**	**Net Total outturn compared with Estimate: saving/ (excess)**	**Net total**
1	2	56,218,202	(158,916)	56,059,286	55,949,064	(138,701)	55,810,363	248,923	53,922,836
2	2	2,158,614	-	2,158,614	2,134,774	–	2,134,774	23,840	1,894,310
Total resources	3	**58,376,816**	**(158,916)**	**58,217,900**	**58,083,838**	**(138,701)**	**57,945,137**	**272,763**	55,817,146
Non-operating cost A in A				–			–	–	(3,576)

Net cash requirement 2010-11

	Note	Estimate	Outturn	2010-11 £000 Net Total outturn compared with Estimate: saving/ (excess	2009-10 £000 Outturn
Net cash requirement	4	**58,083,392**	**58,025,647**	**57,745**	55,811,519

Summary of income payable to the Consolidated Fund

(In addition to appropriations in aid, the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics and figures in £000s))

		Forecast 2010-11 £000		Outturn 2010-11 £000	
	Note	**Income**	***Receipts***	**Income**	***Receipts***
Total	5	–	–	104	*104*

Descriptions of the requests for resources and explanations of variances between Estimate and outturn are given in note 2 and in the Management Commentary.

The notes on pages 70 to 106 form part of these accounts.

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2011

				2010-11 £000	2009-10 Restated £000
	Note	Staff costs	Other costs	Income	Total
Administration costs:					
Staff costs	8	115,128			123,867
Other administration costs	9		65,868		70,713
Operating income	11			(7,237)	(9,432)
Programme costs:					
Request for resources 1:					
Staff costs	8	18,674			19,832
Programme costs	10		55,749,394		53,790,909
Income	11			(131,568)	(105,458)
Request for resources 2:					
Staff costs	8	80			–
Programme costs	10		2,134,694		1,894,310
Income	11			–	–
Totals		**133,882**	**57,949,956**	**(138,805)**	**55,784,741**
Net operating cost for the year end 31 March	3, 12			**57,945,033**	**55,784,741**

Other Comprehensive Expenditure

	2010-11 £000	2009-10 £000
Net (gain)/loss on revaluation of Property, Plant and Equipment	(13,971)	(263)
Net (gain)/loss on revaluation of Intangibles	(2,292)	(4,297)
Total Comprehensive Expenditure for the year ended 31 March	**57,928,770**	**55,780,181**

All income and expenditure reported in the Statement of Comprehensive Net Expenditure is derived from continuing operations.

The notes on pages 70 to 106 form part of these accounts.

Statement of Financial Position

as at 31 March 2011

	Note		2011 £000		2010 £000		2009 £000
Non-current assets:							
Property, plant and equipment	13	74,732		58,866		43,392	
Intangible assets	14	64,505		67,999		42,237	
Financial assets	15	21,289		21,367		21,906	
Trade and other receivables due after more than one year	16	5,692		5,715		–	
Total non-current assets			**166,218**		**153,947**		**107,535**
Current assets:							
Trade and other receivables	16	63,806		39,683		98,549	
Financial assets repayable within one year	15	79		75		105	
Cash and cash equivalents	17	45		13,915		47,395	
Total current assets			**63,930**		**53,673**		**146,049**
Total assets			**230,148**		**207,620**		**253,584**
Current liabilities:							
Trade and other payables	19	(249,258)		(357,466)		(374,362)	
Other liabilities – cash and cash equivalents	17	(22,850)		–		–	
Total current liabilities			**(272,108)**		**(357,466)**		**(374,362)**
Non-current assets less net current liabilities			**(41,960)**		**(149,846)**		**(120,778)**
Non-current liabilities							
Provisions	20	(36,427)		(25,837)		(48,725)	
Total non-current liabilities			(36,427)		(25,837)		(48,725)
Assets less liabilities			**(78,387)**		**(175,683)**		**(169,503)**
Taxpayers' equity:							
General fund			(99,254)		(184,288)		(175,917)
Revaluation reserve			20,867		8,605		6,414
Total taxpayers' equity			**(78,387)**		**(175,683)**		**(169,503)**

Sir David Bell
(Accounting Officer)

29 June 2011

The notes on pages 70 to 106 form part of these accounts.

Statement of Cash Flows

for the year ended 31 March 2011

	Note	2010-11 £000	2009-10 Restated £000
Cash flows from operating activities			
Net operating cost		(57,945,033)	(55,784,741)
Adjustments for non-cash transactions	9b	49,440	45,598
(Increase) / decrease in stocks		–	–
(Increase) / decrease in trade and other receivables	16	(24,100)	53,151
Less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure		19,810	2,996
Increase / (decrease) in trade payables	19	(108,208)	(16,896)
Less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		13,909	38,310
Use of provisions	20	(12,215)	(46,277)
Net cash outflow from operating activities		**(58,006,397)**	**(55,707,859)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(7,871)	(25,829)
Purchase of intangible assets		(14,275)	(36,771)
Proceeds of disposal of property, plant and equipment		3,000	11
Loans to other bodies		–	–
Repayment from other bodies		–	536
Repayment from financial assets		–	33
Net cash outflow from investing activities		**(19,146)**	**(62,020)**
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		57,989,000	55,781,418
From the Consolidated Fund (Supply) – prior year		–	–
Advances from the Contingencies Fund		–	150
Repayment to the Contingencies Fund		–	(150)
Net financing		**57,989,000**	**55,781,418**
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**(36,543)**	**11,539**
Payments of amounts due to the Consolidated Fund		(177)	(45,019)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**(36,720)**	**(33,480)**
Cash and cash equivalents at the beginning of the period	17	**13,915**	**47,395**
Cash and cash equivalents at the end of the period	17	**(22,805)**	**13,915**

The notes on pages 70 to 106 form part of these accounts.

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2011

	Note	General Fund Restated £000	Revaluation Reserve £000	Total Reserves Restated £000
Balance at 31 March 2009		**(175,917)**	**6,414**	**(169,503)**
Net Parliamentary Funding – drawn down		55,781,418	–	55,781,418
Net Parliamentary Funding – deemed		6,402	–	6,402
Supply payable/(receivable) adjustment		(13,836)	–	(13,836)
CFERs payable to the Consolidated Fund	6,7	(303)	–	(303)
Comprehensive expenditure for the year		(55,784,741)	4,560	(55,780,181)
Non-cash Adjustments:				
Non-cash changes – auditor remuneration	9	320	–	320
Movements in reserves:				
Transfers between reserves		2,369	(2,369)	–
Balance at 31 March 2010 (restated)		**(184,288)**	**8,605**	**(175,683)**
Net Parliamentary Funding – drawn down		57,989,000		57,989,000
Net Parliamentary Funding – deemed		13,836		13,836
Supply payable/(receivable) adjustment		22,810		22,810
CFERs payable to the Consolidated Fund	6,7	(104)		(104)
Comprehensive expenditure for the year		(57,945,033)	16,263	(57,928,770)
Non-cash Adjustments:				
Non-cash changes – auditors remuneration	9	320		320
Movements in reserves:				
OGD asset transfers		208		208
Assets sold as CFER		(4)		(4)
Transfers between reserves		4,001	(4,001)	–
Balance at 31 March 2011		**(99,254)**	**20,867**	**(78,387)**

The General Fund represents the 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 13 and 14).

The notes on pages 70 to 106 form part of these accounts.

Notes to the Departmental Annual Accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2010-11 *Government Financial Reporting Manual (FReM)* issued by HM Treasury, as set out in a statutory Accounts Direction issued pursuant to section 5(2) of the Government Resource and Accounts Act 2000. The accounting policies contained in the *FReM* apply International Financial Reporting Standards (IFRS) 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 Department for the purpose of giving a true and fair view has been selected. The Department's accounting policies 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 Department to prepare an additional primary statement. The *Statement of Parliamentary Supply* and supporting notes show outturn against Supply Estimate in terms of the 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 and intangible assets.

1.2 Inter-Departmental transfers of functions: Restatement of prior year comparators

Machinery of Government changes, which involve the merger of transfer of functions or responsibility of one part of the public service sector to another, are accounted for using merger accounting in accordance with the *FReM*. They are outside the scope of IFRS 3 *Business Combinations*, as central Government bodies are deemed to be under common control.

Merger accounting requires the restatement of the opening Statement of Financial Position and the prior year's Statement of Comprehensive Net Expenditure, the Statement of Cash Flows and associated Notes to the Accounts. Where appropriate, the presentation of the Notes to the Accounts has also been changed in order to reflect a consistent approach to the disclosures.

The Machinery of Government changes, included in the Department's 2010-11 Accounts, relate to:

- Transfer of responsibility for Youth Justice policy to the Ministry of Justice.
- Transfer of responsibility for Further Education funding from the former Learning and Skills Council to the Young People's Learning Agency.
- Transfer of Academies revenue funding to the Young People's Learning Agency.
- Transfer of function from QCDA to OFQUAL.

The impact on the prior year comparatives is disclosed in Note 29 of these Accounts.

1.3 Basis of preparation

During 2010-11 the Department had responsibility for ten executive non-departmental public bodies (NDPBs). However, as they are deemed to be outside the Departmental boundary as defined in the *FReM* (chapter 2), their results have not been consolidated into these accounts.

1.4 Property, plant and equipment

The minimum level for capitalisation of capital 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 bulked together and recorded as bulk assets. The asset value on capitalisation is measured at cost plus any costs, such as installation, directly attributable to bringing them into working condition.

All property, plant and equipment are restated to existing use value each year. Freehold land and buildings have been restated at current cost using professional valuations in accordance with IAS 16 every 5 years and by using appropriate indices supplied by HM Treasury in the intervening years. Other property, plant and equipment have been stated at existing use value using appropriate indices published by the Office for National Statistics.

1.5 Depreciation

Depreciation is provided at rates calculated to write off the valuation of freehold buildings and other property, plant and equipment by equal instalments over their estimated useful lives. Freehold land is not depreciated.

Asset lives are normally in the following ranges:

Freehold Land & Buildings	up to 50 years
Furniture & Fittings	7 – 10 years
Plant and Machinery	3 – 10 years
Information Technology	3 – 7 years
Transport Equipment	5 – 8 years

Included in furniture and fittings is a suite of designer office furniture manufactured for ministerial use in 1961 which is currently on loan to the Edward Barnsley workshop where it is on display. In 2006 the Department assigned a 20 year remaining asset life to this specific suite of furniture.

1.6 Intangible assets

Purchased computer software licences and developed software are capitalised as intangible assets where expenditure of £2,500 or more is incurred. The software licences are amortised over the shorter of the licence period or its useful economic life limited to a range of 2 – 5 years. Developed software is amortised over its useful economic life of 5 years. Both have been stated at existing use value, using appropriate indices published by the Office of National Statistics.

Teachers' TV programmes consist of two categories and the useful economic life over which they are amortised, based on usage, is as follows:

News and current affairs	2 years
Other programmes	6 years

1.7 Financial instruments

The Department adopts International Financial Reporting Standard (IFRS) 7, Financial Instruments: Disclosures, IAS 32 Financial Instruments: Presentation and IAS 39 Financial Instruments: Recognition and Measurement. The Department does not have any complex financial instruments; however, financial assets and financial liabilities are recognised on DfE's Statement of Financial Position when DfE becomes party to the contractual provisions of the instrument. Embedded derivatives are recognised if separable from the host contract.

Financial assets

Financial assets are classified where appropriate as loans and receivables; available-for-sale financial assets at fair value through profit and loss. Financial assets include cash and cash equivalents, trade and other receivables and derivative financial instruments. DfE determines the classification of its financial instruments 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, DfE does not have any financial assets that need to be classified available-for-sale or financial assets at fair value through profit or loss, neither does it have cash equivalents or derivative financial instruments. DfE's financial assets include trade and other receivables and cash.

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

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. If time value of money is of significance, they are then carried at amortised cost using effective interest method. Appropriate allowances (provisions/write-offs) for estimated irrecoverable amounts (bad debts) are recognised in the Statement of Comprehensive Net Expenditure 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. The carrying amount of the asset is reduced, with the loss recognised in the Statement of Comprehensive Net Expenditure.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits. DfE does not have other short term highly liquid investments that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value i.e. cash equivalents.

Financial liabilities

Financial liabilities are classified, where appropriate, at fair value through profit or loss, or as financial liabilities measured at amortised cost (face value plus any discounts). Financial liabilities include trade and other payables, accruals and derivative financial instruments. DfE does not currently have financial liabilities classified as fair value through profit or loss, neither does it have derivative financial instruments. DfE determines the classification of its financial liabilities at initial recognition. DfE's financial liabilities include trade and other payables.

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, if the time value of money is of significance.

Embedded derivatives

DfE applies International Financial Reporting Interpretations Committee (IFRIC) 9: Reassessment of Embedded Derivatives in full. DfE assesses whether an embedded derivative is required under IAS 39 to be separated from the host contract and accounted for as a derivative when it first becomes a party to the contract. DfE will only reassess if there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract.

1.8 Research and development

Expenditure on research and development is reported as programme expenditure in the Statement of Comprehensive Net Expenditure in the year in which it is incurred. 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.

1.9 Operating income

Operating income is income which relates directly to the operating activities of the Department. It includes both income appropriated-in-aid as authorised in the Supply Estimate (such as general administration receipts and income from other departments for payment to DfE's NDPBs), and income to the Consolidated Fund that HM Treasury has agreed should be treated as operating income. Income is stated net of VAT.

1.10 Administration and programme expenditure

The Statement of Comprehensive Net Expenditure is analysed between administration and programme income and expenditure. The classification of expenditure and income as administration or programme follows the definition of administration costs set out by HM Treasury in its '*Consolidated Budgeting Guidance*'.

Administration costs reflect the costs of running the Department as defined under the administration cost control regime, together with associated operating income. Income is analysed in the notes between that which, under the regime, is allowed to be offset against gross administrative costs in determining the outturn against the administration budget, and that operating income which is not.

Programme costs reflect non-administration costs, including payments of grants and other disbursements by the Department. The Department has authority from HM Treasury to treat the staff costs of the Academies programme, Corporate Transformation programme and Centre for Procurement Performance as programme costs because they relate directly to programme delivery.

1.11 Foreign exchange

Transactions that are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the date of each transaction, except where rates do not fluctuate significantly, in which case an average rate for a period is used.

1.12 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. The Department recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution scheme, the Department recognises the contributions payable for the year.

1.13 Leases

Operating leases are charged to the Statement of Comprehensive Net Expenditure as expenditure is incurred.

1.14 Early departure costs

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

1.15 Grants payable

The majority of grants made by the Department 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 will be accrued in the Statement of Comprehensive Net Expenditure and shown as a liability on the Statement of Financial Position.

Grants paid to local authorities remaining unspent at the year end may be retained to fund future activity. The Department does not recognise a prepayment except where there are specific clawback provisions.

1.16 Provisions

The Department makes provision in the account where the following criteria are met at 31 March in accordance with IAS 37: 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 Department reflects the time value of money in the estimate where the impact is material using the HM Treasury discount rates of 2.2% (2.2% in 2009-10) for general provisions and 2.9% (1.8% 2009-10) for early departure costs.

1.17 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37 the Department discloses for Parliamentary reporting and accountability purpose certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of *Managing Public Money.*

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. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

1.18 Value Added Tax

Most of the activities of the Department are outside the scope of VAT and, in general, output tax does not apply and 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, plant and equipment and intangible assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.19 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 Department must disclose where it has not applied a new IFRS that has been issued but is not yet effective. The Department has chosen not to adopt early requirements of the following accounting standards and interpretations, which have an effective date (shown in brackets) after the date of these financial statements:

- IFRS 9 Financial Instruments issued 2009 (1 January 2013)
- IAS 1 Presentation of Financial Statements issued 2010 (1 January 2011)

The Department does not expect the future adoption of these standards to have a material impact on the financial statements.

In addition the following significant *FReM* changes are expected for 2011-12:

- Parliamentary accountability – Estimates from 2011-12 should be based on departmental budgets, and the structure of the Estimates should reflect the split between the Departmental Expenditure Limit (DEL) and Annually Managed Expenditure (AME), with consequential adjustments to the Statement of Parliamentary Supply.
- Accounting boundaries – Revises the departmental accounting boundary to include non- departmental public bodies and other bodies classified to central government by the Office of National Statistics. The *FReM* also interprets IAS 27 in relation to the consolidation boundary.

1.20 Prior period adjustment

In line with HM Treasury advice, Prior Period Adjustments (PPAs) arising from the removal of the cost of capital charge was not included in the Spring Supplementary Estimates for 2010-11, other than as a note, on the basis that the PPA numbers could have been misleading. The impact of these accounting policy changes on Supply outturn in respect of 2009-10 are shown in note 1.21 below. PPAs arising from an error in previous recording or any other changes in accounting policy were included in the Estimates in line with conventional arrangements.

1.21 Capital charge

The removal of the cost of capital charge has the following effect on Resource outturn in 2009-10. The Statement of Parliamentary Supply and related notes have not been restated for this effect.

	2009-10 £000
Net Resource Outturn (Statement of Parliamentary Supply)	55,817,146
Removal of the cost of capital charge	5,433
Adjusted Net Resource Outturn	55,822,579

The Statement of Comprehensive Net Expenditure also increased by £5,433,000 and there was no impact on the Statement of Financial Position as there was an equal and opposite entry recorded in the General Fund.

2. Analysis of net resource outturn by section

							2010-11 £000		2009-10 £000
						Outturn	Estimate		
	Admin	Other current	Grants	Gross resource expenditure	A in A	Net total	Net total	Net total outturn compared with Estimate	Prior year outturn
Request for resources 1 – To help build a competitive economy and inclusive society by: creating opportunities for everyone to develop their learning; releasing potential in people to make the most of themselves; and achieving excellence in standards of education and levels of skills									
Spending in Departmental Expenditure Limits (DEL)									
Central Government spending									
A Activities to Support all Functions	179,617	49,160	2,008	230,785	(15,243)	215,542	220,373	4,831	271,007
B Support for Schools and Teachers not through Local Education Authorities	–	223,831	707,043	930,874	(48,984)	881,890	934,885	52,995	2,163,298
C Support for Children and Families not paid through Local Authorities	–	104,088	115,486	219,574	(17,582)	201,992	238,105	36,113	272,959
D Support for Youth not paid through Local Authorities	–	49,245	882,741	931,986	(56,892)	875,094	927,859	52,765	8,257,760
E Compensation to Former College of Education Staff	–	11,835	–	11,835	–	11,835	11,482	(353)	12,057
Support for Local Authorities									
F Current Grants for Local Education Authorities to Support Schools and Teachers	–	–	5,427,773	5,427,773	–	5,427,773	5,441,703	13,930	4,823,236
G Capital Grants for Local Education Authorities to Support Schools	–	–	15,143	15,143	–	15,143	28,530	13,387	15,207
H Current Grants for Local Authorities to support Children and Families	–	2,180	333,049	335,229	–	335,229	359,091	23,862	251,254
I Capital Grants to Local Authorities to support Children and Families	–	(4)	112,648	112,644	–	112,644	123,874	11,230	202,110
J Dedicated Schools Grant	–	–	30,477,568	30,477,568	–	30,477,568	30,522,055	44,487	29,670,047
K Area Based Grants	–	–	994,329	994,329	–	994,329	994,329	–	1,292,365
Spending in Annually Managed Expenditure (AME)									
Central Government spending									
L Activities to support all functions (AME)	–	25,774	–	25,774	–	25,774	943	(24,831)	344
Non-Budget									
M Grant in Aid to NDPBs supporting Schools	–	–	6,263,993	6,263,993	–	6,263,993	6,322,478	58,485	6,191,612
N Grant in Aid to NDPBs supporting Children and Families	–	–	239,657	239,657	–	239,657	234,937	(4,720)	208,925
O Grant in Aid to NDPBs supporting Youth	–	–	9,627,560	9,627,560	–	9,627,560	9,573,539	(54,021)	179,886

	Outturn						2010-11 £000 Estimate		2009-10 £000
	Admin	Other current	Grants	Gross resource expenditure	A in A	Net total	Net total	Net total outturn compared with Estimate	Prior year outturn
Spending in Departmental Expenditure Limits (DEL)									
Support for Local Authorities									
P Current Grants to Local authorities to support Youth Programmes	–	30	104,310	104,340	–	104,340	125,103	20,763	110,769
Total	**179,617**	**466,139**	**55,303,308**	**55,949,064**	**(138,701)**	**55,810,363**	**56,059,286**	**248,923**	**53,922,836**

Request for resources 2 – Promoting the physical, intellectual and social development of babies and young children through Sure Start, Early Years Provision and Childcare

	Admin	Other current	Grants	Gross resource expenditure	A in A	Net total	Net total	Net total outturn compared with Estimate	Prior year outturn
Spending in Departmental Expenditure Limits (DEL)									
Central Government spending									
A Support for Sure Start, Early Years and Childcare not paid through Local Authorities	–	12,063	10,693	22,756	–	22,756	50,425	27,669	60,129
Support for Local Authorities									
B Current Grants to Local Authorities to support Sure Start, Early Years and Childcare	–	–	1,602,804	1,602,804	–	1,602,804	1,586,764	(16,040)	1,432,942
C Capital Grants to Local Authorities to support Sure Start, Early Years and Childcare	–	–	485,502	485,502	–	485,502	493,025	7,523	376,439
Non-Budget									
D Grant in Aid to NDPBs supporting Children and Families	–	–	23,712	23,712	–	23,712	28,400	4,688	24,800
Total	**-**	**12,063**	**2,122,711**	**2,134,774**	**–**	**2,134,774**	**2,158,614**	**23,840**	**1,894,310**
Resource Outturn	**179,617**	**478,202**	**57,426,019**	**58,083,838**	**(138,701)**	**57,945,137**	**58,217,900**	**272,763**	**55,817,146**

Explanation of variances

Detailed explanations of the variances are given in the Management Commentary in Section 13.

3. Reconciliation of outturn to net operating cost and against Administration Budget

3(a) Reconciliation of net resource outturn to net operating cost

		2010-11			2009-10 Restated
				£000	£000
	Note	Outturn	Supply Estimate	Outturn compared with Estimate	Outturn
Net Resource Outturn	2	57,945,137	58,217,900	272,763	55,817,146
Prior period adjustments		–	–	–	–
Non-supply income (CFERs)	5	(104)	–	104	(303)
Non-supply expenditure		–	–	–	–
Restatement to remove cost of capital		–	–	–	5,433
Restatement for Machinery of Government Changes	29				(37,535)
Net operating cost		**57,945,033**	**58,217,900**	**272,867**	**55,784,741**

3(b) Outturn against final Administration Budget

	2010-11		2009-10 Restated
		£000	£000
	Budget	Outturn	Outturn
Gross Administration Budget	187,947	179,617	194,594
Income allowable against the Administration Budget	(10,607)	(7,133)	(9,129)
Net outturn against final Administration Budget	**177,340**	**172,484**	**185,465**

4. Reconciliation of net resource outturn to net cash requirement

	Note	Estimate £000	Outturn £000	Net total outturn compared with Estimate: saving/ (excess) £000
Resource Outturn	2	58,217,900	57,945,137	272,763
Capital				
Acquisition of assets	13, 14	24,345	22,146	2,199
Investments		–	–	–
Loans issued in year	15	–	–	–
Non-operating A in A				
Proceeds of asset disposals	7	–	–	–
Repayment of loans	7	–	–	–
Repayment of financial assets	7	–	–	–
Accruals adjustments				
Non-cash items	9b	(14,719)	(49,440)	34,721
Changes in working capital other than cash		(148,602)	95,589	(244,191)
Changes in payables falling due after more than one year	19	–	–	–
Use of provisions	20	4,468	12,215	(7,747)
Excess cash receipts surrenderable to the Consolidated Fund		–	–	–
Net cash requirement		**58,083,392**	**58,025,647**	**57,745**

The Department has stayed within £58 million (0.1%) of its cash requirement limit. This is mainly due to the £273 million underspend on the net resources limit. Further information on the variances can be found in the financial performance section of the Management Commentary (paragraph 13).

5. Analysis of income payable to the Consolidated Fund

In addition to Appropriations in Aid (A in A), the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics).

		Forecast 2010-11		Outturn 2010-11	
		Income	***Receipts***	**Income**	***Receipts***
	Note	**£000**	**£000**	**£000**	**£000**
Operating income and receipts – excess A in A		–	–	–	–
Other operating income and receipts not classified as A in A		–	–	104	*104*
		–	–	104	*104*
Non-operating income and receipts – excess A in A					
Other non-operating income and receipts not classified as A in A					
Other amounts collectable on behalf of the Consolidated Fund					
Excess cash surrenderable to the Consolidated Fund					
Total income payable to the Consolidated Fund		–	–	**104**	***104***

6. Reconciliation of income recorded within the Statement of Comprehensive Net Expenditure to operating income payable to the Consolidated Fund

	Note	**2010-11 £000**	**2009-10 restated £000**
Operating income	11	138,805	114,890
Adjustments for transactions between RfRs		–	–
Gross income		138,805	114,890
Income authorised to be appropriated-in-aid	2	138,701	114,587
Operating income payable to the Consolidated Fund	5	**104**	**303**

7. Non-operating income – Excess appropriations in aid

	Note	**2010-11**	**2009-10**
		£000	**£000**
Principal repayments of loans to schools		–	536
NCSL Finance Lease repayment		–	33
Proceeds from disposal of assets		–	3,007
Gross income		–	3,576
Income authorised to be appropriated-in-aid		–	3,576
Total income payable to the Consolidated Fund	5	**–**	**–**

8. Staff numbers and related costs

Staff costs consist of:

	2010-11					2009-10
						Restated
					£000	£000
	Total	Permanently employed staff	Other[1]	Ministers	Special advisers	Total
Wages and salaries	**106,187**	97,981	7,726	347	133	**114,228**
Social security costs	**8,363**	8,306	19	25	13	**8,901**
Other pension costs	**19,332**	19,307	8	–	17	**20,570**
Sub Total	**133,882**	**125,594**	**7,753**	**372**	**163**	**143,699**
Charged to admin staff costs	115,128	113,553	1,040	372	163	123,867
Charged to programme costs [2]	18,754	12,041	6,713	–	–	19,832
Sub Total	133,882	125,594	7,753	372	163	**143,699**
Less recoveries in respect of outward secondments	(978)	(978)	–	–	–	(1,466)
Total Net Costs	**132,904**	**124,616**	**7,753**	**372**	**163**	**142,233**

[1] The fees paid for agency staff, interim labour and secondees into the Department is a flat fee which includes social security, holiday pay, pension costs etc. For the purposes of this note the total amount is disclosed as wages and salaries.

[2] HM Treasury have given approval for the costs of staff employed on the delivery of the Academies programme, the Corporate Transformation programme and Centre for Procurement Performance to be charged to programme expenditure.

All early departure costs are included within other administration (note 9) rather than staff costs.

Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Department for Education is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. You can find details in the annual accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2010-11, employers' contributions of £19,239,667 were payable to the PCSPS (2009-10: £20,755,945) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The Scheme's 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 2010-11 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £67,574.23 (2009-10: £59,891.20) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £4,419.04 (2009-10: £3,630.52), 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £5,370.11. Contributions prepaid at that date were nil.

One person (2009-10: two persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £2,147.05 (2009-10: £3,039.78).

Average number of persons employed

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

	2010-11					2009-10
					Number	Restated Number
	Total	Permanent staff	Others	Ministers	Special advisers	Total
Number of staff charged to admin costs	**2,317**	2,254	55	6	2	2,570
Number of staff charged to programme costs	**253**	204	49	–	–	304
Total	**2,570**	2,458	104	6	2	2,874

Reporting of Civil Service and other compensation schemes – exit packages

Exit package cost band	**Compulsory redundancies 2010-11**	**Number of other departures agreed 2010-11 (includes early releases and 1 dismissal)**	**Compulsory redundancies 2009-10**	**Number of other departures agreed 2009-10 (includes early releases and 2 dismissals)**
<£10,000	–	18	–	6
£10,000 to £25,000	–	30	–	19
£25,001 to £50,000	–	33	–	20
£50,001 to £100,000	–	36	–	47
£100,001 to £150,000	–	13	–	31
£150,001 to £200,000	–	8	–	24
£200,001 to £250,000	–	3	–	21
£250,001 to £300,000	–	–	–	5
£300,001 to £350,000	–	–	–	9
£350,001 to £400,000	–	–	–	4
£400,001 to £450,000	–	1	–	-
£450,001 to £500,000	–	–	–	1
Total number of exit packages	–	142	–	187
Total costs £	**–**	**8,087,480**	**–**	**23,363,382**

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year the departure is agreed. Where the Department has agreed early retirements, the additional costs are met by the Department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

9(a) Other administration costs

	Note		2010-11		2009-10 Restated
		£000	£000	£000	£000
Rentals under operating leases:					
Hire of plant and machinery		54		1,027	
Other operating leases		10,938	10,992	11,688	12,715
Non-cash items:	9b				
Depreciation					
Civil Estate		884		343	
Other property, plant and equipment		5,504		6,623	
Amortisation of intangible assets		5,518		5,435	
Permanent diminution in asset values		792		(486)	
Profit on disposal of assets		(1)		(27)	
Loss on disposal of assets		407		13	
Auditor's remuneration		320		320	
Early departure provision:	20				
Provided in year		522		821	
Not required written back		–		(25)	
Discount change revaluation		(41)		180	
Unwinding of discount		106		268	
Total administration non-cash items			14,011		13,465
Professional fees			10,887		6,421
Travel and subsistence			2,365		4,714
Consultancy			1,847		4,971
Rates and service charges			4,166		3,843
Computers and telecoms costs			7,169		6,662
Utilities			1,301		1,829
Advertising and publicity			417		1,022
Other office services			5,290		5,207
Other expenditure			7,423		9,864
Total			**65,868**		**70,713**

The auditor's remuneration represents the cost of the audit of the DfE and Teachers' Pension Scheme financial statements carried out by the Comptroller and Auditor General. The auditor received no remuneration for non-audit work.

9(b) Total non-cash transactions

The non-cash transactions included in the Reconciliation of Resources to Net Cash Requirement in note 4 and in the Statement of Cash Flows:

	Note	2010-11 £000	2009-10 £000
Other administration costs – non-cash items	9a	14,011	13,465
Programme non-cash costs charged to operating expenditure	10	35,429	32,133
Less non-cash income:			
Profit on sale of assets		–	–
Total non-cash transactions		**49,440**	**45,598**

10. Programme costs

	Note	2010-11 £000	2009-10 Restated £000
Current grants, capital grants and other current expenditure:			
Grant in Aid		16,154,922	15,054,671
Capitals grants		1,050,842	1,207,051
Dedicated Schools Grant		30,477,568	29,670,047
Area Based Grant		994,329	1,315,347
Standard Fund		3,784,257	3,259,366
School Standard Grant		1,570,538	1,556,042
Sure Start current grants to Local Authorities		1,602,804	1,432,942
Current grants		1,790,759	1,351,448
Other current expenditure		397,923	792,909
Research and development costs		24,717	13,263
Non-cash items:	9b		
Depreciation		41	38
Amortisation		10,919	9,759
Permanent diminution in asset values		2,177	191
Financial asset reduction		74	–
Provisions:	20		
Provided in year		22,074	23,586
Not required written back		–	(2,118)
Discount change revaluation		(118)	454
Unwinding of discount		262	223
Total programme costs		**57,884,088**	**55,685,219**

Dedicated Schools Grants (DSG)

Total programme costs includes an amount of £30.5 billion for DSG which is paid to local authorities on the basis of an agreed formula for distribution to maintained schools to pay for day-to day running costs for the financial year. Local authorities are allowed to carry over unspent DSG to the following financial year for subsequent distribution to schools. At the end of 2009-10 £199 million (0.7%) was carried forward to 2010-11.

In addition, schools carry over unspent DSG balances to future years. During 2009-10 schools balances fell by £116 million (equivalent to 0.4% of DSG) to some £1.67 billion. Early indications for 2010-11, based on data from around 120 local authorities, are that school balances have increased by some £200 million (0.7% of DSG). The Department will continue to monitor the total of balances and will consider further action to reduce the unspent balances.

11. Income

			2010-11	2009-10 Restated
			£000	£000
	RfR 1	RfR 2	Total	Total
Administration income:				
Fees and charges to external customers	(137)	–	(137)	(179)
Rental income from external tenants	(2,599)	–	(2,599)	(524)
Shared service income	(1,865)	–	(1,865)	(7,272)
Rental income from within DfE group	(1,538)	–	(1,538)	–
Other miscellaneous	(994)	–	(994)	(1,154)
CFER	(104)	–	(104)	(303)
	(7,237)	–	(7,237)	(9,432)
Programme income:				
Rental income from within DfE group	(6,442)	–	(6,442)	(6,381)
Area Based Grants income	(13,211)	–	(13,211)	(22,982)
Aim Higher	(25,333)	–	(25,333)	–
Standard Fund income	-	–	–	(21,506)
Think Family income	(17,071)	–	(17,071)	(14,005)
YPLA receipt	(53,360)	–	(53,360)	–
QCDA receipt	-	–	–	(15,806)
Other income	(16,151)	–	(16,151)	(24,778)
CFER miscellaneous income	-	–	–	–
	(131,568)	–	(131,568)	(105,458)
Total	**(138,805)**	**–**	**(138,805)**	**(114,890)**

12. Analysis of net operating cost by spending body

		2010-11	2009-10 Restated
	£000	£000	£000
	Estimate	Outturn	Outturn
Spending body:			
Grant in aid to Non-Departmental Public Bodies (NDPBs):			
British Educational Communications and Technology Agency (BECTA)	185,611	189,558	80,375
Children and Family Court Advisory and Support Service (CAFCASS)	132,103	143,414	131,214
Children's Workforce Development Council (CWDC)	128,761	117,428	99,841
National College for School Leadership (NCSL)	110,893	108,500	124,500
Office of the Children's Commissioner (OCC)	2,473	2,527	2,670
Partnerships for Schools (PfS)	5,275,570	5,231,563	5,194,589
Qualifications and Curriculum Development Agency (QCDA)	100,441	128,000	162,723
School Food Trust (SFT)	11,755	6,910	10,540
Training and Development Agency for Schools (TDA)	738,649	727,462	781,608
Young People's Learning Agency (YPLA)	9,473,098	9,499,560	8,466,611
Building Schools for the Future Investments Limited (BSFI Ltd)	8,030	4,029	6,891
Local Authorities	39,674,474	39,555,332	38,174,369
Payment to BIS for DfE programmes delivered by the SFA	812,175	797,253	705,700
Other DfE	1,563,867	1,433,497	1,843,110
Net operating cost	**58,217,900**	**57,945,033**	**55,784,741**

13. Property, plant and equipment

	Buildings £000	Land £000	Plant & Machinery £000	Information Technology £000	Transport Equipment £000	Furniture & Fittings £000	Assets Under Construction £000	Total £000
Cost or valuation								
At 1 April 2009	18,303	3,787	308	23,083	49	18,805	9,101	73,436
Additions	–	–	–	1,112	–	72	23,618	24,802
Disposals	(4,101)	–	(49)	(2,771)	(49)	(1,296)	–	(8,266)
Reclassification	–	–	–	3,663	–	2,664	(6,327)	–
Revaluations	(1,030)	(323)	6	3,299	–	532	–	2,484
At 31 March 2010	**13,172**	**3,464**	**265**	**28,386**	**–**	**20,777**	**26,392**	**92, 456**
Depreciation								
At 1 April 2009	5,136	–	199	17,795	37	6,877	–	30,044
Provided in year	343	–	24	4,103	–	2,534	–	7,004
Disposals	(1,126)	–	(42)	(2,770)	(37)	(1,295)	–	(5,270)
Revaluations	(316)	–	3	2,007	–	118	–	1,812
At 31 March 2010	**4,037**	**–**	**184**	**21,135**	**–**	**8,234**	**–**	**33,590**
Net book value at 31 March 2010	**9,135**	**3,464**	**81**	**7,251**	**–**	**12,543**	**26,392**	**58,866**
Net book value at 31 March 2009	**13,167**	**3,787**	**109**	**5,288**	**12**	**11,928**	**9,101**	**43,392**
Asset financing:								
Owned	9,135	3,464	81	7,251	–	12,543	26,392	58,866
Net book value at 31 March 2010	**9,135**	**3,464**	**81**	**7,251**	**–**	**12,543**	**26,392**	**58,866**

Assets under construction (AUC) includes the purchase of 2 St Paul's Place, Sheffield following the disposal of Moorfoot, Sheffield.

13. Property, plant and equipment *(Continued)*

	Buildings	Land	Plant & Machinery	Information Technology	Transport Equipment	Furniture & Fittings	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1 April 2010	13,172	3,464	265	28,386	–	20,777	26,392	92,456
Additions	–	209	–	864	–	654	6,353	8,080
Disposals	–	–	(39)	(5,078)	–	(1,559)	–	(6,676)
Reclassification	26,251	–	–	477	–	255	(27,138)	(155)
Revaluations	5,281	10,333	17	(256)	–	568	–	15,943
At 31 March 2011	**44,704**	**14,006**	**243**	**24,393**	**–**	**20,695**	**5,607**	**109,648**
Depreciation								
At 1 April 2010	4,037	–	184	21,135	–	8,234	–	33,590
Provided in year	884	–	17	2,750	–	2,778	–	6,429
Disposals	–	–	(28)	(5,075)	–	(1,162)	–	(6,265)
Reclassification	–	–	–	(290)	–	–	–	(290)
Revaluations	1,423	–	13	264	–	(248)	–	1,452
At 31 March 2011	**6,344**	**–**	**186**	**18,784**	**–**	**9,602**	**–**	**34,916**
Net book value at 31 March 2011	**38,360**	**14,006**	**57**	**5,609**	**–**	**11,093**	**5,607**	**74,732**
Net book value at 31 March 2010	**9,135**	**3,464**	**81**	**7,251**	**–**	**12,543**	**26,392**	**58,866**
Asset financing:								
Owned	38,360	14,006	57	5,609	–	11,093	5,607	74,732
Net book value at 31 March 2011	**38,360**	**14,006**	**57**	**5,609**	**–**	**11,093**	**5,607**	**74,732**

The Department's surveyors DTZ revalue land and buildings in accordance with the RICS Appraisal and Valuation Manual. During the year Castle View House (Runcorn headquarter site) and Sheffield Nursery were valued on an existing use value basis in February 2011. Culham Estate was also revalued on a depreciated replacement cost basis in March 2011. All other property, plant and equipment were revalued on the basis of monthly indices, provided by the Office for National Statistics. The Department is not aware of any material change to the valuation of the properties since the last professional valuation by DTZ.

Included in land additions is a playing field attached to the European school estate at Culham, which was acquired during the year.

Assets under construction (AUC) relates to IT projects.

14. Intangible assets

	Software Licences £000	Developed Software £000	Teachers' TV Programmes £000	Assets Under Construction £000	Total £000
Cost or valuation					
At 1 April 2009	4,609	9,305	23,005	21,354	58,273
Additions	145	–	–	36,626	36,771
Disposals	–	–	–	–	–
Reclassification	586	12,012	16,295	(28,893)	–
Revaluations	783	3,406	1,481	–	5,670
At 31 March 2010	**6,123**	**24,723**	**40,781**	**29,087**	**100,714**
Amortisation					
At 1 April 2009	3,139	3,912	8,985	–	16,036
Charged in year	882	4,827	9,485	–	15,194
Disposals	–	–	–	–	–
Revaluations	447	536	502	–	1,485
At 31 March 2010	**4,468**	**9,275**	**18,972**	**–**	**32,715**
Net book value at 31 March 2010	**1,655**	**15,448**	**21,809**	**29,087**	**67,999**
Net book value at 31 March 2009	**1,470**	**5,393**	**14,020**	**21,354**	**42,237**

	Software Licences £000	Developed Software £000	Teachers' TV Programmes £000	Assets Under Construction £000	Total £000
Cost or valuation					
At 1 April 2010	6,123	24,723	40,781	29,087	100,714
Additions	1,176	–	–	13,099	14,275
Disposals	(101)	(51)	(4,520)	–	(4,672)
Reclassification	504	21,551	8,356	(30,256)	155
Revaluations	(263)	(2,095)	2,654	–	296
At 31 March 2011	**7,439**	**44,128**	**47,271**	**11,930**	**110,768**
Amortisation					
At 1 April 2010	4,468	9,275	18,972	–	32,715
Charged in year	906	6,952	8,579	–	16,437
Disposals	(101)	(51)	(4,520)	–	(4,672)
Reclassification	–	290	–	–	290
Revaluations	(161)	88	1,566	–	1,493
At 31 March 2011	**5,112**	**16,554**	**24,597**	**–**	**46,263**
Net book value at 31 March 2011	**2,327**	**27,574**	**22,674**	**11,930**	**64,505**
Net book value at 31 March 2010	**1,655**	**15,448**	**21,809**	**29,087**	**67,999**

Software licences and developed software assets were revalued in March 2011 on the basis of monthly indices provided by the Office for National Statistics.

The value of the Teachers' TV assets is based on the actual cost of production, revalued annually to modified historic value using the retail price index (RPI).

The majority of assets under construction (AUC) relates to programme developed software projects.

15. Other financial assets – loans and receivables

	School loans	NCSL finance lease	Total
	£000	**£000**	**£000**
Balance at 1 April 2009	1,149	20,757	21,906
Amounts previously transferred to receivables 2008-09	72	33	105
Total outstanding at 1 April 2009	**1,221**	**20,790**	**22,011**
Additions	–	–	–
Repayments	(536)	(33)	(569)
	685	**20,757**	**21,442**
Repayable within one year transferred to receivables	(40)	(35)	(75)
Balance at 31 March 2010	**645**	**20,722**	**21,367**

	School loans	NCSL finance lease	Total
	£000	**£000**	**£000**
Balance at 1 April 2010	645	20,722	21,367
Amounts previously transferred to receivables 2009-10	40	35	75
Total outstanding at 1 April 2010	**685**	**20,757**	**21,442**
Additions	–	–	–
Repayments	(40)	(34)	(74)
	645	**20,723**	**21,368**
Repayable within one year transferred to receivables	(43)	(36)	(79)
Balance at 31 March 2011	**602**	**20,687**	**21,289**

Analysis of expected timing of present value of minimum lease payments receivable

Later than one year and not later than five years	155
Later than five years	20,532
Balance at 31 March 2011	**20,687**

The school loans above are loans issued to voluntary aided schools for capital projects under Schedule 3 of the Schools Standards & Framework Act 1998. Interest is charged in accordance with the HM Treasury lending rates. At 31 March 2011 there were two outstanding loans (two in 2009-10), and all balances are scheduled for repayment by 2025.

The Department is the lessor of the finance lease above, in respect of the National College for School Leadership (NCSL) building on the Nottingham University Campus. In addition to the repayments in the table above, the Department also received £687,000 (2009-10: £688,000) of interest payments from NCSL in respect of the lease. The lease is due to expire in May 2101.

Risks associated with other financial assets are disclosed in note 24.

16. Trade receivables and other current assets

16(a) Analysis by type

	2010-11	2009-10	2008-09
	£000	£000	£000
Amounts falling due within one year:			
Trade receivables	7,834	11,562	4,700
VAT	779	1,567	2,524
Deposits and advances	409	494	1,407
Other receivables	110	119	326
Prepayments and accrued income	31,864	25,941	89,592
Amounts due from the Consolidated Fund for supply but undrawn at year end	22,810	–	–
	63,806	**39,683**	**98,549**
Amounts falling due after more than one year:			
Prepayments and accrued income	**5,692**	**5,715**	**–**

16(b) Intra-Government balances

	Amounts falling due within one year			Amounts falling due after more than one year		
	2010-11	2009-10	2008-09	2010-11	2009-10	2008-09
	£000	£000	£000	£000	£000	£000
Balances with other central government bodies	54,108	19,117	9,488	–	–	–
Balances with local authorities	1,284	12,510	72,269	–	–	–
Balances with NHS Trusts	–	7	147	–	–	–
Balances with public corporations and trading funds	119	–	–	–	–	–
Sub total – intra-government balances	**55,511**	**31,634**	**81,904**	**–**	**–**	**–**
Balances with bodies external to government	8,295	8,049	16,645	5,692	5,715	–
Total receivables at 31 March	**63,806**	**39,683**	**98,549**	**5,692**	**5,715**	**–**

17. Cash and cash equivalents

	2010-11 £000	2009-10 £000
Balance at 1 April	13,915	47,395
Net change in cash and cash equivalent balances	(36,720)	(33,480)
Balance at 31 March	**(22,805)**	**13,915**
The following balances at 31 March are held at:		
Government Banking Service	–	13,685
Government Banking Service overdraft	(22,849)	–
Commercial banks and cash in hand	45	230
Commercial banks and cash in hand overdraft	(1)	–
Balance at 31 March	**(22,805)**	**13,915**

18. Reconciliation of Net Cash Requirement to increase/(decrease) in cash

	2010-11 £000	2009-10 £000
Net Cash Requirement	(58,025,647)	(55,811,519)
From the Consolidated Fund (Supply) – current year	57,989,000	55,781,418
From the Consolidated Fund (Supply) – prior year	–	–
Amounts due to the Consolidated Fund received and not paid over	6	79
CFERs received in prior year and not paid over	(79)	(40,993)
Transfer of Joint Youth Justice Unit function to the Ministry of Justice	–	38,829
Transfer of Learning and Skills Council function to YPLA	–	(18,457)
Transfer of Ofqual function from QCDA	–	17,163
Increase/(decrease) in cash	**(36,720)**	**(33,480)**

19. Trade payables and other current liabilities

19(a) Analysis by type

	2010-11 £000	2009-10 £000	2008-09 £000
Amounts falling due within one year:			
Other taxation and social security	2,936	3,150	4,585
Trade payables	20,007	58,676	56,378
Other payables	2,838	3,001	2,990
Accruals and deferred income	223,471	278,724	259,211
Amounts issued from the Consolidated Fund for Supply but not spent at year end	–	13,836	6,402
Consolidated Fund extra receipts due to be paid to the Consolidated Fund			
Received	6	79	40,994
Receivable	–	–	3,802
	249,258	**357,466**	**374,362**

19(b) Intra-Government balances

	Amounts falling due within one year			Amounts falling due a fter more than one year:		
	2010-11 £000	2009-10 £000	2008-09 £000	2010-11 £000	2009-10 £000	2008-09 £000
Amounts falling due within one year:						
Balances with other central government bodies	79,504	81,108	100,041	–	–	–
Balances with local authorities	108,719	97,453	78,968	–	–	–
Balances with NHS Trusts	13	763	16	–	–	–
Balances with public corporations and trading funds	819	13,922	9,195	–	–	–
Sub total – intra-government balances	**189,055**	**193,246**	**188,220**	**–**	**–**	**–**
Balances with bodies external to government	60,203	164,220	186,142	–	–	–
Total payables at 31 March	**249,258**	**357,466**	**374,362**	**–**	**–**	**–**

20. Provisions for liabilities and charges

	Note	Early departure costs £000	Property provision £000	Partnerships for Schools £000	Total £000
Balance at 1 April 2009		20,085	4,941	23,699	48,725
Provided in year	9, 10	24,057	350	–	24,407
Provisions not required written back	9, 10	(114)	(764)	(1,265)	(2,143)
Provisions utilised in the year		(22,607)	(1,236)	(22,434)	(46,277)
Unwinding of discount	9, 10	386	105	–	491
Change in discount rate	9, 10	634	–	–	634
Balance at 31 March 2010		**22,441**	**3,396**	**–**	**25,837**

	Note	Early departure costs £000	Property provision £000	Partnerships for Schools £000	Total £000
Balance at 1 April 2010		22,441	3,396	–	25,837
Provided in year	9, 10	9,276	13,320	–	22,596
Provisions not required written back	9, 10	–	–	–	–
Provisions utilised in the year		(11,296)	(919)	–	(12,215)
Unwinding of discount	9, 10	293	75	–	368
Change in discount rate	9, 10	(159)	–	–	(159)
Balance at 31 March 2011		**20,555**	**15,872**	**–**	**36,427**

Analysis of expected timing of discounted flows

	Early departure costs	Property provision	Total
Not later than one year	5,860	5,587	11,447
Later than one year and not later than five years	12,418	10,215	22,633
Later than five years	2,277	70	2,347
Balance at 31 March 2011	**20,555**	**15,872**	**36,427**

Early departure costs

The Department 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 Department provides for this in full when the early retirement programme becomes binding on the Department by establishing a provision for the estimated payments discounted by the Treasury rate of 2.9% in real terms (1.8% in 2009-10).

Property provision

This provision provides for the future liabilities relating to former programme property leases which were re-assigned to the Secretary of State on the closure of the relevant programmes and the estimated payments are discounted by the Treasury rate of 2.2% in real terms (2.2% in 2009-10). The provision is based on the anticipation that the property leases for buildings used by NDPBs will expire in 2015, and the anticipated disposal for the last TEC property will be in 2018.

21. Operating segments

21.1 The Department has been restructured to clearly align activity and expenditure against the Government's Structural Reform Priorities (SRPs) for education. Information on operating activities, financial results, forecasts and plans is presented to and reviewed by the Executive Management Board on this basis; our supply estimates are also structured in this way.

21.2 The segmental report shown below links expenditure within the new departmental structure to Note 2 and covers the Department's total expenditure outturn for the financial year.

	Children, Young People & Families £000	Education Standards, Curriculum & Qualification £000	Schools Infrastructure & Funding of Education £000	Finance & Corporate Services £000	Outturn Totals as per Note 2 £000
Request for resources 1 – To help build a competitive economy and inclusive society by: creating opportunities for everyone to develop their learning; releasing potential in people to make the most of themselves; and achieving excellence in standards of education and levels of skills					
Spending in Departmental Expenditure Limits (DEL)					
Central Government spending					
A Activities to Support all Functions	30,572	29,522	20,719	134,729	**215, 542**
B Support for Schools and Teachers not through Local Education Authorities	24,154	436,823	409,543	11,370	**881,890**
C Support for Children and Families not paid through Local Authorities	198,387	1,006		2,599	**201,992**
D Support for Youth not paid through Local Authorities	127,399	44,248	702,959	488	**875,094**
E Compensation to Former College of Education Staff		11,835			**11,835**
Support for Local Authorities					
F Current Grants for Local Education Authorities to Support Schools and Teachers			5,427,773		**5,427,773**
G Capital Grants for Local Education Authorities to Support Schools			14,204	939	**15,143**
H Current Grants for Local Authorities to support Children and Families	335,229				**335,229**
I Capital Grants to Local Authorities to support Children and Families	112,644				**112,644**
J Dedicated Schools Grant			30,477,568		**30,477,568**
K Area Based Grants			994,329		**994,329**
Spending in Annually Managed Expenditure (AME)					
Central Government spending					
L Activities to support all functions (AME)				25,774	**25,774**
Non-Budget					
M Grant in Aid to NDPBs supporting Schools		1,032,429	5,231,564		**6,263,993**
N Grant in Aid to NDPBs supporting Children and Families	145,941	93,716			**239,657**
O Grant in Aid to NDPBs supporting Youth		128,000	9,499,560		**9,627,560**
Spending in Departmental Expenditure Limits (DEL)					
Support for Local Authorities					
P Current Grants to Local authorities to support Youth Programmes	14,354	89,045		941	**104,340**
Totals by reporting entity	**988,680**	**1,866,624**	**52,778,219**	**176,840**	**55,810,363**

	Children, Young People & Families £000	Education Standards, Curriculum & Qualification £000	Schools Infrastructure & Funding of Education £000	Finance & Corporate Services £000	Outturn Totals as per Note 2 £000
Request for resources 2 – Promoting the physical, intellectual and social development of babies and young children through Sure Start, Early Years Provision and Childcare					
Spending in Departmental Expenditure Limits (DEL)					
Central Government spending					
A Support for Sure Start, Early Years and Childcare not paid through Local Authorities	22,756				**22,756**
Support for Local Authorities					
B Current Grants to Local Authorities to support Sure Start, Early Years and Childcare	1,602,804				**1,602,804**
C Capital Grants to Local Authorities to support Sure Start, Early Years and Childcare	485,502				**485,502**
Non-Budget					
D Grant in Aid to NDPBs supporting Children and Families		23,712			**23,712**
Totals by reporting entity	**2,111,062**	**23,712**	**–**	**–**	**2,134,774**
Total Resource Outturn	**3,099,742**	**1,890,336**	**52,778,219**	**176,840**	**57,945,137**

Reconciliation to Statement of Comprehensive Net Expenditure

Adjustment for CFERs				(104)	(104)
Figures as per Statement of Comprehensive Net Expenditure	**3,099,742**	**1,890,336**	**52,778,219**	**176,736**	**57,945,033**

21.3 The responsibilities of the reporting entities used for management reporting purposes are as follows:

- Children, Young People and Families Directorate (CYPFD): focuses on improving the provision of support to children and families through Sure Start centres and a range of targeted programmes, including those aimed at safeguarding children in care and the most disadvantaged. The directorate also leads for the Department on the government's Big Society agenda, working with local statutory partners to support the capacity of local people to help themselves and each other. The Early Years group's activities are reported through this directorate.
- Education and Standards Directorate (ESD): the directorate's work is focused on achieving Ministers' objectives to raise standards and narrow gaps. To do that, they aim to reform the National Curriculum and the qualifications system; improve the recruitment, selection and training of teachers and leaders, and support schools and sixth form colleges to improve and share best practice. Workforce Group also report through this directorate.
- Infrastructure and Funding Directorate (IFD): the primary focus here is on reforming the education system and the way in which it is funded. In doing so, the directorate will be supporting the shift from a predominantly local authority maintained system of schooling to a managed market of different types of institution including Academies and Free Schools; voluntary aided schools; sixth form colleges and independent providers of 16-19 learning.

- Finance and Corporate Services Directorate (FCSD): this directorate provides cross-departmental advice and support, together with advice to schools on value for money issues and financial management. Services to the Department include corporate financial monitoring, reporting and advice; HR services; commercial and procurement support and IT systems. The Arms Length Bodies' reform programme also sits within this directorate.

21.4 The segments chosen reflect the way in which we have reported to the main departmental boards in the latter half of 2010-11 and will be used to report in 2011-12 and beyond. We have not prepared comparative 2009-10 information because, prior to the restructuring of the Department and its component business entities (the reporting segments), information was not collected and presented in the same way and it would be both impractical and costly to recreate it. In addition, the new government's change of priorities resulted in a significant refocusing of expenditure rendering any comparison unhelpful at best.

22. Capital commitments

	2010-11	2009-10
	£000	£000
Contracted and approved commitments at 31 March for which no provision has been made	–	1,125

23. Commitments under leases

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

	2010-11	2009-10
	£000	£000
Obligations under operating leases for the following periods comprise:		
Land and buildings:		
Not later than one year	23,564	21,264
Later than one year and not later than five years	67,146	66,764
Later than five years	23,629	39,094
	114,339	**127,122**
Expected receipts from subleases	(15,871)	(26,517)
	98,468	**100,605**

	2010-11	2009-10
	£000	£000
Other:		
Not later than one year	279	285
Later than one year and not later than five years	50	329
Later than five years	–	–
	329	**614**

24. Financial instruments

Financial Reporting Standard IFRS 7, *Financial Instruments: Disclosures*, enables users of financial statements to evaluate:

a) the significance of financial instruments for the entity's financial position and performance; and

b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the reporting period, and how those risks are managed.

Due to the largely non-trading nature of its activities and the way in which government departments are financed, the Department is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the limited companies to which IFRS 7 mainly applies. The Department has very limited powers to borrow or invest surplus funds and, except for relatively insignificant purchases of foreign currency, financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Department in undertaking its activities.

Liquidity risk

The Department's net revenue resource requirements (as well as its capital expenditure) are financed by resources voted annually by Parliament. The Department is therefore not exposed to any significant liquidity risks.

Interest-rate risk

The Department's assets and liabilities carry either nil or fixed rates of interest and is not therefore exposed to significant interest-rate risk.

Foreign currency risk

The Department's exposure to foreign currency risk is low. The foreign currency income received by the Department is negligible and foreign currency expenditure is less than 0.01% of total gross expenditure, and therefore, is not significant.

Credit risk

The Department's exposure to credit risk is very low. Credit risk is the risk that a service user or counter party to a financial instrument will fail to pay amounts due causing financial loss to the Department and arises principally from cash and outstanding debt. The Department has a credit (receivables) policy that ensures consistent processes are in place throughout the Department to measure and control credit risk.

For loans and receivables not carried at fair value, there is no active market for them and there is no intention to sell. Therefore, we do not disclose fair value comparatives.

25. Contingent liabilities not required to be disclosed under IAS 37 but included for Parliamentary reporting and accountability

Quantifiable

The Department has entered into the following quantifiable contingent liabilities by offering guarantees, indemnities, or by giving letters of comfort. None of these is a contingent liability under the meaning of IAS 37 since the likelihood of a transfer of economic benefit in settlement is too remote.

	1 April 2010	Increase in year	Liabilities crystallised in year	Obligation expired in year	31 March 2011	Amount reported to Parliament by Departmental Minute
	£000	£000	£000	£000	£000	£000
In order to ensure the continued occupancy of a surplus government office, the lease of the property in Histon, Cambridge was assigned in 2003 to Opportunity Links Ltd. They are a company limited by guarantee, working closely with the Department to support the delivery of information to families. Under the terms of the original lease the Secretary of State is guarantor of the tenants' obligations and in the event of Opportunity Links ceasing to exist, the Secretary of State will be required to take over the lease obligations.	1,170	–	–	(190)	980	–
Qualification and Curriculum Development Agency (QCDA) indemnity – Minerva Diploma Aggregation Service (DAS) in respect of claims against the QCDA.	46,000	–	–	(46,000)	–	–
The Department will give an indemnity in respect of legal claims against the Qualifications and Curriculum Development Agency (QCDA) arising from claims materialising from the National Curriculum Test (NCT) 2009 contract.	2,000	–	–	–	2,000	–
In order to ensure the continued occupancy of The Office for Qualifications and Examinations Regulatory (OFQUAL) a guarantee was given to the landlord that, in the event of OFQUAL ceasing to exist the Secretary of State will be required to take over the lease obligations of the building at Springplace, Coventry. [1]	4,523	–	–	(4,523)	–	–
Contingent liabilities in connection to Private Finance Initiative (PFI) contracts to Academies. These contingent liabilities are the result of the Department providing an indemnity to the local authority for potential costs on buildings they own, with existing PFI arrangements, which will be used by the academies. This type of indemnity is considered to be low risk and is only a feature of the academies programme in very specific circumstances. These contingent liabilities only arise where an academy is using a local authority building with an existing PFI contract.	2,400,000	–	–	(300,000)	2,100,000	2,100,000

	1 April 2010	Increase in year	Liabilities crystallised in year	Obligation expired in year	31 March 2011	Amount reported to Parliament by Departmental Minute
	£000	£000	£000	£000	£000	£000
Two Free Schools – Guarantee of payment of salaries for Principal and/or Head teacher while funding agreement is not signed.	–	149	–	–	149	
Free School Norwich Commercial Lease: Abortive Legal Fees	–	12	–	–	12	

[1] This contingent liability transferred to OFQUAL on 1 April 2010.

26. Other notes

26(a) Losses statement

The total of all losses that have been brought to account in this year are as follows:

	No. of cases	2010-11 £000	2009-10 £000
Total	175	23,862	2,727
Cash losses	27	13,724	934
Fruitless payments and constructive losses	143	8,872	1,790
Claims waived or abandoned	5	1,266	3

Details of cases over £250,000

Cash Losses

i) The final account identified that the builder of an Academy had been overpaid by £830,000.00 resulting from overclaims from the builder. However, it is a subsidiary of another company which has gone into administration. It is likely that the builder, which is now non-trading, will follow its parent company into administration and hence it is unlikely that we will be able to recover the overpayment from them. The Department undertook further investigation and took specialist legal advice which deemed that the chances of recovery of the overpaid amount from the architect and quantity surveyor, who had certified the claims, were low and could prove costly. The decision was taken to cease proceedings and treat the overpayment as a loss.

ii) Due to an administration error three Academies in receipt of General Annual Grant (GAG) received a grant element to which they were not entitled. In all three cases the decision has been taken not to apply the clawback arrangements, but to write off the grant overpayments. This has been based on an assessment of the impact to the Academies financial situation and the negative impact on pupil education. The overpayments £1,600,000.00, £1,721,000.00 and £1,488,000.00 resulted from an administrative error in relation to the calculation of grant following mis-interpretation of data supplied by the Local Authority and occurred over a number of financial years. The three cases have been fully reviewed and new procedures and controls have been adopted to ensure compliance with future grant terms.

iii) Payments of Threshold (Teachers in Children's Homes) Grant and Performance Pay Progression (Leadership Group) Grant were made to local authorities in the period 2000–06 in advance, with annual reconciliations carried out at the end of the financial year. At the end of this process there was a total of £8,033,000.00 that could not be reconciled. The un-reconciled items amounted to approximately 0.2% of all payments made across the six years.

In light of these grants having been subsumed into the Dedicated Schools Grant, for which specific assurance process is now in place, it has been agreed that the un-reconciled items will be recorded as cash losses.

Fruitless payments

iv) The Government policy of reducing the number of field forces led to the early termination of The Children and Learners Strategic Adviser Service contract. As part of legally due costs, for the termination, the Department was required to pay breakage and severance costs amounting to £1,951,396.52. As the Department did not received benefits from these costs their payment is deemed to be fruitless.

v) In September 2009, the Secretary of State for Education supported a recommendation not to proceed with the Darlington New Build Project that resulted in the write-off of professional fees covering 2009-10 and 2010-11 financial years, this amounted to £706,120.44.

vi) Following a review of guidance on Work-Related Learning and employer engagement, a number of documents were identified as not reflecting current policy. Documents valued at £489,288.00 were destroyed and written-off during the year. This exercise was part of the Department's continuing work to improve both the availability and form of its current publications.

vii) In the Coalition agreement published on 11 May 2010, the Government made clear its intention to end ContactPoint as soon was practicable. In line with this longstanding policy commitment, ContactPoint was switched off on 6 August 2010. Since then the database has been permanently decommissioned, the data securely destroyed and the Department issued notice to terminate the contract with its supplier. The actual cost of terminating the full contract which was set out in the ContactPoint Support and Hosting Contract was £4,700,000.00. The Department worked hard to reduce the payment liability under the termination terms and managed to agree a key concession with its supplier to waive its remaining contract termination notice period.

Waived or Abandoned claims

viii) HM Treasury authorised Central Office of Information (COI) to retain the funding they held for the other departments, to allow COI to manage the significant downsizing and redundancies they faced following the market freeze. This resulted in the abandonment of £1,265,665.00.

26(b) Special payments

		2010-11	2009-10
	No. of cases	£000	£000
Total	16	1,018	45

Details of cases over £250,000

ix) In December 2010, the Secretary of State for Education supported a recommendation not to continue with a contract for the provision of the OPEN e-marketplace for schools. Open was developed to support the Educational Procurement Centre Programme which subsequently proved to be a poor return on investment. A special payment of £1,000,000.00 was made to the Supplier as a remedy for early termination of the contract.

26(c) Gifts

		2010-11	2009-10
	No. of cases	£000	£000
Total	–	–	14

26(d) Acquisition of shares

The Department held the following shares during the financial year:

	£
Shares held at 1 April 2010	2
Acquired in year	–
Total shares held at 31 March 2011	2

The closing balance of shares held by the Department comprises 1 ordinary share of £1 in the Partnerships for Schools (PfS) and 1 ordinary share of £1 in Building Schools for the Future Investments Limited (BSFI Ltd).

Partnerships for Schools (PfS)

PfS is an NDPB that has been set up on an equity basis and is the government's delivery agent for capital investment programmes in schools.

Building Schools for the Future Investments Limited (BSFI Ltd)

BSFI Ltd is a wholly owned subsidiary of the Department for Education, which is not consolidated within the Department's annual accounts. The principal activity of BSFI Ltd is to fund Building Schools for the Future Investments LLP (BSFI LLP) to invest in the local delivery vehicles and their subsidiaries that are established under the Building Schools for the Future programme. BSFI LLP is a limited liability partnership jointly funded by the Department (via BSFI Ltd) and Partnerships UK. On 7 December 2006 the Department's interests in BSFI LLP were transferred to BSFI Ltd.

In line with the guidance within the Government Financial Reporting Manual, based on the level of in-year budgetary control the Department exercises over this subsidiary, BSFI Ltd is considered to be outside the Department's accounting boundary for consolidation purposes. Payments to BSFI Ltd are analogous to capital grant funding to the schools sector and are therefore recognised on the same basis. The Department paid £4 million to BSFI Ltd during 2010-11 (£6.9 million in 2009-10).

27. Related party transactions

During the year DfE made grant payments to the following executive Non-Departmental Public Bodies for which it has lead responsibility:

British Educational Communications and Technology Agency (BECTA)

Children and Family Court Advisory and Support Service (CAFCASS)

Children's Workforce Development Council (CWDC)

National College for School Leadership (NCSL)

Office of the Children's Commissioner (OCC)

Partnerships for Schools (PfS)

Qualifications and Curriculum Development Agency (QCDA)

School Food Trust (SFT)

Training and Development Agency for Schools (TDA)

Young People's Learning Agency (YPLA) (from 1 April 2010)

In addition, the Department has had various material transactions with other government departments. Most of these transactions are with the Department for Work and Pensions, Department for Business, Innovation and Skills, Department of Health, the Department for Communities and Local Government and the Cabinet Office.

Building Schools for the Future Investments Limited (BSFI Ltd) is a wholly owned subsidiary of the Department. Payments to BSFI Ltd are analogous to capital grant funding to the schools sector and are therefore recognised on the same basis.

During the year the DfE made payments to the following related parties:

Board Member	**Related party**	**2010-11 £000**
Executive		
Tom Jeffery [1]	East Sussex County Council	356,856
Sue Higgins [2]	London Borough of Sutton	166,366
Non Executive		
Theodore Agnew [3]	New School Network	173
Anthony Salz [4]	The Wellington Academy, Wiltshire	59
John Nash [5]	Pimlico Academy, London Borough of Westminster	68
	Future Academies	–
Dame Sue John [6]	Lampton School, London Borough of Hounslow	25
	London Leadership Strategy Future Leaders	–
	National Leader of Education	–
Katherine Kerswell [7]	Northamptonshire County Council	506,493
	Kent County Council	1,033,077
	London Borough of Lewisham	246,841

1 Tom Jeffery's wife is Assistant Director of Children's Services at East Sussex County Council.

2 Sue Higgins will be a Governor of Glenthorne High School from June 2011.

3 Theodore Agnew is a trustee of New School Network which received grant payments from the Department.

4 Anthony Salz is a Governor of The Wellington Academy, Wiltshire, which also receives funding from YPLA.

5 John Nash is Sponsor/Chair of Governors of Pimlico Academy, Westminster, which also receives funding from YPLA, and is the Chair of Future Academies, which operates Pimlico Academy. He is also a Director of Eastside Young Leaders Academy and a supporter of the New Schools Fund, both of which have submitted Free School applications, and Chairman of the charity Future, which funds a range of projects benefitting young people.

6 Dame Sue John is Head teacher of Lampton School, London Borough of Hounslow, which also receives funding from YPLA. She is Director of London Leadership Strategy, Project Board Member of Future Leaders and a National Leader of Education. All three posts are initiatives of the National College for School Leadership.

7 Katherine Kerswell was employed by Northamptonshire County Council as Chief Executive and moved on 7 June 2010 to Kent County Council as Group Managing Director. Katherine Kerswell's husband was Chief Executive of the London Borough of Lewisham.

Apart from the above related party disclosures, no minister, board member, key manager or other related parties have undertaken any material transactions with the Department during the year.

28. Entities within the Departmental boundary

The entities within the boundary during 2010-11 are the main Department, including Sure Start, Early Years and Childcare and the Department's Advisory NDPBs. Separate accounts are not published.

29. Machinery of Government Change and Accounting Policies Restatement

The Machinery of Government Changes which involve the merger or the transfer of functions or responsibility of one part of the public service sector to another, are accounted for using merger accounting in accordance with the *FReM*. This requires the restatement of the Primary Statements and associated Notes to the Accounts. There was no impact on the Statement of Financial Position. The Statement of Comprehensive Net Expenditure for 2009-10 has been restated as follows:

Statement of Net Comprehensive Expenditure	Published balance at 31 March 2010 £000	Ministry of Justice £000	YPLA £000	Academies £000	OFQUAL £000	Cost of Capital £000	Restated balance at 31 March 2010 £000
Administration costs:							
Staff costs	124,116	(249)					123,867
Other administration costs	72,393					(1,680)	70,713
Operating income	(9,432)						(9,432)
Programme costs:							
Request for resources 1							
Staff costs	21,186			(1,354)			19,832
Programme costs	53,819,819	(38,671)	18,457	1,354	(17,163)	7,113	53,790,909
Income	(105,549)	91					(105,458)
Request for resources 2							
Staff costs	–						–
Programme costs	1,894,310						1,894,310
Income	–						–
	55,816,843	**(38,829)**	**18,457**	**–**	**(17,163)**	**5,433**	**55,784,741**

30. Post reporting period events

These financial statements were authorised for issue on 5 July 2011 by Sir David Bell (Accounting Officer). There have not been any post reporting period events that have required adjustment to these financial statements.

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