Presented pursuant to the Government Resources and Accounts Act 2000 c.20, s.6 (4)

Department for Children, Schools and Families

Resource Accounts 2008-09

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(For the year ended 31 March 2009)

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Resource Accounts: Department for Children, Schools and Families

Annual Report

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 Children, Schools and Families (request for resources 1) and the Sure Start Unit (request for resources 2).

2. Bodies outside the Departmental accounting boundary

2.1 During 2008-09 the Department for Children, Schools and Families (DCSF) had lead responsibility for the public sector bodies listed below.

2.2 The executive Non-Departmental Public Bodies (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 and the other bodies are financed through grant funding. These accounts include the funding paid to the bodies and all are outside the Departmental boundary for the Resource Accounts.

Executive Non-Departmental Public Bodies (NDPBs)
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) (also known as 11 Million)
Partnerships for Schools (PfS)
Qualifications and Curriculum Authority (QCA)
School Food Trust (SFT)
Training and Development Agency for Schools (TDA)

Public Corporation
General Teaching Council for England (GTC)

Advisory NDPBs
School Teachers' Review Body (STRB)
Independent Advisory Group on Teenage Pregnancy (IAGTP)
Teachers' TV (TTV)

Advisory Bodies
Children's Plan Expert Group
Home Access Task Force
Information Standards Board
Learning Outside the Classroom National Advisory Group
National Advisory Council on Children and Young People's Psychological Well-being and Mental Health
National Council for Education Excellence (NCEE)
Private Fostering Advisory Group
School Support Staff Negotiating Body (SSSNB)
Talent and Enterprise Taskforce

3. Ministers

3.1 The following ministers formed the ministerial team of the Department during the 2008-09 financial year:

Rt. Hon Ed Balls	Secretary of State

Rt. Hon Beverley Hughes	Minister of State for Children, Young People and Families
Rt. Hon Jim Knight	Minister of State for Schools and Learners
Baroness Delyth Morgan	Parliamentary Under Secretary of State for Children, Young People and Families (from 6 October 2008)
Sarah McCarthy-Fry	Parliamentary Under Secretary of State for Schools and Learners (from 6 October 2008)
Lord Andrew Adonis	Parliamentary Under Secretary of State for Schools (to 5 October 2008)
Kevin Brennan	Parliamentary Under Secretary of State for Children, Young People and Families (to 5 October 2008)

4. Management of the Department

The Board

4.1 David Bell became the first Permanent Secretary for the Department following the machinery of government changes in June 2007. David 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 David heads the DCSF Board, which consists of five members who lead the five directorates. In addition to the executive board members there are two non-executive board members who provide an external challenge and perspective to the Board.

4.3 The Board provides collective leadership to the Department and has overall responsibility for its performance. The Board's responsibilities include:

- taking forward the Department's strategic aims and objectives;
- advising on the allocation of its financial and human resources;
- managing Departmental resources;
- monitoring the achievement of performance objectives;
- maintaining a transparent system of prudent and effective controls;
- assessing and managing risk; and
- leading and overseeing the Department's reform programme.

4.4 The composition of the Board of the Department on 31 March 2009 was as follows:

Executive board members

David Bell	Permanent Secretary
Tom Jeffery	Director General, Children and Families Directorate
Lesley Longstone	Director General, Young People Directorate
Jon Coles	Acting Director General, Schools Directorate (from 19 May 2008)

Michael Hearty	Acting Director General, Corporate Services Directorate (from 5 January 2009)
Caroline Wright	Director, Communications Directorate

Other executive members of the DCSF Board who served during the year

Jon Thompson	Director General, Corporate Services Directorate (to 4 January 2009)
Stephen Meek	Director, Strategy (to 18 May 2008)
Ralph Tabberer	Director General, Schools Directorate (to 18 May 2008)
Jane Cooper	Interim Director, Communications Directorate (to 4 January 2009)

Non-executive board members

Philip Augar	Non-executive member
Katherine Kerswell	Non-executive member

4.5 Board members have been appointed by the Permanent Secretary (with the approval of the Senior Appointments Selection Committee where appropriate). Further information on the appointment and policies relating to board members is contained in the Remuneration Report.

Board structure

4.6 The Board has put in place a corporate governance structure with two sub-boards which enables the main monthly Board meeting to focus more clearly on strategy and performance.

4.7 The first of the sub-boards is the Executive Management Board which advises on the allocation of financial and human resources to achieve the Department's strategic objectives. Its monthly meetings are chaired by David Bell and the membership comprises the six executive board members.

4.8 The Audit and Risk Assurance Committee (ARAC) is the second sub-board. Its purpose is to provide an independent view on the management of risk, governance and internal control to the Board. It has been set up in line with the *HM Treasury Corporate Governance in Central Government Departments: Code of Good Practice*. It is chaired by Philip Augar, a non-executive member of the Board and its membership comprises Katherine Kerswell, who is also a non-executive member of the main Board, plus three independent members. The National Audit Office (NAO), the Head of Internal Audit, the Accounting Officer and the Director General of Corporate Services Directorate attend all the meetings.

4.9 The ARAC Terms of Reference are published on the Department's website (www.dcsf.gov.uk) and further information on the work of the Committee can be found in the Departmental Report 2009 published in June 2009.

4.10 From February 2009 the Board commenced putting in place the following corporate governance committee structure to support them:

- Delivery Assurance Board.
- Risk Committee.
- Audit and Risk Assurance Committee.
- Finance Strategy Board.
- Culture Programme Board.
- People Strategy and Delivery Board.

- Policy Delivery Board.
- Joint Delivery Board.

5. Departmental reporting cycle

5.1 Each year the Department publishes the Departmental Report, a comprehensive review of the Department for Children, Schools and Families (DCSF) and the Office for Standards in Education, Children's Services and Skills (Ofsted). The latest Report (Cm7595) published in June 2009 gives detailed information on the Department's achievements in the 2008-09 financial year, progress against its Public Service Agreement (PSA) targets and expenditure plans based on the resources allocated in the Comprehensive Spending Review 2007 (CSR2007) settlement. Further information on the Department's performance in achieving its aims and objectives is available in the *Autumn Performance Report*. These documents are available on the Department's website (www.dcsf.gov.uk).

6. Pension liabilities

6.1 The DCSF Balance Sheet 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 Resource Accounts. Further information on accounting treatment of pension liabilities within the DCSF accounts can be found in the Remuneration Report (pages 19 – 26) and the Notes to the Accounts (note 1 accounting policies page 38).

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 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@dcsf.gsi.gov.uk

- By telephone: 020 7340 7693

- By writing to: Malcolm Fielding, Financial Accounting Division, Department for Children, Schools and Families, Fifth Floor, Sanctuary Buildings, 20 Great Smith Street, London, SW1P 3BT.

8. Auditor

8.1 The Comptroller and Auditor General (C&AG) is the 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 2008-09 totalled £318,400 (2007-08: £300,000) of which £300,000 relates to statutory audit services in respect of the DCSF and Teachers' Pension Scheme Resource Accounts and £18,400 for the International Financial Reporting Standards (IFRS) transition.

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 DCSF. During 2008-09 the main education studies undertaken in relation to DCSF were *Mathematical performance in primary schools: getting the best results* published on 19 November 2008 and *The Building Schools for the Future programme: renewing the secondary school estate* published on 12 February 2009.

8.3 The Accounting Officer has taken all the necessary steps that he ought to have taken to make himself aware of any relevant audit information. Furthermore he has established that the NAO are aware of that information.

Management Commentary

9. Aim and objectives of the Department

9.1 The Children's Plan, published in December 2007, sets out the Department's aim as creating the best place in the world for our children and young people to grow up.

9.2 The Department for Children, Schools and Families leads on the delivery of 5 of the Government's 30 Public Service Agreements (PSAs), as well as contributing to another 12 PSAs which are led by other government departments. The PSAs the Department leads on are:

- PSA 10 - Raise the educational achievement of all children and young people.
- PSA 11 - Narrow the gap in educational achievement between children from low income and disadvantaged backgrounds and their peers.
- PSA 12 - Improve the health and well-being of children and young people.
- PSA 13 - Improve children and young people's safety.
- PSA 14 - Increase the number of children and young people on the path to success.

9.3 To underpin the work on each of the PSAs the Department has six Departmental Strategic Objectives for the Comprehensive Spending Review 2007 (CSR2007) period which, along with an underpinning objective of leading and managing the system, cover all aspects of the Department's business and set strategic direction as well as informing resourcing decisions. These are:

- Objective 1 - Secure the well-being and health of children and young people.
- Objective 2 - Safeguard the young and vulnerable.
- Objective 3 - Achieve world class standards in education.
- Objective 4 - Close the gap in educational achievement for children from disadvantaged backgrounds.
- Objective 5 - Ensure young people are participating and achieving their potential to 18 and beyond.
- Objective 6 - Keep children and young people on the path to success.
- Objective 7 - Lead and manage the system.

9.4 Further information on income and expenditure by objective for both the current and prior financial year is available on the Statement of Operating Costs by Departmental Aim and Objectives (page 37).

10. Key Departmental activities during 2008-09

10.1 The following paragraphs are a summary of the operating performance during the financial year, and a summary of the environment which influences decisions and performance. Further information on the work of the Department and Public Service Agreement (PSA) targets is available in the *Departmental Report 2009* (Command Paper no 7595 issued June 2009), the *Autumn Performance Report 2008* (Command Paper No 7507 issued December 2008), and the *Children's Plan – One Year On* (issued December 2008). All of these documents are available on the Department's website (www.dcsf.gov.uk).

Principal activities

10.2 The principal activities undertaken during the year against each of the Department's objectives are summarised below. Further details on each of these can be found by accessing the relevant section of the Departmental Report 2009 (Command Paper No 7595 issued June 2009).

Objective 1 – Secure the well-being and health of children and young people

10.3 This objective supports the Department's contribution to the delivery of PSA 12 (Improve the health and well-being of children and young people). Chapter 1 of the Departmental Report 2009 contains more information on achievements related to this objective.

The first national *Play Strategy* was published in April 2008 setting out how the Department will work with local partners to create safe and exciting places for all children to play.

The Department launched the Parent Know How programme in April 2008, giving everyone in a parenting role access to expert advice through a variety of channels.

The final report of the independent Child and Adolescent Mental Health Services (CAMHS) Review – *Children and Young People in Mind* was published in November 2008. One key recommendation was to set up a National Advisory Council to act as a champion for children's mental health and psychological well-being issues; this was achieved in February 2009.

Healthy Lives, Brighter Futures the strategy for children and young people's health was published in February 2009. This sets out the long-term strategy to support children and families' health. This is a joint strategy between the Department of Health and the Department for Children, Schools and Families.

Healthy Weight, Healthy Lives: One Year On published in April 2009, providing an update on the cross-government obesity strategy. More than 97% of schools nationally are now included in the National Healthy Schools Programme (NHSP), and over 70% of schools have achieved National Healthy Schools Status.

In January 2009 a public consultation commenced on how legislation can meet the Government's long-term ambition of eradicating child poverty by 2020. The consultation ended in March 2009 and legislation is expected to be introduced during 2009.

Objective 2 - Safeguard the young and vulnerable

10.4 This objective supports the Department's contribution to the delivery of PSA 13 (Improve children and young people's safety). Chapter 2 of the Departmental Report 2009 contains more information on achievements related to this objective.

In response to Dr Tanya Byron's review recommendations on the risks to children and young people of exposure to inappropriate material on the internet the UK Council for Child Internet Safety was launched in September 2008.

From 1 April 2008, all Local Safeguarding Children Boards have had a statutory responsibility to review the deaths of all children in their areas from birth (excluding stillborn babies) up to 18 years. The overall aim of the child death reviewing process is to learn lessons and so help reduce the incidence of preventable child deaths in the future.

The 2008 *Children and Young Persons Act* put in place the necessary statutory framework for delivering many of the commitments outlined in the *Care Matters* White Paper. As a result, the Secretary of State is now under a duty to promote the well-being of children.

In November 2008, the Secretary of State asked Lord Laming to prepare an urgent report nationally into progress on arrangements to safeguard children. His report *The Protection of Children in England: A Progress Report* was published in March 2009. This contained 58 recommendations, all of which have been accepted by the Government.

- The commitments in the *Young Runaways Action Plan* published in June 2008, represents the ongoing work across government to ensure that the needs of young people who run away from home or care are met.

Objective 3 – Achieve world class standards in education

10.5 This objective supports the Department’s contribution to the delivery of PSA 10 (Raise educational achievement of all children and young people). Chapter 3 of the Departmental Report 2009 contains more information on achievements related to this objective.

- The Government’s Speech, Language and Communication Needs Action Plan was launched in December 2008 including a full response to the recommendations of the *Bercow Report.*

- In September 2008, the Early Years Foundation Stage became a statutory requirement and is designed to help those professionals working with children under five in providing personalised learning and development.

- The interim report of Sir Jim Rose’s independent review of the primary curriculum was published in December 2008, with final recommendations by the end of April 2009, so that agreed changes to the curriculum can be implemented in September 2011.

- In October 2008, the Secretary of State announced that he was ending the schools’ requirement to run national tests for 14-year-olds. The compulsory national tests at the end of Key Stage 3 being replaced by improved classroom assessment by teachers and frequent reporting to parents.

- The National Challenge launched in June 2008, is a programme of support, backed by £400 million, to secure higher standards in secondary schools and ensure that by 2011 at least 30% of pupils in every school will gain five GCSEs at A*-C.

- Sir Alan Steer’s final *Behaviour Report* published April 2008 recommended that where a school’s standard of behaviour is judged by Ofsted to be satisfactory this should be seen by the local authority as a trigger for additional support.

Objective 4 – Close the gap in educational achievement for children from disadvantaged backgrounds

10.6 This objective supports the Department’s contribution to the delivery of PSA 11 (Narrow the gap in educational achievement between children from low income and disadvantaged backgrounds and their peers). Chapter 4 of the Departmental Report 2009 contains more information on achievements related to this objective.

- As reported in the *Children’s Plan One Year On: a progress report* published in December 2008 more families are now benefiting from Sure Start Children’s Centres, helping parents juggle work and family life by providing more free childcare places.

- Work has continued in extending the offer of free childcare places to more 2 year olds through pilot schemes to the most disadvantaged families. Additional pilots begin in April 2009.

- The Making Good Progress Pilot to improve progression rates in English and mathematics at Key Stage 2 continues in 10 local authorities. This started in April 2007 and is due to complete in July 2009.

- The Department is legislating to establish Sure Start Children's Centres on a statutory legal basis as part of the Apprenticeships, Skills, Children and Learning Bill, which was introduced to Parliament in February 2009. Legislation will ensure local authorities have clear duties to make arrangements for there to be sufficient Sure Start Children's Centres to meet local needs.

- *Next Steps for Early Learning and Childcare: Building on the 10-Year Strategy,* a joint strategy document between the Department for Children, Schools and Families, HM Treasury, Department for Work and Pensions and Cabinet Office, was published alongside the *Child Poverty Bill* in January 2009.

Objective 5 – Ensure young people are participating and achieving their potential to 18 and beyond

10.7 This objective supports the Department’s contribution to the delivery of PSA 10 (Raise the educational achievement of all children and young people). Chapter 5 of the Departmental Report 2009 contains more information on achievements related to this objective.

- New Diplomas have been introduced as have new A-levels and GCSEs, providing a wider range of relevant opportunities for young people to stay engaged in learning. The Diploma is a qualification for students aged 14-19 and is set to become one of three main education choices; alongside GCSEs/A levels and Apprenticeships.

- Extensive preparation is already underway for the introduction of 5 more Diplomas in September 2009.

- In 2008, the highest ever number of 16 to 19 year-olds are continuing their education and new laws have been passed to raise the participation age in the future.

- In academic year 2007/08 a record 225,000 people started Apprenticeships. Completion rates for apprenticeships also reached an all time high during the same year of 64%.

Objective 6 – Keep children and young people on the path to success

10.8 This objective supports the Department’s contribution to the delivery of PSA 14 (Increase the number of children and young people on the path to success). Chapter 6 of the Departmental Report 2009 contains more information on achievements related to this objective.

- The *Youth Alcohol Action Plan* was published in June 2008 and committed to a campaign to make young people think more about the consequences of drinking too much alcohol.

- *‘myplace’*, a multi million pound government programme to deliver places for young people to go, was launched in April 2008. Since its launch the programme has already made grants of £240 million to 62 projects in England.

- The *Youth Crime Action Plan* was published in July 2008 setting out a triple track approach to reducing youth crime and re-offending: firm enforcement; non-negotiable support for young people who offend and their families; and early intervention to prevent offending behaviour.

- Over the last year the Department has increased investment in the Youth Opportunity and Capital Funds and in the Positive Activities for Young People programme, with additional investment in the most deprived areas.

- The Drug Strategy, *Drugs: protecting families and communities* published in February 2008 and the *Youth Alcohol Action Plan* published in June 2008 outline the key actions that need to be taken to have a long-term impact on reducing the misuse of substances by young people.

- The Department has encouraged schools to join behaviour and attendance partnerships, and 98% of secondary schools are now in such partnerships.

- The *New Opportunities* White Paper launched in January 2009 announced government funding for the National Care Advisory Service, for the next two years, to develop and test models of support into employment for care leavers, with a view to a phased national roll out from 2010-11.

- In October 2008, Ministers announced that, subject to consultation, Personal Social and Health Education (PSHE) will become a compulsory part of the curriculum from Key Stages 1 to 4. All pupils in state schools will now receive high quality lessons in everything from first aid and personal finance to relationships and the consequences of drugs misuse.

Objective 7 – Lead and manage the system

10.9 This objective supports all the other objectives of the Department and is underpinned by a *Departmental Action Plan* (DAP) which sets out the internal improvements needed to support the Department's wider remit for the children, young people and families agenda. Chapter 7 of the Departmental Report 2009 contains more information on achievements related to this objective. Activities are reported against four themes: Delivery; Culture; People; and Systems, and for this year include the following activities:

Delivery

- A Policy Delivery Board was set up in March 2009, chaired by Jon Coles (Director General for Schools). This Board leads on action to strengthen internal capacity in using evidence and analysis in order to develop and implement policies.

- Local authorities are the Department's key strategic partners for delivering the *Children's Plan* at local level. New legislation currently going through Parliament will strengthen Children's Trusts and place local authorities in a leading role to expand the existing partnership arrangements.

- A new Third Sector Strategy is being written in 2009 to reinforce the Department's continuing support and recognition of the sector, especially in these difficult economic times.

- The Global Gateway is the Department's international website, during 2008-09, 4,500 schools in England registered with the Gateway bringing the total of registered schools in England to over 9,000.

- The 2020 *Children and Young People's Workforce Strategy* published in December 2008 sets out a vision for everyone who works with children and young people.

Culture

- A Culture Programme Board was set up in March 2009. This Board will have responsibility for ensuring that the vision of a competent organisation is achieved that ensures strategic focus and delivery of the *Children's Plan.*

- The Department has now achieved two of its three administrative burden reduction targets, on which it has been closely measured by the Better Regulation Executive (BRE). The BRE was set up in 2005 to promote better regulation across Whitehall.

People

- To support the delivery of the *Children's Plan* and to build a world class Department, a People Strategy was launched in January 2009 setting out the priorities on which the Department needs to focus.

- The Department aims to reduce sickness absence levels to seven days per full time equivalent member of staff by 2010. The absence level at March 2009 is 7.9 average working days lost, which indicates that the Department is on target to meet the 2010 goal.

- A project is underway to address the six priorities in the Department's Skills Strategy and develop staff capabilities in these areas.

Systems

- Preparations are well underway for the shared service element of the Corporate Transformation Programme (CTP) to go live in autumn 2009.

- The Department has a large scale programme in place to identify £4.5 billion of 'Value for Money' savings over the 2007 Comprehensive Spending Review (CSR) period. Details are contained in Chapter 10 of the 2009 Departmental Report.

- All Whitehall departments have published targets for answering correspondence. The Department's target is to reply to 95% of all correspondence within 15 working days. In 2008-09, replies were sent to 93% within the deadline.

- The Improving Information Sharing and Management (IISaM) Programme produced and published *Information Sharing: Guidance for practitioners and managers* in October 2008.

Internal and external influences on performance

10.10 The key influences on performance are:

- The resources available to the Department during the latter part of the Comprehensive Spending Review 2007 (CSR2007) period, particularly in the light of the current economic climate.

- The challenges posed by delivering the key Departmental commitments and policies set out in the *Children's Plan.*

- The planned implementation of the Department's Corporate Transformation Programme (CTP), including the successful migration of back-office functions to a shared service provider in autumn 2009.

10.11 The Department is responsible for all policy across government to promote the well-being of children and young people. It also shares responsibility for certain programmes with other government departments for example, the Sure Start programme with the Department for Work and Pensions.

10.12 The Department published the *Children's Plan* in December 2007 following a national consultation 'Time to talk' during September and October 2007. From these debates, online consultation and the views of experts both in and outside the Department, a range of opinions and suggestions were gathered which helped to form the *Children's Plan.*

10.13 The *Children's Plan* sets out plans for the next ten years and includes a commitment to publish a progress report in a year's time. In December 2008, the Department published *The Children's Plan One Year On: a progress report* which reported the progress made during 2008. Future progress will be reported in spring Departmental Reports and Autumn Performance Reports.

10.14 To deliver world class services the Department needs to be a world class organisation.

The Department's first action plan (launched in December 2007) helped focus on the improvements needed to be made in the transition from the former Department for Education and Skills (DfES) to the Department for Children, Schools and Families. The Capability Re-review in June 2008 confirmed good progress had been made in both closing the gaps the original DfES 2006 Capability Review had identified and in the transition to DCSF, but there is still more to do.

10.15 The *Departmental Action Plan* (DAP) launched in January 2009 is the framework for internal improvements supporting the delivery of the Department's Departmental Strategic Objectives (DSOs) and the *Children's Plan*. Within the Departmental Action Plan, areas for improvement are structured around four themes:

- **Our Delivery** – strengthening the Department's capacity for policy delivery and improving our ability to lead partner organisations such as non-departmental public bodies, government offices and local authorities.

- **Our Culture** – developing the behaviours and instilling the values to work by.

- **Our People** – improving the quality of management and leadership and ensuring that right skills are deployed flexibly.

- **Our Systems** – ensuring that all the Department's processes and business systems are efficient and responsive.

10.16 Further details on performance against these four themes can be found in Chapter 7 of the Departmental Report 2009.

11. Environmental, social and community issues

11.1 The following paragraphs describe what action the Department is taking on: sustainable development; how it is embedding equality and diversity into its policies and programmes; and how it maintains relationships with its employees.

Sustainable development

11.2 A Sustainable Development Programme Board oversees progress on the Department's Sustainable Development Action Plan (SDAP) *Brighter Futures – Greener Lives* (April 2008) and its underpinning delivery plans. This Board is chaired by the Director General for Corporate Services.

11.3 Like all government departments, the Department has to improve the operation of its estate and reach the Sustainable Operation of the Government Estate (SOGE) targets by 2010-11. Operation of the Department's estate has improved and trajectories have been established to monitor progress to the SOGE targets. The position in 2008-09 was improved and the Department was placed 13^{th} out of 21 departments.

11.4 The Department currently has an uncertified environmental management system (EMS) through which it controls the activities, products and processes that cause, or could cause, environmental impacts. The EMS is based on ISO14001:2004, and the Department is working to attain ISO certification during 2009-10. As part of this, an Environmental Policy Statement has been published, endorsed by the Secretary of State, setting out what the Department is doing to minimize the environmental impact of its operations.

11.5 From earlier work with the Sustainable Development Commission (SDC), the Department knows that the English school system is responsible for around 15% of public sector carbon emissions. These emissions arise mainly through procurement of goods and services, the use of energy and power in buildings, and school travel and transport. Further analysis is being undertaken to identify specific actions that can be taken to lower carbon emissions to meet the UK's target of 80% reduction in emissions by 2050.

Equality and diversity

11.6 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.

11.7 As part of the Department's People Strategy and vision to build a diverse Department with a culture that enables all people to be the best and succeed in adult life, the Diversity Delivery Plan consultation with staff was launched in July 2008. As a result of the consultation exercise, targets have been set for all under-represented groups (including Lesbian, Gay, Bi-sexual and Transgender staff) for 2013.

11.8 The Diversity Delivery Plan focuses on four key objectives which are: 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. This consultation will end in August 2009 and the Plan will be published in September 2009.

Relationships with employees

11.9 To support the delivery of the *Children's Plan* and to build a world class Department, a People Strategy was launched in January 2009 setting out the priorities on which the Department needs to focus. The strategy reflects discussions with staff, the outcomes of the Capability Review and Staff Survey, and best practice in other organisations. The Strategy has three priorities: consistently good people management; right skills, right place, right time; and flexible and timely resourcing.

11.10 Recruitment is carried out in accordance with the *Civil Service Commissioners' Recruitment Code*. The Department's approach to recruitment reflects its commitment to equal and fair opportunity for all. This includes adherence to the *Civil Service Code of Practice on the Employment of Disabled People*.

11.11 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 a department that leads in children, family services and education.

11.12 The Department regularly conducts a full staff survey. A staff survey took place during April 2008 and the results were published in July 2008. The 2009 Staff Survey took place in February 2009 and full results have been published in May 2009. This information will be used to support development of the Department's strategies and continually improve the way the Department manages its people.

Payment policy

11.13 The Department has a contractual obligation to pay for goods and services after receipt within 30 calendar days of the invoice date. In addition, from October 2008, following an announcement by the Prime Minister it is practice for the Department to pay all invoices within 10 calendar days. During 2008-09, 98.8% of suppliers (2007-08: 98.8%) were paid within 30 calendar days of receipt of a valid invoice and since October 2008 91.8% of suppliers have been paid within 10 calendar days of receipt of a valid invoice. The Department did not make any interest payments to suppliers under the Late Payment of Commercial Debts (Interest) Act 1998 as amended and supplemented by the Late Payment of Commercial Debts Regulations 2002.

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.

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 2008-09

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**
-	-	-	-	-

Table 2: Summary of other protected personal data related incidents in 2008-09

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	-
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	-
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	-
IV	Unauthorised disclosure	-
V	Other	-

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.

13.3 The Statement shows that the Department has not breached any of the Parliamentary controls, and at Estimate level, outturn was £563 million (1.09% of the budget) lower than the £51.7 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 £51.7 billion, but the Department consumed £51.3 billion in financing its activities, £422 million (0.8%) 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 £437.7 million lower than the Supply Estimate net resource limit of £49.9 billion. Almost all of this underspend can be attributed to the two Estimate Lines listed below.

B – Support for Schools and Teachers not through local authorities – £284 million - see explanation below.

G – Capital Grants to Local Authorities to support schools.

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

Estimate Line	Estimate Line Description	Limit £000	Outturn £000	Variance (over)/under £000
B	Support for Schools and Teachers not through Local Education Authorities	2,156,629	1,873,040	283,589
Explanation of variance: The variance relates to Academies and has arisen due to differences between forecasts provided by external contractors and final progress at the end of the year. As such, the work has slipped, and the associated expenditure will now take place in 2009-10.				
H	Current Grants to Local Authorities to support Children and Families	124,181	100,542	23,639
Explanation of variance: The overall variance arose due to underspends on several programmes, these include Children in Care, Aiming High for Disabled Children, Play Pathfinders, Unaccompanied Asylum Seekers Children and Child Poverty Pilots, where unexpected roll out has resulted in slippage on these programmes. The associated expenditure will now take place in 2009-10 and 2010-11.				
N	Grant in Aid to NDPBs supporting Further Education, Adult Education and Skills and Lifelong learning	162,632	143,890	18,742
Explanation of variance: This variance arose from the refund given to the Qualification and Curriculum Authority by an external contractor as settlement for the termination of the National Curriculum Test contract, which was used to offset the Grant in Aid.				

Estimate Line	Estimate Line Description	Limit £000	Outturn £000	Variance (over)/under £000
O	Current Grants to Local Authorities to support Youth programmes	11,798	13,128	(1,330)
Explanation of variance: This variance relates to additional spending pressures from Ministerial commitment to the Youth Crime Action Plan.				
P	Capital Grants to Local Authorities to support Youth programmes	14,987	-	14,987
Explanation of variance: The Department committed itself to 14-19 rural delivery of diplomas. Due to slippage within local authority allocation the expenditure could not take place in 2008-09. It is now expected in 2009-10 and 2010-11.				
Q	Activities to support all functions	-	6,447	(6,447)
Explanation of variance: The Department revalued its property portfolio during the year, and due to fluctuations within the property market, Sheffield Headquarters building (Moorfoot), Runcorn headquarters building (Castle View House) and Sheffield Nursery values fell. The changes in value have been charged to Annually Managed Expenditure.				

Request for resources 2 – Sure Start

Estimate Line	Estimate Line Description	Limit £000	Outturn £000	Variance (over)/under £000
D	Local Authority Capital Grants	421,139	322,866	98,273
Explanation of variance: The variance is a result of an underspend on the delivery of Sure Start Children Centres. The slippage arose due to a combination of LA spend rate assumptions coming in lower than expected and new credit materialising from the 07-08 audit returns.				
E	Grant in Aid to NDPBs supporting Children, Families and Young people	22,016	19,776	2,240
Explanation of variance: The underspend is due to an amount incorrectly accrued by CWDC at 2007-08 year end. The cash budget requirement in 2008-09 for this amount was no longer required. The Department was advised of CWDC's revised cash requirement too late in the financial year for this to be reduced with the 2008-09 Spring Supplementary process.				

Net cash requirement

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
Acquisition of Fixed Assets	25,387	36,241	(10,854)	There was insufficient cover in the Estimate for programme capital acquisitions.
Non-cash Items	(1,169)	(31,853)	30,684	This variance mainly relates to lack of budget

				cover for Teachers' TV amortisation (£4.1 million), fixed asset impairments (£6.6 million) and PfS provision take up (£13.1 million).
Changes in working capital other than cash	-	161,743	(161,743)	The Estimate did not reflect the movement in working capital, which was mainly due to the reduction in accruals when Local Area Agreements (LAA) were replaced by Area Based Grant (ABG).
Use of provisions	35,648	25,312	10,336	This underspend is mainly offset by the overspend on payments of financial liabilities, as budget was not separately identified in the Estimate.
Payment of financial liabilities	-	9,003	(9,003)	This overspend is offset by the underspend on use of provision.

Operating Cost Statement

13.5 The Operating Cost Statement reports total administration costs and programme costs by request for resource. In 2008-09 the provision for request for resources 3 has been reallocated to request for resources 1.

13.6 Of the £51.1 billion net operating costs, the majority of expenditure (£51.0 billion) is incurred on programme expenditure. More information on programme expenditure is given in note 2 and note 10. Only 0.4% (£199 million) was spent on administration costs (£201 million 0.4% 2007-08).

Balance Sheet

13.7 The net liability position has decreased from £352 million to £165 million during the year as a result of a large decrease in trade creditors and accruals, mainly due to the replacement of various local authority funding streams, including Local Area Agreements, with the new Area Based Grant.

13.8 The adoption of the financial instruments Financial Reporting Standards (FRS) has resulted in the recognition of financial assets and financial liabilities on the Balance Sheet.

13.9 The Cash Flow Statement provides further information on how the Department financed its activities. The main source of funding is the Consolidated Fund. The decrease in cash shown at the bottom of the statement is the result of the surplus cash at the end of last year being offset against the Department's current year financing requirement.

13.10 *Reconciliation of resource expenditure between Estimates, Accounts and Budgets*

	2008-09	**2007-08**
	£000	**£000**
Net resource outturn (Estimates)	**51,101,008**	**48,843,105**
Adjustments to remove:		
Provision voted for earlier years	-	-
Adjustments to additionally include:		
Non-voted expenditure in OCS	-	-
Consolidated Fund Extra Receipts in the OCS	(44,899)	(33,714)
Other Adjustments	-	-
Net operating costs (Accounts)	**51,056,109**	**48,809,391**
Adjustments to remove:		
Capital grants	(3,800,418)	(3,657,177)
Capital grants financed from the Capital Modernisation Fund	-	-
Voted expenditure outside the budget	(1,259,710)	(1,178,997)

Adjustments to additionally include:		
Other Consolidated Fund Extra Receipts	-	-
Resource consumption of Non-Departmental Public Bodies	1,253,319	1,224,952
Unallocated resource provision	-	-
Resource budget outturn (Budget)	**47,249,300**	**45,198,169**
Of which		
Departmental Expenditure Limits (DEL)	47,242,853	45,191,564
Annually Managed Expenditure (AME)	6,447	6,605

Significant contingent liabilities

13.11 Note 28 to the Accounts provides updated information on the contingent liabilities which the Department was required to report to Parliament at 31 March 2009. DCSF is not responsible for any significant liabilities.

14. Investment

14.1 Since the 1998 Comprehensive Spending Review, there has been significant and growing capital investment in each of the sectors for which the Department is responsible. The 2007 Comprehensive Spending Review settlement reflects this continued commitment to invest, with increases from £1 billion a year in 1997-98 to £9 billion by 2010-11. This includes investment to meet commitments set out in new policy areas, for example, the provision of 3,500 Sure Start Children's Centres to provide a range of childcare, health and family support for every community by 2010, and also substantial new investment to transform the current school estate through Building Schools for the Future.

14.2 The following paragraphs summarise the Department's capital investment strategy in its key policy delivery areas. Further details are available in Chapter 9 of the Departmental Report 2009.

Sure Start, Early Education and Childcare

14.3 A total of just under £1 billion capital grant has been allocated to local authorities over the 2007 Comprehensive Spending Review period through the Sure Start, Early Years and Childcare Grant and the Aiming High for Disabled Children Grant. To promote flexibility, the Department notified allocations in a single capital block for Sure Start Children's Centres, childcare and early years provision, with a separate capital block for the Aiming High for Disabled Children Grant. The funding for Sure Start Children's Centres is used to create new buildings; to refurbish and extend existing premises to promote choice, and to enable integrated services to be provided.

14.4 Sure Start Children's Centres are at the heart of the Every Child Matters Change for Children Programme, offering integrated support to children and their families. Sure Start Children's Centre funding is aimed at developing centres for every community by 2010. The Department is on track to reach its target of 3,500 Sure Start Children's Centres by 2010.

Play and Well-being

14.5 In December 2008, the Play Strategy was launched responding to over 9,000 consultation responses. The vast majority of which were from children and young people. This strategy sets out the Government's commitment to invest £235 million by 2011 to deliver 3,500 new or refurbished play spaces and 30 new adventure playgrounds.

Schools

14.6 The Government is investing £21.9 billion capital in schools in 2008-11. In November 2008, following the *Pre Budget Report*, and in response to the credit crunch, the Department invited all authorities to bring forward £800 million 2010-11 capital grant allocations into 2009-10, where they are confident of being able to deliver school projects earlier than planned. This is not new money, but changes the balance of funding between the two years.

14.7 The Primary Capital Programme is committed to renewing at least half of all primary school buildings by 2022-23; creating primary schools that are equipped for 21st century learning, at the heart of their communities, with children's services in reach of every family. The programme will be kick started by £1.75 billion of new capital investment from April 2009.

14.8 Building Schools for the Future aims to rebuild or renew every secondary school in England that requires it over 15 waves of investment, subject to future spending review decisions. In June 2008, it was announced that eight authorities were to be brought forward into an interim wave. Eighty authorities are now in the programme and, including academies, around 1,000 schools are in planning or construction. The consultation on the management of Building Schools for the Future waves 7 to 15 concluded in July 2008.

Supporting Young People

14.9 Launched in April 2008, '*myplace'* is administered on behalf of the Department by the Big Lottery Fund, with the purpose of delivering capital investment of just over £270 million through grants of between £1 million and £5 million to ambitious projects to deliver facilities that will offer young people a safe place to go, access to an exciting range of positive leisure time activities and access to support services as and when they are needed. During 2009-10 a further £31.6 million will be available.

Delivering Flexible Opportunities for Young People Aged 14-19

14.10 Established in 2006, the 16-19 Capital Fund is administered by the Learning and Skills Council. It continues to support building projects for new 16-19 places in schools and colleges. The 16-19 Capital Fund has £660 million available over the 2007 Comprehensive Spending Review period (2008-11) for new 16-19 places in schools, sixth form colleges or further education settings.

Public Private Partnerships/Private Finance Initiatives

14.11 The Private Finance Initiative is expected to contribute a third of total Building Schools for the Future investment over the 2007 Comprehensive Spending Review period. In March 2009, the Government announced a public sector infrastructure debt-financing unit to provide temporary support for Private Finance Initiative projects until market conditions improve, ensuring that vital projects in areas such as schools, waste and housing can proceed as planned.

Remuneration Report

Part A: Unaudited

15. Ministers' and 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 DCSF 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 director 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 2008-09, 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 DCSF's SCS salary bill, which is agreed centrally each year following the SSRB recommendations. In 2008-09 this 'pot' was limited by the Cabinet Office to 8.6% (2007-08 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. Details of board members' service contracts

17.1 The contractual terms of the Department's board members during 2008-09 are shown in the following table.

Contractual terms for board members

	Date of Appointment to Position	Type of Contract	Unexpired term at 31/03/09	Details of Notice Period
Mr David BELL [1] *Permanent Secretary*	1 January 2006	Indefinite	Not applicable	3 months in writing
Mr Tom JEFFERY [1] *Director General*	10 November 2003	Indefinite	Not applicable	3 months in writing
Mr Ralph TABBERER [1] *Director General (to 18 May 2008)*	13 March 2006	Indefinite	Not applicable	3 months in writing
Mr Jonathan THOMPSON [1] *Director General (to 4 January 2009)*	9 May 2006	Indefinite	Not applicable	3 months in writing
Mr Jon COLES [1] *Acting Director General (from 19 May 2008)*	19 May 2008	Indefinite	Not applicable	3 months in writing

	Date of Appointment to Position	Type of Contract	Unexpired term at 31/03/09	Details of Notice Period
Mr Michael HEARTY [1] *Acting Director General (from 5 January 2009)*	5 January 2009	Indefinite	Not applicable	3 months in writing
Ms Lesley LONGSTONE [1] *Director General*	28 June 2007	Indefinite	Not applicable	3 months in writing
Ms Caroline WRIGHT [1] *Director*	15 May 2006	Indefinite	Not applicable	3 months in writing
Ms Jane COOPER [2] *Director (to 4 January 2009)*	7 January 2008	Fixed	-	6 months in writing
Mr Stephen MEEK [1] *Director (to 18 May 2008)*	1 August 2007	Indefinite	Not applicable	3 months in writing

1 Date of appointment is when the individual took their Board position.

2 The fixed term appointment is for a period of 12 months from 7 January 2008 to 6 January 2009. The period of notice is 6 months or a period, if less, equal to the unexpired part of the fixed period. No notice will be given if the appointment is terminated early by mutual consent.

The details of notice in the above table relates to the notice the individual is required to give if they intend leaving the Department. If the Department decides to terminate a contract it is required to give 6 months notice.

Part B: Audited

18. Salaries and benefits

18.1 The table below contain details of the salaries and benefits in kind paid to Ministers and the Department's senior managers. 'Salary' includes gross salary; performance pay or bonuses; 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.

Ministers	2008-09		2007-08	
	Salary	Benefits in kind (rounded to nearest £100)	Salary	Benefits in kind (rounded to nearest £100)
Rt. Hon Ed BALLS MP *Secretary of State (from 29 June 2007)*	£79,180	-	£58,105 *(£76,904 full year equivalent)*	-
Rt. Hon Beverley HUGHES MP *Minister of State*	£41,153	-	£40,193	-
Rt. Hon Jim KNIGHT MP *Minister of State*	£41,153	-	£39,893	-
Baroness Delyth MORGAN MP *Parliamentary Under Secretary of State (from 6 October 2008)*	£56,492 *(£110,606 full year equivalent)*	-	N/A	-
Sarah MCCARTHY-FRY MP *Parliamentary Under Secretary of State (from 6 October 2008)*	£15,010 *(£30,851 full year equivalent)*	-	N/A	-

Lord Andrew ADONIS *Parliamentary Under Secretary of State (to 5 October 2008)*	£44,185 *(£74,196 full year equivalent)*	-	£72,653	-
Kevin BRENNAN MP *Parliamentary Under Secretary of State (from 30 June 2007 to 5 October 2008)*	£18,347 *(£30,937 full year equivalent)*	-	£22,794 *(£30,280 full year equivalent)*	-

18.2 The totals above represent 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 (£63,291 from 1 April 2008) 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.

Board Members

	2008-09		**2007-08**	
	Salary £000	**Benefits in kind (rounded to nearest £100)**	**Salary £000**	**Benefits in kind (rounded to nearest £100)**
Mr David BELL *Permanent Secretary*	200-205	200	190-195	200
Mr Tom JEFFERY *Director General*	155-160	-	145-150	-
Mr Ralph TABBERER *Director General (to 18 May 2008)*	35-40 (180-185 *full year equivalent)*	-	160-165	-
Mr Jon COLES *Acting Director General (from 19 May 2008)*	125-130 *(145-150 full year equivalent)*	-	N/A	-
Mr Jonathan THOMPSON *Director General (to 4 January 2009)*	145-150 *(170-175 full year equivalent)*	-	165-170	-
Mr Michael HEARTY *Acting Director General (from 5 January 2009)*	25-30 (110-115 *full year equivalent)*	7,600	-	-
Ms Lesley LONGSTONE *Director General (from 28 June 2007)*	145-150	500	100-105 *(125-130 full year equivalent)*	700
Ms Caroline WRIGHT *Director*	55-60 (100 -105 *full year equivalent)*	-	105-110	-
Ms Jane COOPER *Director (from 7 January 2008 to 4 January 2009)*	85-90 *(95 -100 full year equivalent)*	-	20-25 *(95-100 full year equivalent)*	-

Mr Stephen MEEK *Director (from 1 August 2007 to 18 May 2008)*	25-30 *(115-120 full year equivalent)*	-	80-85 *(115-120 full year equivalent)*	-

18.3 The non-executive board member Philip Augar did not receive any remuneration from the Department. Katherine Kerswell received £15,000 remuneration from the Department.

18.4 The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument.

18.5 During the year three members of the Board received benefits in kind. David Bell and Lesley Longstone received payments for season ticket advances. Michael Hearty received payments to cover the costs of living in London away from his home office in Runcorn; reimbursement covers travel, rent and associated utility expenses. In line with Departmental policy all claims for reimbursement must be evidenced.

19. Non-cash elements of the remuneration package

19.1 The board members' remuneration packages do not contain non-cash benefits.

20. Pension benefits

Ministers

20.1 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). 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.

20.2 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 increased annually in line with the changes in the Retail Prices Index. Members pay contributions of 6% of their ministerial salary if they have opted for the 1/50th accrual rate or 10% 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 26.8% of the ministerial salary.

20.3 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.

20.4 The PCPF have provided the following information in respect of DCSF Ministers:

	Accrued pension at age 65 at 31/03/09 £000	Real increase in pension at age 65 £000	CETV at 31/03/09 £000	*CETV at 31/03/08 £000	Real increase in CETV £000
Rt. Hon Ed BALLS MP *Secretary of State*	0-5	0-2.5	31	18	7
Rt. Hon Beverley HUGHES MP *Minister of State*	5-10	0-2.5	119	99	10

	Accrued pension at age 65 at 31/03/09 £000	Real increase in pension at age 65 £000	CETV at 31/03/09 £000	*CETV at 31/03/08 £000	Real increase in CETV £000
Rt. Hon Jim KNIGHT MP *Minister of State*	0-5	0-2.5	39	27	6
Baroness Delyth MORGAN MP *Parliamentary Under Secretary of State (from 6 October 2008)*	0-5	0-2.5	41	32	6
Sarah MCCARTHY-FRY MP *Parliamentary Under Secretary of State (from 6 October 2008)*	0-5	0-2.5	5	-	4
Lord Andrew ADONIS *Parliamentary Under Secretary of State (to 5 October 2008)*	5-10	0-2.5	67	56	6
Kevin BRENNAN MP [1] *Parliamentary Under Secretary of State (from 30 June 2007 to 5 October 2008)*	-	-	-	-	-

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

* The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with the Occupational Pension Scheme (Transfer Values) (Amendment) Regulations 2008.

20.5 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 in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

20.6 The **real increase in the value of the CETV** is effectively the element of the increase in accrued pension funded by the Exchequer. It excludes increases due to inflation and contributions paid by the Minister and are worked out using common market valuation factors for the start and end of the period.

Board members

20.7 Pension benefits are provided through the Civil Service Pension (CSP) 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 changes in the Retail Prices Index (RPI). Members joining from October 2002 could opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (partnership pension account).

20.8 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 pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' 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 in respect of service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 calculated as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

20.9 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).

20.10 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.

20.11 Further details about the CSP arrangements can be found at the website www.civilservice-pensions.gov.uk

	Accrued pension at pension age as at 31/03/09 and related lump sum £000	Real increase in pension and related lump sum at pension age £000	CETV at 31/03/09 £000	*CETV at 31/03/08 £000	Real increase in CETV £000	Employer contribution to Partnership pension account (nearest £100)
Mr David BELL *Permanent Secretary*	50-55 plus lump sum 160-165	0-2.5 plus lump sum 0-2.5	944	876	5	-
Mr Tom JEFFERY *Director General*	45-50 plus lump sum 145-150	0-2.5 plus lump sum 2.5-5	1,043	951	19	-
Mr Ralph TABBERER 2 *Director General (to 18 May 2008)*	15-20 plus lump sum 55-60	0-2.5 plus lump sum 0-2.5	377	370	5	-
Mr Jon COLES 1 *Acting Director General (from 19 May 2008)*	20-25 plus lump sum 625-630	2.5-5 plus lump sum 7.5-10	236	196	30	-
Mr Jonathan THOMPSON 2 *Director General (to 4 January 2009)*	20-25 plus n/a Premium	0-2.5 plus n/a Premium	310	269	12	-
Mr Michael HEARTY 1 *Acting Director General (from 5 January 2009)*	30-35 plus lump sum 90-95	0-2.5 plus lump sum 2.5-5	537	521	24	-
Ms Lesley LONGSTONE *Director General*	35-40 plus lump sum 105-110	2.5-5 plus lump sum 12.5-15	507	413	63	-
Ms Caroline WRIGHT *Director*	10-15 plus lump sum 35-40	0-2.5 plus lump sum 2.5-5	126	108	9	-

	Accrued pension at pension age as at 31/03/09 and related lump sum £000	Real increase in pension and related lump sum at pension age £000	CETV at 31/03/09 £000	*CETV at 31/03/08 £000	Real increase in CETV £000	Employer contribution to Partnership pension account (nearest £100)
Ms Jane COOPER [2] *Director (to 4 January 2009)*	5-10 plus n/a Premium	0-2.5 plus n/a Premium	110	80	20	-
Mr Stephen MEEK [2] *Director (to 18 May 2008)*	15-20 plus lump sum 55-60	0-2.5 plus lump sum 0-2.5	262	254	7	-

[1] Opening figures at start date

[2] Closing figures at leaving date

* The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with the Occupational Pension Scheme (Transfer Values) (Amendment) Regulations 2008.

20.12 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. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated in accordance with the Occupational Pension Scheme (transfer values) (Amendment) Regulations 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.

20.13 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.

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

21.1 There were no monies paid to third parties for services of executive board members during 2008-09.

David Bell 2 July 2009
Accounting Officer

Statement of Accounting Officer's Responsibilities

Under Section 5 of the Government Resources and Accounts Act 2000, the HM Treasury has directed the Department for Children, Schools and Families to prepare, for each financial year, Resource 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 Children, Schools and Families, and of its net resource outturn, resources applied to the objectives, recognised gains and losses 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.

- 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 Children, Schools and Families. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and safeguarding the Department's assets, are set out in *Managing Public Money* published by HM Treasury.

Statement on internal control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Departmental policies, aims and objectives, whilst safeguarding the public funds and Departmental assets, in accordance with the responsibilities assigned to me in *Managing Public Money*. I require each Director General, and the heads of certain other units which report directly to me, to sign an annual statement covering risk management and the operation of related controls in their areas of responsibility, to supplement the regular reporting to the Board on their stewardship of risks.

Similarly, the Chief Executives of the Non-Departmental Public Bodies (NDPBs), which are part of the Departmental Group, are responsible for the maintenance and operation of the system of internal control in their individual NDPBs, and have signed a statement relating to those systems which are reproduced in the accounts of each body.

The statements from directorates and NDPBs have been scrutinised and further information sought when necessary. Internal Audit has examined the processes supporting production of these statements and are satisfied that issues raised during their work have been adequately reflected. The Audit and Risk Assurance Committee (ARAC) has made an independent assessment of the contents of the Statement and is satisfied that it is consistent with their knowledge of the Department.

The Departmental Board includes two non-executive members and regularly meets to discuss all strategic policy management issues. This includes providing direction on major policy, delivery and operational issues, reviewing performance and ensuring that the Department is working economically, efficiently and effectively.

The purpose of the system of internal control

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, aims and objectives. It can therefore only provide a reasonable, rather than an 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, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Department for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts, and accords with HM Treasury guidance.

Capacity and capability to manage risk

During the course of the year, the Department's dependence upon third party delivery was addressed in the 2009 Risk Management Assessment Framework and the Delivering in Partnership reviews as part of the work done to improve future management of risk.

Taking their findings, and Lord Sutherland's Inquiry (into the 2008 National Curriculum Testing problems) into account, the Programme and Project Management, Risk and Assurance Unit (PPMRAU) working with the Departmental Security Unit, the Policy Impact Division, and other corporate policy teams, has produced an updated Departmental Risk Improvement Plan. This sets what actions will be undertaken to further improve the Department's risk management capability, especially in relation to the management of risks in delivery partnerships.

PPMRAU have worked with me, Board Non-Executives, my Head of Internal Audit and my Director General of Corporate Services to establish the Delivery Assurance Board on 1 April 2009, the purpose of which is to provide both Ministers and myself, as Accounting Officer, with better oversight and assurance on the Department's major programmes and projects, including those led and managed by NDPBs on its behalf.

During the course of the year relevant corporate and policy directorate teams have worked with others across Whitehall to review, revise, and then implement more detailed and robust business continuity, crisis management and recovery plans for the delivery system, including those for pandemic flu scenarios and severe weather conditions. They have also reviewed and implemented action plans to deal with the impact of the recession on policy delivery and operations.

The risk and control framework

The key risks have been identified and agreed by the Risk Committee, on which the Chair of ARAC sits as an observer, in its role of assisting ARAC and the DCSF Board. The Board regularly reviews these risks and also considers new and emerging threats, ensuring that all are effectively managed. Every quarter I discuss and review key Departmental risks with the Secretary of State.

Guidance on the identification, assessment and active management of risk (including information risk) in the Department is available to all staff. The Department's Risk Improvement Manager has continued to work with corporate policy colleagues to ensure that risk management is further embedded into the Department's corporate governance, financial management, business planning and assurance, and performance management arrangements and improvement activities.

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. There are frameworks in place to ensure that significant risks are reported to senior management and, if required, the Board.

I have continued to ensure that Information Assurance (encompassing data security) is a priority area in the Department and its NDPBs. To build on the effective baseline of Information Assurance practice that has already been established, the Departmental Security Unit is undertaking an assessment of the Department's position in relation to the Information Assurance Maturity Model developed by Cabinet Office. The outputs from this assessment will be used to further enhance the Department's maturity during 2009-10.

A proactive approach to fraud awareness, prevention, detection and investigation is taken by the Department. These arrangements are subject to scrutiny and monitoring by the DCSF Fraud Committee, a sub-committee of ARAC.

During the year, the National Audit Office (NAO) reviewed the value for money of operations involving the Department and its delivery agents. One of its reports was *Financial Management in DCSF* published 30 April 2009. This reported that the Department met many of the requirements of sound financial management but aspects of financial capability and the ability to influence financial management in its delivery agents did not yet meet accepted good practice. In particular that risk management is not sufficiently developed to escalate early enough emerging risks in partner organisations for remedial action to be taken. Work to address the emerging findings and subsequent recommendations has been undertaken during the year as the report was being produced, and is continuing.

Review of effectiveness

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 have been advised by the Board, ARAC, the Risk Committee and Departmental Risk Improvement Manager, the Departmental Security Officer and the Chief Information Officer.

The Department's internal auditors undertake a work programme approved by me to review risk management, internal control and governance. I meet with the Head of Internal Audit (HIA) monthly to discuss progress reports which include a professional opinion on the effectiveness of the overall systems of internal control, risk management and governance within the Department. In addition, the HIA produces a periodic summary on internal Audit's findings, their assessment of risk management, corporate governance and control standards. This covers the key corporate risk and delivery areas, and assurances in the year range from Green to Amber/Red. These reviews have been assessed as not having a material impact on the overall position of the Statement of Internal Control.

For 2008-09 ARAC supported the Accounting Officer by offering objective advice on issues concerning the control and governance of the Department. ARAC was chaired by a non-executive Board member and its role and composition was in line with the Treasury's best practice guidance as confirmed by a formal review of its effectiveness carried out by Internal Audit.

Internal Control

Third party delivery

Although the Department for Business, Innovation & Skills (formerly the Department for Innovation, Universities and Skills) is the sponsoring department, the Learning and Skills Council is a major delivery agent of the Department's programmes.

During the year problems arose with areas of work delivered by contracts managed by the LSC and the DCSF sponsored NDPB, the Qualifications and Curriculum Authority (QCA). Further details can be seen in their Statements on Internal Control published as part of their Resource Accounts.

- The LSC experienced a problem with the contractor processing the Education Maintenance Allowance (EMA) applications. The failure of their IT system and related processing problems resulted in a large backlog of unprocessed applications. The Department worked with and supported the LSC to ensure recovery of the position. The LSC has now set up a Learner Support Programme Board on which DCSF is represented at a senior level. DCSF programme management arrangements have been further developed and designed to capture and more quickly respond to high level risks in LSC delivery plans. Lessons learnt will be reflected in the development of the governance and accountability framework for the successor body (Young People's Learning Agency) responsible for delivering DCSF programmes.

- The QCA had significant problems with the contract for the marking of national curriculum tests. In the summer of 2008, the contractor encountered serious problems in processing test papers and the QCA decided to terminate the contract. An independent inquiry conducted by Lord Sutherland found that the DCSF had good risk management processes in place but that it may not have sufficiently challenged the QCA on management of risk and the QCA had insufficient oversight of those risks. Work is underway to reduce the chances of the problem recurring in future.

Whilst recognising the above issues, good progress has been made in resolving them and there are plans in place to further enhance financial control systems and improve practice. As Accounting Officer I am satisfied the above issues are not systemic and do not represent a material threat to operational effectiveness, and that the Department and its NDPBs comply with the Treasury requirements on risk management, internal control and governance.

David Bell 2 July 2009
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 Children, Schools and Families for the year ended 31 March 2009 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the Statement of Operating Costs by Departmental Aim and Objectives 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

The Accounting Officer is responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I report to you whether, in my opinion, the information which comprises the Scope and the Management Commentary, included in the Annual Report, is consistent with the financial statements. I also report whether 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.

In addition, I report to you if the Department has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Department's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the unaudited part of the Remuneration Report. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Department's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that 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. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Department’s affairs as at 31 March 2009, and the net cash requirement, net resource outturn, net operating cost, operating costs applied to objectives, recognised gains and losses and cash flows for the year then ended;

- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and

- information which comprises the Scope and the Management Commentary included within the Annual Report, is consistent with the financial statements.

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.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London
SWIW 9SS

Date 6 July 2009

Statement of Parliamentary Supply

Summary of Resource Outturn 2008-09

								2008-09	2007-08
								£000	£000
				Estimate			Outturn		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	49,953,769	(50,684)	49,903,085	49,516,057	(50,684)	49,465,373	437,712	47,087,778
2	2	1,761,120	(126)	1,760,994	1,635,660	(25)	1,635,635	125,359	1,632,258
3	2	-	-	-	-	-	-	-	123,069
Total resources	3	**51,714,889**	**(50,810)**	**51,664,079**	**51,151,717**	**(50,709)**	**51,101,008**	**563,071**	48,843,105
Non-operating cost A in A				**(1,607)**			**(1,607)**	**-**	(199)

Net cash requirement 2008-09

	Note	Estimate	Outturn	2008-09 £000 Net Total outturn compared with Estimate: saving/ (excess	2007-08 £000 Outturn
Net cash requirement	4	**51,722,338**	**51,299,847**	**422,491**	48,653,829

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 2008-09 £000		Outturn 2008-09 £000	
	Note	**Income**	**Receipts**	**Income**	**Receipts**
Total	5	-	-	44,997	*41,195*

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 38 to 63 form part of these accounts.

Operating Cost Statement
for the year ended 31 March 2009

	Note	Staff costs	Other costs	2008-09 Income £000	2007-08 Total £000
Administration costs:					
Staff costs	8	121,188			119,965
Other administration costs	9		77,448		80,809
Operating income	11			(11,772)	(14,436)
Programme costs:					
Request for resources 1:					
Staff costs	8, 10	16,086			12,937
Programme costs	10		49,301,516		46,899,539
Income	11			(83,992)	(44,547)
Request for resources 2:					
Staff costs	8, 10	-			-
Programme costs	10		1,635,660		1,632,258
Income	11			(25)	(203)
Request for resources 3:					
Staff costs	8, 10	-			-
Programme costs	10		-		123,069
Income	11			-	-
Totals		**137,274**	**51,014,624**	**(95,789)**	**48,809,391**
Net operating cost	3, 12			**51,056,109**	**48,809,391**

All income and expenditure reported in the Operating Cost Statement is derived from continuing operations.

Statement of Recognised Gains and Losses
for the year ended 31 March 2009

	2008-09 £000	2007-08 £000
Net gain/(loss) on revaluation of tangible fixed assets	(4,884)	(8,083)
Net gain/(loss) on revaluation of intangible fixed assets	(2)	466
Recognised gains and losses for the financial year	**(4,886)**	**(7,617)**

The notes on pages 38 to 63 form part of these accounts.

Balance Sheet
as at 31 March 2009

	Note		2009 £000		2008 (Restated) £000
Fixed assets:					
Tangible assets	13	68,841		79,616	
Intangible assets	14	16,788		16,574	
Financial assets	15	21,906		1,221	
			107,535		**97,411**
Current assets:					
Debtors	16	98,549		176,726	
Financial assets repayable within 1 year	15	105		68	
Cash at bank and in hand	17	47,395		798,862	
		146,049		975,656	
Creditors (amounts falling due within one year):					
Creditors	18	(369,678)		(1,361,065)	
Financial liabilities payable within 1 year	20	(8,013)		(8,204)	
		(377,691)		(1,369,269)	
Net current assets			**(231,642)**		**(393,613)**
Total assets less current liabilities			**(124,107)**		**(296,202)**
Provisions for liabilities and charges	19		(28,640)		(41,022)
Financial liabilities	20		(12,400)		(15,081)
			(165,147)		**(352,305)**
Taxpayers' equity:					
General Fund	21		(171,561)		(364,242)
Revaluation reserve	22		6,414		11,937
			(165,147)		**(352,305)**

David Bell
(Accounting Officer)

2 July 2009

The notes on pages 38 to 63 form part of these accounts.

Cash Flow Statement
for the year ended 31 March 2009

	Note	2008-09	2007-08
		£000	£000
Net cash outflow from operating activities	23a	**(51,224,215)**	(48,602,894)
Capital expenditure and financial investment	23b,c	**(34,437)**	(17,221)
Payments of amounts due to the Consolidated Fund		**(29,719)**	(4,231)
Financing	23d	**50,536,904**	49,437,087
Increase/(decrease) in cash in the period	23e	**(751,467)**	**812,741**

The notes on pages 38 to 63 form part of these accounts.

Statement of Operating Costs by Departmental Aim and Objectives
for the year ended 31 March 2009

			2008-09			2007-08
			£000			£000
	Gross	Income	Net	Gross	Income	Net

AIM: Our aim is to 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.

	Gross	Income	Net	Gross	Income	Net
Objective 1	919,647	(4,491)	915,156	857,646	(1,729)	855,917
Objective 2	397,317	(3,270)	394,047	298,500	(220)	298,280
Objective 3	7,150,146	(21,463)	7,128,683	6,710,162	(26,560)	6,683,602
Objective 4	7,974,284	(7,155)	7,967,129	7,477,586	(6,419)	7,471,167
Objective 5	4,382,096	(5,279)	4,376,817	3,797,255	(219)	3,797,036
Objective 6	1,030,790	(10,533)	1,020,257	1,346,984	(3,580)	1,343,404
Objective 7	344,081	(43,598)	300,483	345,068	(20,459)	324,609
Dedicated Schools Grant	28,953,537	-	28,953,537	28,035,376	-	28,035,376
Net operating cost	51,151,898	(95,789)	51,056,109	48,868,577	(59,186)	48,809,391

The Department's objectives are as follows:

Objective 1 - Secure the well-being and health of children and young people.

Objective 2 - Safeguard the young and vulnerable.

Objective 3 - Achieve world class standards in education.

Objective 4 - Close the gap in educational achievement for children from disadvantaged backgrounds.

Objective 5 - Ensure young people are participating and achieving their potential to 18 and beyond.

Objective 6 - Keep children and young people on the path to success.

Objective 7 - Lead and manage the system.

The Dedicated Schools Grant funds the maintained school sector whilst at the same time contributing to the Department's strategic objectives of raising education standards for all children, closing the education attainment gap and increasing children's health and well-being. Rather than allocate such a large programme to objectives, the Department has chosen to disclose this expenditure separately in the Resource Accounts. In the Departmental Report 2009 this outturn has been allocated to objective 3.

See note 24 for further analysis of expenditure and capital employed by objective.

The notes on pages 38 to 63 form part of these accounts.

Notes to the Departmental Resource Accounts

1. Statement of accounting policies

The financial statements have been prepared in accordance with the 2008-09 *Government Financial Reporting Manual (FReM)* issued by HM Treasury. The accounting policies contained in the *FReM* follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

In addition to the primary statements prepared under UK GAAP, the *FReM* also requires the Department to prepare two additional primary statements. The *Statement of Parliamentary Supply* and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement. The *Statement of Operating Costs by Departmental Aim and Objectives* and supporting notes analyse the Department's income and expenditure by the objectives agreed with Ministers.

Where the *FReM* permits a choice of accounting policy, the accounting policy which has been 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.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets at their value to the business by reference to their current costs.

1.2 Basis of preparation

During 2008-09 the Department had responsibility for nine 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.

1.3 Tangible fixed assets

The minimum level for capitalisation of capital expenditure as a tangible fixed asset 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 tangible fixed assets are restated to current value each year. Freehold land and buildings have been restated at current cost using professional valuations in accordance with FRS 15 every 5 years and by using appropriate indices supplied by HM Treasury in the intervening years. Other tangible assets have been stated at current cost using appropriate indices published by the Office for National Statistics.

1.4 Depreciation

Depreciation is provided at rates calculated to write off the valuation of freehold buildings and other tangible fixed assets 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

Notes to the Departmental Resource Accounts - *continued*

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. The Department has assigned a 20 year asset life to this specific suite of furniture.

A residual value of 20% of the original purchase price is applied to all vehicles purchased.

1.6 Intangible fixed assets

Purchased computer software licences are capitalised as intangible fixed 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. The value of the software assets has been stated at current cost, using appropriate indices published by the Office for 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

This is the first time adoption of the UK GAAP Financial Reporting Standard (FRS) 25 Disclosure and Presentation, 26 Measurement, Recognition and Derecognition and 29 Financial Instruments: Disclosures. The Department does not have any complex financial instruments, however, financial assets and financial liabilities are recognised on DCSF's Balance Sheet when DCSF 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 debtors, other debtors and derivative financial instruments. DCSF 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, DCSF 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. DCSF's financial assets include trade and other debtors and cash.

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

Trade and other debtors

Trade and other debtors have fixed or determinable payments that are not quoted on an active market. They do not

Notes to the Departmental Resource Accounts - *continued*

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 operating cost statement 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 Operating Cost Statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits. DCSF 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 financial liabilities 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 creditors, accruals and derivative financial instruments. DCSF does not currently have financial liabilities classified as fair value through profit or loss neither does it have derivative financial instruments. DCSF determines the classification of its financial liabilities at initial recognition. DCSF's financial liabilities include trade and other creditors.

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

Creditors and other creditors

Creditors and other creditors 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 effective interest method if time value of money is of significance.

Embedded derivatives

DCSF applies Urgent Issues Task Force (UITF) Abstract 42: Reassessment of Embedded Derivatives in full. DCSF assesses whether an embedded derivative is required under FRS 26 to be separated from the host contract and accounted for as a derivative when it first becomes a party to the contract. DCSF 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 Operating Cost Statement in the year in which it is incurred. Fixed assets 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 DCSF's NDPBs), and income to the Consolidated Fund that HM

Notes to the Departmental Resource Accounts – *continued*

Treasury has agreed should be treated as operating income. Income is stated net of VAT.

1.10 Administration and programme expenditure

The Operating Cost Statement 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 cost limit, 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 Services Transformation programme, Centre for Procurement Performance and shadow Independent Barring Board (IBB) as programme costs because they relate directly to programme delivery.

1.11 Capital charge

A charge, reflecting the cost of capital utilised by the Department, is included in operating costs. The charge is calculated at the real rate set by HM Treasury currently 3.5% on the average carrying amount of all assets less liabilities, except for Consolidated Fund balances and Office of the Paymaster General bank balances where the charge is nil.

1.12 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.

1.13 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.

1.14 Leases

Operating leases are charged to the Operating Cost Statement as expenditure is incurred.

1.15 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

Notes to the Departmental Resource Accounts - *continued*

Department. In earlier years the Department could, in certain circumstances, settle some or all of its liability in advance by making a payment to the Paymaster General's account at the Bank of England for the credit of the Civil Superannuation Vote. The balance of pre-funded costs, which was included in the debtor balance as a prepayment, has been fully utilised in 2008-09.

1.16 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 Operating Cost Statement and shown as a liability on the Balance Sheet.

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

1.17 Provisions

The Department makes provision in the account where the following criteria are met at 31 March in accordance with FRS 12: 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 rate (2.2% in 2008-09 and 2007-08).

1.18 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with FRS 12, 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 FRS 12 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by FRS 12 are stated at the amounts reported to Parliament.

1.19 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 fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

Notes to the Departmental Resource Accounts – *continued*

2. Analysis of net resource outturn by Estimate Line

	2008-09 £000								2007-08 £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									
Central Government spending									
A Activities to support all functions	198,455	56,838	1,782	257,075	(14,275)	242,800	244,480	1,680	235,709
B Support for schools and teachers not through Local Education Authorities		748,959	1,127,096	1,876,055	(3,015)	1,873,040	2,156,629	283,589	1,507,446
C Support for children and families not paid through Local Authorities		153,367	149,269	302,636	(5,010)	297,626	325,484	27,858	401,499
D Further Education, Adult Learning and Skills for Lifelong Learning and International programmes		92,257	7,499,559	7,591,816	(65)	7,591,751	7,545,331	(46,420)	7,109,196
E Compensation to former College of Education Staff			11,817	11,817		11,817	11,889	72	11,666
Support for Local Authorities									
F Current Grants for Local Education Authorities to support Schools and Teachers			4,503,590	4,503,590	(21,513)	4,482,077	4,436,296	(45,781)	4,333,380
Current Grants for Local Area Agreements to support Children and Families									*687,531*
G Capital Grants for Local Education Authorities to support schools			3,382,537	3,382,537		3,382,537	3,550,207	167,670	3,174,541
H Current Grants for Local Education Authorities to support Children and Families			102,677	102,677	(2,135)	100,542	124,181	23,639	344,335
I Capital Grants to Local Authorities to support children and families			95,015	95,015		95,015	97,593	2,578	47,920
J Dedicated School Grants			28,953,537	28,953,537		28,953,537	28,980,453	26,916	28,048,953
K Area Based Grants			1,179,793	1,179,793	(4,671)	1,175,122	1,175,520	398	-
Non-Budget									
L Grant in Aid to NDPBs supporting Schools			927,108	927,108		927,108	895,366	(31,742)	912,515
M Grant in Aid to NDPBs supporting Children and Families			168,936	168,936		168,936	170,239	1,303	109,113
N Grant in Aid to NDPBs supporting Further Education, Adult Education and Skills and Lifelong Learning			143,890	143,890		143,890	162,632	18,742	157,369
Spending in Departmental Expenditure Limits									
Support for Local Authorities									
O Current Grants to Local Authorities to support Youth Programmes			13,128	13,128		13,128	11,798	(1,330)	-
P Capital Grants to Local Authorities to support Youth Programmes						-	14,987	14,987	-
Spending in Annually Managed Expenditure									
Central Government spending									
Q Activities to support all functions		6,447		6,447		6,447	-	(6,447)	6,605
Total	**198,455**	**1,057,868**	**48,259,734**	**49,516,057**	**(50,684)**	**49,465,373**	**49,903,085**	**437,712**	**47,087,778**
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									
Central Government spending									
A Sure Start current grants not through Local Authorities		33,630	3,344	36,974	(25)	36,949	39,502	2,553	66,477
B Sure Start schools current grants not through Local Authorities			13,759	13,759		13,759	14,630	871	24,411
Support for Local Authorities									
Sure Start Current Grants for Local Area Agreements									*180,103*
C Local Authority current Grants			1,242,285	1,242,285		1,242,285	1,263,707	21,422	926,551
D Local Authority capital Grants			322,866	322,866		322,866	421,139	98,273	434,716
Non Budget									
E Grant in Aid to NDPBs supporting Children, Families and Young People			19,776	19,776		19,776	22,016	2,240	-
Total	**-**	**33,630**	**1,602,030**	**1,635,660**	**(25)**	**1,635,635**	**1,760,994**	**125,359**	**1,632,258**

Notes to the Departmental Resource Accounts - *continued*

Request for resources 3 – Tackling child poverty and social exclusion by helping vulnerable children and young people, and their families to break the cycle of deprivation and disadvantage through the Children's Fund

Spending in Departmental Expenditure Limits									
Central Government spending									
A Children's Fund						-	-	-	*41,669*
Support for Local Authorities									
B Local Authority current grants						-	-	-	*81,400*
Total	-	-	-	-	-	-	-	-	***123,069***
Resource Outturn	**198,455**	**1,091,498**	**49,861,764**	**51,151,717**	**(50,709)**	**51,101,008**	**51,664,079**	**563,071**	**48,843,105**

Explanation of variances

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

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

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

				2008-09	2007-08
				£000	£000
	Note	**Outturn**	**Supply Estimate**	**Outturn compared with Estimate**	**Outturn**
Net Resource Outturn	2	51,101,008	51,664,079	563,071	48,843,105
Prior period adjustments		-	-	-	-
Non-supply income (CFERs)	5	(44,899)	-	44,899	(33,714)
Non-supply expenditure		-	-	-	-
Net operating cost		**51,056,109**	**51,664,079**	**607,970**	**48,809,391**

3(b) Outturn against final Administration Budget

	2008-09		2007-08
		£000	£000
	Budget	**Outturn**	**Outturn**
Gross Administration Budget	202,277	199,472	196,117
Income allowable against the Administration Budget	(12,708)	(11,591)	(14,424)
Net outturn against final Administration Budget	**189,569**	**187,881**	**181,693**

Notes to the Departmental Resource Accounts - *continued*

4. Reconciliation of resources to cash requirement

	Note	Estimate £000	Outturn £000	Net total outturn compared with Estimate: saving/(excess) £000
Resource Outturn	2	51,664,079	51,101,008	563,071
Capital				
Acquisition of fixed assets	13, 14	25,387	36,241	(10,854)
Investments				
Loans issued in year	15	-	-	-
Non-operating A in A				
Proceeds of fixed asset disposals	7	(1,607)	(1,607)	-
Repayment of loans	7	-	-	-
Repayment of financial leases	7	-	-	-
Accruals adjustments				
Non-cash items	9	(1,169)	(31,853)	30,684
Changes in working capital other than cash		-	161,743	(161,743)
Changes in creditors falling due after more than one year	18	-	-	-
Use of provisions	19	35,648	25,312	10,336
Payment of financial liabilities	20	-	9,003	(9,003)
Excess cash receipts surrenderable to the Consolidated Fund				
Net cash requirement		**51,722,338**	**51,299,847**	**422,491**

The Department has stayed within £422 million (0.8%) of its cash requirement limit. This is mainly due to the £563 million underspend on the net resources limit. Further information on the variances can be found in the financial performance section of the Management Commentary.

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).

	Note	Forecast 2008-09 Income £000	Forecast 2008-09 Receipts £000	Outturn 2008-09 Income £000	Outturn 2008-09 Receipts £000
Operating income and receipts – excess A in A				21,706	*21,706*
Other operating income and receipts not classified as A in A				23,193	*19,391*
		-	-	44,899	*41,097*
Non-operating income and receipts – excess A in A				98	*98*
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		-	-	**44,997**	*41,195*

Notes to the Departmental Resource Accounts – *continued*

6. Reconciliation of income recorded within the Operating Cost Statement to operating income payable to the Consolidated Fund

	Note	2008-09	2007-08
		£000	£000
Operating income	11	95,789	59,186
Adjustments for transactions between RfRs		-	-
Gross income		95,789	59,186
Income authorised to be appropriated-in-aid		50,709	25,472
		45,080	33,714
Profit on disposal of fixed assets not netted off expenditure		(181)	-
Total income payable to the Consolidated Fund	5	**44,899**	**33,714**

7. Non-operating income – classified as A in A

	Note	2008-09	2007-08
		£000	£000
Principal repayments of loans to schools		68	64
Proceeds from disposal of fixed assets		1,637	135
Gross income		1,705	199
Income authorised to be appropriated-in-aid		1,607	199
Total income payable to the Consolidated Fund	5	**98**	**-**

8. Staff numbers and related costs

Staff costs consist of:

	2008-09					2007-08
	£000					£000
	Total	**Permanently employed staff**	**Other[1]**	**Ministers**	**Special advisers**	**Total**
Wages and salaries	**108,515**	98,373	9,551	296	295	**105,426**
Social security costs	**8,347**	8,164	126	28	29	**7,995**
Other pension costs	**20,412**	20,075	272	-	65	**19,481**
Sub Total	**137,274**	**126,612**	**9,949**	**324**	**389**	**132,902**
Charged to admin staff costs	121,188	116,842	3,633	324	389	119,965
Charged to programme costs [2]	16,086	9,770	6,316	-	-	12,937
Sub Total	**137,274**	**126,612**	**9,949**	**324**	**389**	**132,902**
Less recoveries in respect of outward secondments	**(2,042)**	(2,042)	-	-	-	(1,876)
Total Net Costs	**135,232**	**124,570**	**9,949**	**324**	**389**	**131,026**

[1] The fees paid for agency staff is a flat hourly fee, including 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, Centre for Procurement Performance and shadow Independent Barring Board (IBB) to be charged to programme expenditure.

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

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Department for Children, Schools and Families 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 Resource Accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2008-09, employers' contributions of £20,361,836.80 were payable to the PCSPS (2007-08: £19,442,685.54) at one of four rates in the range 17.1% to 25.5% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions usually every four years following a full scheme valuation. From 2009-10, the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during

Notes to the Departmental Resource Accounts – *continued*

2008-09 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 £37,995.30 (2007-08: £35,811.45) 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 £2,388.38 (2007-08: £2,529.43), 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 nil. Contributions prepaid at that date were also nil.

Three persons (2007-08: two persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £29,215.53 (2007-08: £4,761.03).

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

					2008-09	2007-08
					Number	Number
Objective	Total	Permanent staff	Others	Ministers	Special advisers	Total
1	**71.0**	70.0	1.0	-	-	130.0
2	**46.0**	45.0	1.0	-	-	172.0
3	**377.0**	372.0	5.0	-	-	493.0
4	**625.0**	612.0	13.0	-	-	327.0
5	**250.0**	247.0	3.0	-	-	93.0
6	**55.0**	54.0	1.0	-	-	134.0
7	**1,067.5**	1,032.0	27.0	5.0	3.5	1,344.0
Number of staff charged to admin costs	**2,491.5**	2,432.0	51.0	5.0	3.5	2,693.0
Objective						
1	**5.0**	-	5.0	-	-	8.0
2	**3.0**	-	3.0	-	-	11.0
3	**45.0**	20.0	25.0	-	-	38.0
4	**100.0**	59.0	41.0	-	-	57.0
5	**27.0**	20.0	7.0	-	-	16.0
6	**3.0**	-	3.0	-	-	3.0
7	**137.0**	111.0	26.0	-	-	73.0
Number of staff charged to programme costs	**320.0**	210.0	110.0	-	-	206.0
TOTAL	**2,811.5**	2,642.0	161.0	5.0	3.5	2,899.0

The Department's 2008-09 objectives are as follows:

Objective 1 - Secure the well-being and health of children and young people.

Objective 2 - Safeguard the young and vulnerable.

Objective 3 - Achieve world class standards in education.

Objective 4 - Close the gap in educational achievement for children from disadvantaged backgrounds.

Objective 5 - Ensure young people are participating and achieving their potential to 18 and beyond.

Objective 6 - Keep children and young people on the path to success.

Objective 7 - Lead and manage the system.

Notes to the Departmental Resource Accounts - *continued*

9(a) Other administration costs

			2008-09		2007-08
		£000	£000	£000	£000
	Note				
Rentals under operating leases:					
Hire of plant and machinery		1,010		791	
Other operating leases		13,355	14,365	16,248	17,039
Non-cash items (administration costs note a):					
Depreciation of fixed assets					
Civil Estate		395		767	
Other tangible fixed assets		7,968		7,908	
Amortisation of intangible fixed assets		625		594	
Permanent diminution in fixed asset values		637		567	
Profit on disposal of fixed assets		(1,128)		-	
Loss on disposal of fixed assets		111		2,782	
Cost of capital charge:					
Civil Estate		806		1,255	
Other items		497		141	
Auditor's remuneration		318		300	
Early departure financial liability:					
Provided for in year		424		3	
Not required written back		(758)		(3,380)	
Unwinding of discount		275		437	
Total administration non-cash items			10,170		11,374
Professional fees			6,933		7,688
Travel and subsistence			6,000		5,904
Consultancy			7,497		4,863
Rates and service charges			3,137		5,316
Computers and telecoms costs			7,082		7,449
Utilities			1,847		1,886
Advertising and publicity			525		277
Other office services			9,257		10,198
Other expenditure			10,635		8,815
Total			**77,448**		**80,809**

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

The 'Other expenditure' heading above includes £15,000 remuneration paid to Katherine Kerswell a non-executive board member. The other non-executive board member, Philip Augar did not receive any remuneration from the Department.

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 Reconciliation of Operating Costs to Operating Cash Flows in note 23a comprises:

	2008-09	2007-08
	£000	£000
Other administration costs – non-cash items (as note 9a above)	10,170	11,374
Programme non-cash costs charged to operating expenditure (see note 10)	21,864	12,934
Less non-cash income:		
Profit on sale of fixed assets	(181)	(12)
Total non-cash transactions	**31,853**	**24,296**

Notes to the Departmental Resource Accounts - *continued*

10. Programme costs

	Note	2008-09 £000	2007-08 £000
Current grants, capital grants and other current expenditure		50,919,799	48,642,661
Research and development costs		11,599	12,208
Non-cash items:			
Cost of capital on programmes		(8,318)	(10,126)
Depreciation		293	472
Amortisation		4,112	2,711
Permanent diminution in fixed asset values		6,625	7,851
NCSL financial asset reduction		32	-
Provisions and financial liabilities:	19, 20		
Provided in year		19,458	16,405
Not required written back		(524)	(4,586)
Unwinding of discount		186	207
Total programme costs		**50,953,262**	**48,667,803**

Dedicated Schools Grant (DSG)

Total programme costs includes an amount of £29.0 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 2007-08 £196m (0.7%) was carried forward in this way to 2008-09.

In addition, schools carry over unspent DSG in balances to future years. During 2007-08 school balances rose by £250m (equivalent to 0.9% of DSG) to some £1.92 billion. Early indications for 2008-09, based on a sample of unaudited returns from local authorities, are that school balances have fallen by some £80m (0.3% of DSG). The Department continues to monitor the total of balances and will consider further action if it considers they do not fall fast enough.

11. Income

	RfR 1	RfR 2	2008-09 £000 Total	2007-08 £000 Total
Administration income:				
Fees and charges to external customers	(216)		(216)	(301)
Profit on disposal on assets	(181)		(181)	(12)
Rental income from external tenants	(352)		(352)	(194)
Shared service income from DIUS	(9,854)		(9,854)	(11,083)
Other miscellaneous	(1,169)		(1,169)	(2,846)
	(11,772)	-	(11,772)	(14,436)
Programme income:				
Rental income from within DCSF group	(6,795)		(6,795)	(5,174)
Area Based Grants income	(16,073)		(16,073)	-
Standard Fund income	(24,955)		(24,955)	(28,407)
Other income	(12,976)	(25)	(13,001)	(6,960)
CFER miscellaneous income	(23,193)		(23,193)	(4,209)
	(83,992)	(25)	(84,017)	(44,750)
Total	**(95,764)**	**(25)**	**(95,789)**	**(59,186)**

Notes to the Departmental Resource Accounts - *continued*

12. Analysis of net operating cost by spending body

		2008-09	2007-08
	£000 Estimate	£000 Outturn	£000 Outturn
Spending body:			
Grant in aid to Non-Departmental Public Bodies (NDPBs):			
British Educational Communications and Technology Agency (BECTA)	41,960	61,285	37,172
Children and Family Court Advisory and Support Service (CAFCASS)	114,035	113,874	106,450
Children's Workforce Development Council (CWDC)	75,366	71,931	-
National College for School Leadership (NCSL)	104,932	107,643	83,305
Office of the Children's Commissioner (OCC) (also known as 11 Million)	2,854	2,907	2,663
Partnerships for Schools (PfS)	8,004	9,292	6,931
Qualifications and Curriculum Authority (QCA)	162,632	143,890	157,369
School Food Trust (SFT)	10,781	10,666	7,738
Training and Development Agency for Schools (TDA)	729,689	738,222	777,313
Building Schools for the Future Investments Limited (BSFI Ltd)	350	350	2,968
Local Authorities	39,438,522	39,114,838	36,711,609
Payment to DIUS for DCSF programmes delivered by the LSC	7,387,596	7,384,652	7,052,258
Other DCSF	3,587,358	3,296,559	3,863,615
Net operating cost	**51,664,079**	**51,056,109**	**48,809,391**

Local authority outturn in 2007-08 included Voluntary Aided (VA) school capital (£649 million) and BSFI Ltd, which are now reported to 'Other DCSF' and 'BSFI Ltd' respectively.

13. Tangible fixed assets

	Land & Buildings	Plant & Machinery	Information Technology	Transport Equipment	Furniture & Fittings	Assets Under Construction[1]	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation							
At 1 April 2008	63,510	398	32,361	153	17,599	5,300	119,321
Additions	-	-	1,925	-	3,561	25,589	31,075
Disposals	(27,301)	(102)	(2,036)	(109)	(2,943)	-	(32,491)
Reclassification	-	-	1,318	-	414	(1,732)	-
Revaluations	(14,669)	12	(1,180)	5	174	-	(15,658)
At 31 March 2009	**21,540**	**308**	**32,388**	**49**	**18,805**	**29,157**	**102,247**
Depreciation							
At 1 April 2008	13,597	251	18,404	83	7,370	-	39,705
Provided in year	395	35	5,865	12	2,349	-	8,656
Disposals	(6,168)	(94)	(1,973)	(62)	(2,942)	-	(11,239)
Revaluations	(3,238)	7	(589)	4	100	-	(3,716)
At 31 March 2009	**4,586**	**199**	**21,707**	**37**	**6,877**	**-**	**33,406**
Net book value at 31 March 2009	**16,954**	**109**	**10,681**	**12**	**11,928**	**29,157**	**68,841**
Net book value at 31 March 2008	**49,913**	**147**	**13,957**	**70**	**10,229**	**5,300**	**79,616**

Notes to the Departmental Resource Accounts - *continued*

Asset financing:							
Owned	16,954	109	10,681	12	11,928	29,157	68,841
Net book value at 31 March 2009	**16,954**	**109**	**10,681**	**12**	**11,928**	**29,157**	**68,841**

[1] Assets Under Construction is a new category and the opening balance relates to reclassified Information Technology and Furniture & Fittings work in progress which was carried forward from 2007-08.

The Department's surveyors DTZ revalued land and buildings in accordance with the RICS Appraisal and Valuation Manual. During the year Mowden Hall (Darlington headquarters site) and Moorfoot (Sheffield headquarters site) were valued on an open market value basis in March 2009. All other tangible assets 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. The remaining properties will be revalued during 2010.

Included in the opening balance of land and buildings was the £20.8 million net book value for the National College for School Leadership. During the year a deed of variation on the lease was signed, resulting in the asset being derecognised as a tangible asset and subsequently created as a financial asset on the Department's Balance Sheet.

14. Intangible fixed assets

	Software Licences £000	Teachers' TV Programmes £000	Assets Under Construction[1] £000	Total £000
Cost or valuation				
At 1 April 2008	4,990	17,765	1,945	24,700
Additions	304	3,664	1,198	5,166
Disposals	(644)	-	-	(644)
Reclassification	135	1,710	(1,845)	-
Revaluations	(176)	(134)	-	(310)
At 31 March 2009	**4,609**	**23,005**	**1,298**	**28,912**
Amortisation				
At 1 April 2008	3,251	4,875	-	8,126
Charged in year	627	4,110	-	4,737
Disposals	(635)	-	-	(635)
Revaluations	(104)	-	-	(104)
At 31 March 2009	**3,139**	**8,985**	**-**	**12,124**
Net book value at 31 March 2009	**1,470**	**14,020**	**1,298**	**16,788**
Net book value at 31 March 2008	**1,739**	**12,890**	**1,945**	**16,574**

[1] Assets Under Construction is a new category and the opening balance relates to reclassified Software Licences and Teachers' TV programmes work in progress which was carried forward from 2007-08.

Software licences were revalued in March 2009 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).

Notes to the Departmental Resource Accounts - *continued*

15. Financial assets

	School loans £000	NCSL finance lease £000	Total £000
Balance at 1 April 2008	1,221	-	1,221
Amounts previously transferred to current assets 2007-08	68	-	68
Total outstanding at 1 April 2008	**1,289**	**-**	**1,289**
Additions	-	20,822	20,822
Repayments	(68)	(32)	(100)
	1,221	**20,790**	**22,011**
Repayable within 12 months transferred to current assets	(72)	(33)	(105)
Balance at 31 March 2009	**1,149**	**20,757**	**21,906**

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 2009 there were three outstanding loans (three in 2007-08), and all balances are scheduled for repayment by 2025.

The finance lease above is in respect of the National College for School Leadership (NCSL) building on the Nottingham University Campus. During 2008-09 a deed of variation on the lease was signed, resulting in the asset being derecognised as a tangible asset on the Department's Balance Sheet and subsequently created as a financial asset. The lease is due to expire in May 2101.

16. Debtors

16(a) Analysis by type

	2008-09 £000	2007-08 £000
Amounts falling due within one year:		
Trade debtors	4,700	1,427
VAT	2,524	1,947
Deposits and advances	1,407	8,829
Other debtors	326	288
Prepayments and accrued income	89,592	164,235
	98,549	**176,726**

Included within the debtors above is £3,802,000 that will be due to the Consolidated Fund once the debts are collected.

Notes to the Departmental Resource Accounts - *continued*

16(b) Intra-Government balances

	2008-09	2007-08
	£000	£000
Amounts falling due within one year:		
Balances with other central government bodies	9,488	11,418
Balances with local authorities	72,269	151,690
Balances with NHS Trusts	147	2,794
Balances with public corporations and trading funds	-	-
Sub total – intra-government balances	**81,904**	**165,902**
Balances with bodies external to government	16,645	10,824
Total debtors at 31 March	**98,549**	**176,726**

17. Cash at bank and in hand

	2008-09	2007-08
	£000	£000
Balance at 1 April	798,862	(13,879)
Net change in cash balances	(751,467)	812,741
Balance at 31 March	**47,395**	**798,862**
The following balances at 31 March are held at:		
Office of HM Paymaster General	47,378	798,551
Commercial banks and cash in hand	17	311
Balance at 31 March	**47,395**	**798,862**

18. Creditors

18(a) Analysis by type

	2008-09	2007-08
	£000	£000
Amounts falling due within one year:		
Other taxation and social security	4,585	4,332
Trade creditors	56,378	210,134
Other creditors	2,990	2,713
Accruals and deferred income	254,527	345,023
Amounts issued from the Consolidated Fund for Supply but not spent at year end	6,402	769,345
Consolidated Fund extra receipts due to be paid to the Consolidated Fund		
Received	40,994	29,518
Receivable	3,802	-
	369,678	**1,361,065**

Notes to the Departmental Resource Accounts - *continued*

18(b) Intra-Government balances

	2008-09	2007-08
	£000	£000
Amounts falling due within one year:		
Balances with other central government bodies	100,041	968,214
Balances with local authorities	78,968	207,057
Balances with NHS Trusts	16	1,883
Balances with public corporations and trading funds	9,195	5,104
Sub total – intra-government balances	**188,220**	**1,182,258**
Balances with bodies external to government	181,458	178,807
Total creditors at 31 March	**369,678**	**1,361,065**

19. Provisions for liabilities and charges

	Property provision £000	Partnerships for Schools (PfS) £000	CfBT pension provision £000	Total £000
Balance at 1 April 2008	5,846	17,160	18,016	41,022
Provided in year	115	13,132	-	13,247
Provisions not required written back	(148)	-	(298)	(446)
Provisions utilised in the year	(1,001)	(6,593)	(17,718)	(25,312)
Unwinding of discount	129	-	-	129
Balance at 31 March 2009	**4,941**	**23,699**	**-**	**28,640**

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. 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.

Partnerships for Schools

Partnerships for Schools (PfS) is an NDPB which operates under a joint venture agreement between the Department and Partnerships UK to deliver the Building Schools for the Future programme. The related provision covers amounts payable to Partnerships UK on achieving agreed targets. The arrangement was terminated effective 31 March 2009 and the intention is to pay the liability in full by the end of 2009-10.

Centre for British Teachers Pensions

The former Department for Education and Skills (DfES) had a contract with Centre for British Teachers (CfBT) for the delivery of the National Literacy, National Numeracy and Key Stage 3 Strategies. The responsibility of this contract has transferred to the Department for Children, Schools and Families (DCSF). Under the terms of the contract CfBT were obliged to use the London Pensions Fund Authority to provide a pension service for staff employed by CfBT. The triennial revaluation of the local government pension contributions to the fund identified an actuarial shortfall in the pension fund in relation to the CfBT field force staff. Subsequently the Strategies contract underwent a re-tendering exercise and CfBT was not awarded the new contract. The staff transferred under TUPE to the new contractor on 1 April 2005, and the Department accepted liability to meet the pension deficit. The deficit was a short term liability which was settled in 2008-09.

Notes to the Departmental Resource Accounts - *continued*

20. Financial liabilities

	Early departure costs £000
Balance at 1 April 2008	15,081
Amounts previously transferred to creditors falling due within 1 year 2007-08	8,204
Total liability at 1 April 2008	**23,285**
Provided in year	6,635
Not required written back	(836)
Utilised in the year	(9,003)
Unwinding of discount	332
	20,413
Payable within 12 months transferred to creditors falling due within 1 year	(8,013)
Balance at 31 March 2009	**12,400**

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 cost of capital rate of 2.2% in real terms.

21. General Fund

The General Fund represents the total assets less liabilities, to the extent that the total is not represented by other reserves and financing items.

		2008-09		2007-08
	£000	£000	£000	£000
Balance at 1 April		(364,242)		(167,759)
Net Parliamentary funding				
Drawn down	50,536,904		49,423,173	
Deemed Supply	769,345		-	
		51,306,249		49,423,173
Net Transfer from Operating Activities				
Net operating cost for the year	(51,056,109)		(48,809,391)	
CFERs payable to the Consolidated Fund	(44,997)		(33,714)	
		(51,101,106)		(48,843,105)
Year End Adjustment				
Supply (creditor)/debtor		(6,402)		(769,345)
Non-cash charges:				
Cost of capital	(7,015)		(8,730)	
Auditor's remuneration	318		300	
Transfer from the revaluation reserve (note 22)	637		1,224	
		(6,060)		(7,206)
Balance at 31 March		**(171,561)**		**(364,242)**

Notes to the Departmental Resource Accounts - *continued*

22. Revaluation reserve

The revaluation reserve represents the unrealised element of the cumulative balance of indexation and revaluation adjustments.

	2008-09 £000	2007-08 £000
Balance at 1 April	11,937	20,778
Arising on revaluation during the year (net)	(4,886)	(7,617)
Transferred to the General Fund in respect of realised element of revaluation reserve (note 21)	(637)	(1,224)
Balance at 31 March	**6,414**	**11,937**

23. Notes to the Consolidated Cash Flow Statement

23(a) Reconciliation of operating cost to operating cash flows

	Note	2008-09 £000	2007-08 £000
Net operating cost		(51,056,109)	(48,809,391)
Adjustments for non-cash transactions	9b	31,853	24,296
Adjustments for movements in working capital other than cash:			
(Increase) / decrease in stocks		-	-
(Increase) / decrease in debtors	16	78,177	(8,032)
Less movements in debtors relating to items not passing through the OCS		5	(13,915)
Increase / (decrease) in creditors falling due within one year	18	(991,387)	1,021,037
Less movements in creditors relating to items not passing through the OCS		747,561	(798,273)
Use of provisions		(25,312)	(6,601)
Payment of financial liability		(9,003)	(12,015)
		(51,224,215)	**(48,602,894)**

23(b) Analysis of capital expenditure and financial investment

	Note	2008-09 £000	2007-08 £000
Tangible fixed asset additions		(30,956)	(11,455)
Intangible fixed asset additions		(5,181)	(5,965)
Proceeds from disposal of fixed assets		1,632	135
Loans to other bodies		-	-
Repayment of loans		68	64
		(34,437)	**(17,221)**

23(c) Analysis of capital expenditure and financial investment by request for resources

	Capital expenditure £000	Loans, etc. £000	A in A £000	Net Total £000
Request for resources 1	36,137	-	(1,700)	34,437
Request for resources 2	-	-	-	-
Net movement in debtors/creditors	104	-	(5)	99
Total 2008-09	**36,241**	**-**	**(1,705)**	**34,536**
Total 2007-08	16,866	-	(199)	16,667

Notes to the Departmental Resource Accounts - *continued*

23(d) Analysis of financing

	Note	2008-09 £000	2007-08 £000
From Consolidated Fund (Supply) – current year	21	50,536,904	49,423,173
From Consolidated Fund (Supply) – prior year		-	13,914
Advances from the Contingencies Fund		1,500	-
Repayment to the Contingencies Fund		(1,500)	-
Net financing		**50,536,904**	**49,437,087**

23(e) Reconciliation of Net Cash Requirement to increase/(decrease) in cash

	Note	2008-09 £000	2007-08 £000
Net cash requirement	4	(51,299,847)	(48,653,829)
From the Consolidated Fund (Supply) – current year	23d	50,536,904	49,423,173
From the Consolidated Fund (Supply) – prior year	23d	-	13,914
Amounts due to the Consolidated Fund received and not paid		40,994	29,518
CFERs received in prior year and paid over		(29,518)	(35)
Increase/(decrease) in cash		**(751,467)**	**812,741**

24. Notes to the Statement of Operating Costs by Departmental Aim and Objectives

Programme grants (apart from the Dedicated Schools Grant) and other current expenditure have been allocated to each objective by direct allocation in line with the allocation of PSA targets to Departmental Strategic Objectives. The Dedicated Schools Grant expenditure is 57% of net programme expenditure, the Department has decided to disclose it separately rather than allocate the expenditure to objectives. Corporate costs, such as marketing, have been apportioned to each objective.

Programme grants and other current expenditure have been allocated as follows:

	2008-09 £000	2007-08 £000
Objective 1	910,874	847,526
Objective 2	391,122	291,729
Objective 3	7,107,637	6,662,151
Objective 4	7,928,389	7,451,335
Objective 5	4,363,681	3,787,595
Objective 6	1,017,068	1,332,955
Objective 7	196,937	214,386
Dedicated Schools Grant	28,953,537	28,035,376
Total	**50,869,245**	**48,623,053**

Notes to the Departmental Resource Accounts - *continued*

Capital Employed by Departmental Aim and Objectives at 31 March 2009

The allocation of capital by objective is derived using the same methodology as used to apportion operating costs. Capital used in the general administration of the department is allocated directly to Departmental Strategic Objective 7. Those assets and liabilities which are programme specific (i.e. loans to schools, Teachers' TV intangible assets and the PfS provisions) are allocated on the same basis as the related programme expenditure. Where appropriate, balances which are not programme specific have been allocated in line with net expenditure objective outturn. The Dedicated Schools Grant is an in-year cash expense so it does not impact on the apportionment of assets and liabilities.

	2008-09	**2007-08**
	£000	**£000**
Objective 1	(5,983)	(27,965)
Objective 2	(3,814)	(26,081)
Objective 3	(70,015)	(145,601)
Objective 4	(66,724)	(84,471)
Objective 5	(42,366)	(75,639)
Objective 6	(7,797)	(36,092)
Objective 7	31,552	43,544
Total	**(165,147)**	**(352,305)**

25. Capital commitments

	2008-09	**2007-08**
	£000	**£000**
Contracted and approved commitments at 31 March 2009 for which no provision has been made	222	2,100

26. Commitments under leases

Commitments under operating leases to pay rentals, service charges and rates during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires. These commitments include costs that will be charged to administrative costs (as disclosed in note 3) and programme expenditure.

	2008-09	**2007-08**
	£000	**£000**
Obligations under operating leases comprise:		
Land and buildings:		
Expiry within 1 year	-	-
Expiry after 1 year but not more than 5 years	6,942	7,073
Expiry thereafter	13,822	13,474
	20,764	**20,547**
Other:		
Expiry within 1 year	-	66
Expiry after 1 year but not more than 5 years	285	201
Expiry thereafter	-	-
	285	**267**

Notes to the Departmental Resource Accounts - *continued*

27. Financial instruments

Financial Reporting Standard FRS 29, Financial Instruments: Disclosures, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Due to the largely non-trading nature of its activities and the way in which government departments are financed, the Department for Children, Schools and Families 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 FRS 29 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. DCSF 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 DCSF and arises principally from cash and outstanding debt. DCSF has a credit (debtor) policy that ensures consistent processes are in place throughout DCSF to measure and control credit risk.

Notes to the Departmental Resource Accounts - *continued*

28. Contingent liabilities not required to be disclosed under FRS 12 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 FRS 12 since the likelihood of a transfer of economic benefit in settlement is too remote.

	1 April 2008	Increase in year	Liabilities crystallised in year	Obligation expired in year	31 March 2009	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 DCSF 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.	1,040	470		128	1,382	-
Qualification and Curriculum Authority indemnity – Minerva Diploma Aggregation Service (DAS) in respect of claims against the Qualification and Curriculum Authority.	20,000	26,000			46,000	26,000
The Department will give an indemnity in respect of legal claims against the Qualifications and Curriculum Authority (QCA) arising from claims materialising from the National Curriculum Test (NCT) 2009 contract.	-	2,000			2,000	-

Unquantifiable

The Department has entered into two unquantifiable contingent liabilities in connection to Private Finance Initiative (PFI) contracts in respect of Bristol Brunel Academy and Oasis Academy Brightstowe. 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, that will be used by the two 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.

29. Other notes
29(a) Losses statement

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

		2008-09	2007-08
	No. of cases	£000	£000
Total	331	11,284	675
Losses	46	8,727	264
Losses of accountable stores	35	1,613	236
Fruitless payments and constructive losses	239	309	138
Claims waived or abandoned	11	635	37

Notes to the Departmental Resource Accounts - *continued*

Details of cases over £250,000

Losses

At the end of the Local Network Funds (LNF) programme 3.6% (£8,296,099) of the total expenditure, from the start of the programme in 2001 to its closure in 2008 was unaccounted with End of Grant (EOG) forms. These forms are used to validate the use of the grant in what was deliberately designed from the outset as a light touch administration given the small size of individual grants and the capacity of the recipients. Although there has been no evidence to suggest that the funding has been spent in an improper manner and grant administrators have vouched for the appropriate use of the money, the Department have no final assurance from EOG forms. Despite rigorous attempts to chase outstanding forms by both the Department and LNF administrators a total of £8.3 million remains outstanding that are unsupported with EOG forms.

A revenue grant amounting to £307,834 was paid to an Academy at a too high a level due to an error in the relevant local authority's (LA) school budget statement. This relates to both 07-08 and 08-09. Local authorities generally pay schools using a combination of formulaic budget and central funds. The incorrect grant calculation resulted when a table within the budget statement, used for grant calculation, erroneously showed teachers pay grant payable both from central funds and as part of the formulaic budget share. In order to prevent a similar problem, additional quality assurance measures to detect such errors are being introduced following an internal audit report.

Losses of accountable stores

Publications; Excess and out of date National Strategies (NS) publications valued at £1,258,568 have been destroyed and written off during the year. This exercise is part of ongoing work to improve the management of NS materials including moving from hard copy format to e-format via NS Online.

Claims waived or abandoned

Write-off amounting to £347,578 in respect of leases for laptops supplied to former course students who received student support under the Early Years Sector-endorsed Foundation Degree (EYSEFD) programme. Despite a considerable amount of work undertaken by the Department and the Higher Education Institutions (HEIs), the loss equates to the residual value of the laptops not bought or returned by students.

29(b) Special payments

		2008-09	2007-08
	No. of cases	**£000**	**£000**
Total	35	222	194

29(c) Gifts

		2008-09	2007-08
	No. of cases	**£000**	**£000**
Total	76	6,898	1

Details of cases over £250,000

Included in the above figure are two waivers of exchequer interest that are considered gifts by the Department.

£1,296,000 recoverable interest; this is for Watling House, Staffordshire County Council (SCC). The waiver of interest is in respect of capital grants interest paid to SCC totalling £3,600,000. The waiving of interest allows SCC to transfer the building to Staffordshire Police Authority for a nominal fee for use as a police custody facility.

£5,600,000 recoverable interest; this is for Stamford House, Hammersmith and Fulham Local Authority. The waiver of interest relates to grants given to the Authority for the secure home site, subject to the site being retained for educational and /or children service use.

Notes to the Departmental Resource Accounts – *continued*

29(d) Acquisition of shares

The Department held the following shares during the financial year:

	£
Shares held at 1 April 2008	2
Acquired in year	-
Total shares held at 31 March 2009	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 with the task of delivering the Building Schools for the Future programme. During 2008-09 PfS was the subject of a joint venture arrangement between the Department and Partnerships UK. The arrangement was terminated effective 31 March 2009.

Building Schools for the Future Investments Limited (BSFI Ltd)

BSFI Ltd is a wholly owned subsidiary of the Department for Children, Schools and Families, which is not consolidated within the Department's resource 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 £0.4m to BSFI Ltd during 2008-09 (£3m in 2007-08).

30. Related party transactions

During the year DCSF made grant payments to the following executive Non-Departmental Public Bodies and Public Corporations 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)
General Teaching Council (GTC)
National College for School Leadership (NCSL)
Office of the Children's Commissioner (OCC) (also known as 11 Million)
Partnerships for Schools (PfS)
Qualifications and Curriculum Authority (QCA)
School Food Trust (SFT)
Training and Development Agency for Schools (TDA)

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 Innovation, Universities and Skills, Department of Health and Department for Communities and Local Government.

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.

Notes to the Departmental Resource Accounts – *continued*

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

Member	**Related party**	**2008-09 £'000**
David Bell	Sharnbrook Uppers School	101
Tom Jeffrey	East Sussex County Council	336,754
Katherine Kerswell	Northamptonshire County Council	464,786

No other key managerial staff or other related parties have undertaken any material transactions with the DCSF during the year.

31. Entities within the Departmental boundary

The entities within the boundary during 2008-09 are the main Department, including the Sure Start Unit. The expenditure for this unit is included in these accounts. The administration expenditure is included in request for resources 1 and the programme related costs are disclosed separately under request for resources 2. Separate accounts are not published.

32. Post Balance Sheet Events

On 16 June 2009 the Schools Minister announced that from 1 October 2009 Partnerships for Schools (PfS), one of the Department's existing executive NDPBs, is to take over the management and delivery of all school building and refurbishment programmes. These programmes include Primary Capital Programme; Devolved Formula Capital and Targeted Capital Programmes. The total value of the capital programmes transferring to PfS will be around £15.6 billion up to March 2011.

The financial statements were authorised for issue on 6 July 2009 by David Bell (Accounting Officer). There have not been any changes requiring adjustment to these financial statements.

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