

Department for Education and Employment

Resource Accounts 2000-01

Department for Education and Employment Resource Accounts 2000-01

(For the year ended 31 March 2001)

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Resource Accounts: Department for Education and Employment

Foreword

1. Entities within the Departmental Accounting Boundary

1.1 The entities within the Departmental Boundary that make up these consolidated financial statements are the Department for Education and Employment (Class I, Vote 1), the Employment Service (Class I, Vote 3) and Sure Start (Class I Vote 5).

2. Aims and Objectives of the Department

2.1 The Department's overall aim is:

'To give everyone the chance, through education, training and work, to realise their full potential and thus build an inclusive and fair society and a competitive economy.'

2.2 To achieve our aim the Department works to:

- Objective 1: Ensuring that all young people reach 16 with the skills, attitudes and personal qualities that will give them a secure foundation for lifelong learning, work and citizenship in a rapidly changing world;
- Objective 2: Developing in everyone a commitment to lifelong learning, so as to enhance their lives, improve employability in a changing labour market and create skills that our economy and employers need;
- Objective 3: Helping those without a job into work.

3. Principal Activities

3.1 The core policy and funding activities of the Department during 2000–01 were:

- voluntary and special schools;
- the Assisted Places Scheme;
- the provision of education for the under-fives;
- city colleges and other specialist schools;
- grant maintained schools;
- music, dance and drama schools and institutions;
- the schools curriculum and its assessment;
- services and initiatives to promote learning, and providing advice guidance and support;
- careers guidance and services;
- payments for or in connection with teacher training and representation and modernising the teaching profession;
- higher and further education provision and initiatives;
- loans to students, student awards and other student grants and their administration;
- access funds and other student support payments;
- reimbursement of fees for qualifying European Community students;
- compensation payments to teachers and staff of certain institutions;
- expenditure on other central government grants to local authorities;
- the provision of training and assessment programmes for young people and adults;
- initiatives to improve training and qualifications arrangements and access to these;
- the promotion of enterprise and encouragement of self employment;
- payments for education, training and employment projects assisted by the European Community and refunds to the European Community;
- the UK subscription of the International Labour Organisation;
- help for unemployed people;

- the promotion of equal opportunities, disability rights, age diversity, childcare provision and co-ordination of certain issues of importance to women and families and the promotion of work/life balance;
- loans to the University for Industry;
- payments to the Regional Development Agencies;
- employment and training programme delivered via Training and Enterprise Councils;
- measures to help people, particularly those who are unemployed, people with disabilities, lone parents, and other people on benefit into work;
- delivery of the Jobseeker's Allowance;
- administration and delivery of the Welfare to Work programme and other employment programmes, pilot programmes and new measures to help people into work;
- payment of temporary subsidies to employers;
- payment of grants to voluntary bodies and local authorities towards the provision of supported employment;
- grant in aid funding of Remploy Ltd;
- assistance and advice on employment services and labour market issues;
- supporting families and communities via the Sure Start programme;
- promoting the physical and intellectual and social development of pre-school children;
- research, publicity and administration costs, including initiatives with other government departments under the Invest to Save budget.

4. Bodies outside of the Departmental Accounting Boundary

4.1 The Department has lead responsibility for the following public sector bodies which are outside the departmental boundary :

Executive Non Departmental Public Bodies (NDPBs)

Disability Rights Commission

Education Transfer Council—*closed 31 October 2000*

Equal Opportunities Commission (EOC)

Further Education Funding Council (FEFC)

General Teaching Council—Public Corporation

Higher Education Funding Council for England (HEFCE)

Investors in People UK Ltd (IiP)

British Educational Communications Technology Agency (BECTA)

Qualification Curriculum Authority (QCA)

Remploy LTD(REMPLOY)—Public Corporation

Student Loans Company Ltd (SLC)

Teacher Training Agency (TTA)

Executive NDPBs funded by levy

Construction Industry Training Board (CITB)

Engineering Construction Industry Training Board (ECITB)

Advisory NDPBs

New Deal Task Force

Race Employment and Education Forum

Registered Inspectors Appeal Tribunal

School Teachers Review Body

Special Education Needs Tribunal

Near to Government Bodies

British Academy

Centre for Information on Language Teaching and Research (CILT)

Technology Colleges Trust

4.2 In addition to the NDPBs, the department also had lead responsibility for the following public bodies:

Grant maintained and other specialist schools.

Local Education Authorities

Training & Enterprise Councils and Chambers of Commerce, Training & Enterprise

5 Events affecting the entities within the Boundary since the Financial Year End

5.1 Following the General Election the Government announced that the Department for Education and Employment would become the Department for Education and Skills. The machinery of government changes transferred the following functions with effect from 1 April 2001:

- the Employment Service, international issues (including the European Social Fund), and responsibility for disability and employment related policy transferred to the newly created Department for Work and Pensions (DWP). This is transfer included responsibility for two NDPBs, Remploy Ltd and the Disability Right Commission;
- the Equal Opportunities Commission transferred to the Cabinet Office;
- Work Permits UK transferred to the Home Office;
- Policy on equality issues including Work Life balance transferred to the Department for Trade & Industry.

6. Departmental Report

6.1 In March 2001 the department published the Departmental Report, a comprehensive review of the Department for Education and Employment and the Office for Standards in Education (OFSTED). It gives detailed information on the department's activities in the 2000–01 financial year and the following financial information:

- outturn for 1999–2000;
- and expenditure plans for 2000–01 and 2001–02.

7. Pension Liabilities

7.1 The employees of the Department are covered by the Principal Civil Service Pension Scheme (PCSPS). The cost of pension provision is discharged by the payment of an Accruing Superannuation Liability Charge (ASLC) and these charges are included in the operating cost statement. Any liability not discharged at year end will be shown within 'Creditors – amounts falling due within one year'. The pension Scheme Statement for PCSPS is published by the Office of Public Service.

7.2 The DfEE also administers the Teachers' Superannuation Scheme (Class I Vote 2). This is a contributory scheme actuarially assessed by the Government Actuary's Department. Employers' contributions are provided from entities outside the Departmental Boundary for example Grant Maintained Schools. As with the PCSPS the expenditure of the scheme is secured against future tax yield. The administration costs of this scheme are included within Class I Vote 1 expenditure but the Scheme itself falls outside these accounts. The Scheme statement will be published separately.

8. Ministers

8.1 The following ministers formed the ministerial team of the department during the 2000–01 financial year:

David Blunkett	Secretary Of State
Tessa Jowell	Minister for Employment, Welfare to Work and Equal Opportunities
Estelle Morris	Minister for School Standards
Tessa Blackstone	Minister for Education and Employment in the Lords
Margaret Hodge	Parliamentary Under Secretary of State for Employment and Equal Opportunities
Jacqui Smith	Parliamentary Under Secretary of State for Schools Standards
Malcolm Wicks	Parliamentary Under Secretary of State for Lifelong
Michael Wills	Parliamentary Under Secretary of State for Learning and Technology

9. Permanent Head of Department and the Management Board

Michael Bichard	Permanent Secretary
Leigh Lewis	Employment Service Chief Executive
Roger Dawe	Director General, Further & Higher Education & Youth Training Directorate (<i>until 31.8.00</i>)
David Normington	Director General, Schools Directorate
Clive Tucker	Director General, Employment, Equality and International Relations Directorate (<i>from 2.5.00 until 3.9.00</i>)
Peter Shaw	Director General, Employment, Equality and International Relations Directorate
Nick Stuart	Director General, Lifelong Learning Directorate
Peter Makeham	Director General, Finance and Analytical Services Directorate (<i>from 27.11.00</i>)
Hilary Douglas	Director, Corporate Services and Development Directorate (<i>until 1.10.00</i>)
Mike Shipp	Director, Corporate Services and Development Directorate (<i>from 2.10.00 until 14.1.01</i>)
Susan Thomas	Director, Corporate Services and Development Directorate (<i>from 11.12.00</i>)
John Hedger	Director, Operations Directorate (<i>until 31.8.00</i>)
Peter Wanless	Director, Strategy and Communications Directorate

In addition there are two non-executive board members, Tim Stevenson and Lin Homer (replaced Heather Rabbatts).

10. Appointments of the Permanent Head of the Department and the Management Board

10.1 The permanent head of the department was appointed by the then Prime Minister on the recommendation of the Head of the Home Civil Service and with the agreement of the Ministerial Head of the department. The appointment is for an indefinite term under the terms of the Senior Civil Service contract. The rules for termination are set out in chapter 11 of the Civil Service Management Code.

10.2 Other departmental members of the Management Board were appointed by the Permanent Secretary (with the approval of the Senior Appointments Selection Committee where appropriate). These appointments are for an indefinite term under the terms of the Senior Civil service contract. The rules for termination are set out in chapter 11 of the Civil Service Management Code.

10.3 The Employment Service Chief Executive was appointed, with the approval of the then Prime Minister, following an open competition run by the Civil Service Commissioners. The appointment is for a period of three years, renewable by mutual agreement.

11. Ministers' and Board Members' Remuneration

11.1 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.

11.2 The Permanent Secretary's pay is set by the Prime Minister on the recommendation of the Permanent Secretaries Remuneration Committee. The Committee's membership and terms of reference were announced by the then Prime Minister on 9 February 1995 (Hansard, cols 245–247).

11.3 With the exception of the Chief Executive of the Employment Service, the pay of the remaining members of the Management Board is determined by the Permanent Secretary in accordance with the rules set out in Chapter 7.1, Annex A of the Civil Service Management Code.

11.4 The salary of the Employment Service Chief Executive is set in accordance with guidance issued by Cabinet Office (OPS) following publication of the Senior Salaries Review Body Report. Payment of any bonus is determined by the Permanent Secretary in accordance with the terms of the Chief Executive's contract.

11.5 Further details on remuneration are set out in Note 2 to these financial statements.

12. Employment of Disabled Persons

12.1 The Department follows the Civil Service Code of Practice on the Employment of Disabled People, which aims to ensure that there is no discrimination on the grounds of disability and that access to employment and career advancement with the Ministry is based solely on ability, qualifications and suitability for the work.

13. Equal Opportunities Policy

13.1 The Department is committed to being an equal opportunities employer. We value and welcome diversity. We aim to develop all our staff to enable them to make a full contribution to meeting the Department's objectives, and to fulfil their own potential on merit. We will not tolerate harassment or other unfair discrimination on grounds of sex, marital status, race, colour, nationality, ethnic origin, disability, age, religion or sexual orientation. We will promote and support the use of a range of flexible working patterns to enable staff to balance home and work responsibilities; and we will treat people fairly irrespective of their working arrangements.

14. Payment of Suppliers

14.1 It is Departmental practice to pay for goods and services after receipt and within 30 calendar days of the invoice date. This policy guarantees the satisfactory receipt of goods and services before payment is made, and ensures that the supplier is paid within a reasonable time

15. Auditor

15.1 The Comptroller and Auditor General is the statutory auditor of the Department for Education and Employment's financial statements.

David Normington

Accounting Officer for the Department for Education and Skills

14 January 2002

Statement of Accounting Officer's Responsibilities

Under Section 5 of the Exchequer and Audit Act 1921 the Department is required to prepare resource accounts for each financial year, in conformity with a Treasury direction, detailing the resources acquired, held, or disposed of during the year and the use of resources by the Department during the year.

The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department, the net resource outturn, resources applied to the objectives, recognised gains and losses and cash flows for the financial year.

The Treasury has appointed the Permanent Head of the Department as principal Accounting Officer with overall responsibility for preparing the Department's accounts and for transmitting them to the Comptroller and Auditor General.

In preparing the accounts the principal Accounting Officer is required to comply with the *Resource Accounting Manual* prepared by the Treasury, in particular to:

- observe the 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 *Resource Accounting Manual*, have been followed, and disclose and explain any material departures in the accounts;
- prepare the accounts on an ongoing basis.

In addition the Treasury has appointed additional Accounting Officers to be accountable for those parts of the Department's accounts relating to specific requests for resources and the associated assets, liabilities and cash flows. These appointments do not detract from the Head of Department's overall responsibilities as Accounting Officer for the Department's accounts and overall net cash requirement.

The allocation of Accounting Officer responsibilities in the Department is as follows:

Request for Resource 1: David Normington

Request for Resource 2: Leigh Lewis

Request for Resource 3: Naomi Eisenstadt

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 the Accounting Officers' Memorandum issued by the Treasury and published in *Government Accounting*. Under the terms of the Accounting Officers' Memorandum the relationship between the Department's principal and additional Accounting Officers, together with their respective responsibilities is set out in writing.

Statement on the system of internal financial control

This statement is given in respect of the resource accounts for the Department of Education and Employment which incorporates the transactions and net assets of the core department, its agencies and other bodies falling within the departmental boundary for resource accounting purposes. As principal Accounting Officer I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned. The Chief Executive of the Employment Service Agency which falls within the Departmental boundary is responsible for the maintenance and operation of the system of internal financial control in that body, and has signed a statement relating to that system which is reproduced in the accounts of the body. In addition, within the Department, I have delegated some of these responsibilities to the Head of the Sure Start Unit as an additional Accounting Officer, the relationship between us being set out in a written statement.

The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures including segregation of duties, and a system of delegation and accountability. Development and maintenance of the system is undertaken by executive managers within the Department, and agency. In particular, it includes:

- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Management Board;
- regular reviews by the Management Board of periodic and annual financial reports which indicate financial performance against the forecasts;
- setting targets to measure financial and other performance;
- the preparation of regular financial reports which indicate actual expenditure against the forecasts;
- clearly defined capital investment control guidelines;
- as appropriate, formal project management disciplines.

The Department has an internal audit unit, which operates to standards defined in the Government Internal Audit Manual. The work of the internal audit unit is informed by analysis of the risk to which the Department is exposed, and annual internal audit plans are endorsed by the department's Audit Committee and approved by the Principal Accounting Officer. At least annually, the Head of Internal Audit (HIA) provides me with a report on the internal audit activity in the Department. The report includes the HIA's independent opinion on the adequacy and effectiveness of the Department's system of internal financial control.

My review of the effectiveness of the system of internal financial control is informed by the work of the internal auditors and the executive managers within the Department who have responsibility for the development and maintenance of the financial control framework, and comments made by the external auditors in their management letter and other reports.

As Accounting Officer, I am aware of the recommendations of the Turnbull Committee and I am taking reasonable steps to comply with the Treasury's requirement for a statement of internal control to be prepared for the year ended 31 March 2002, in accordance with the guidance to be issued by them.

David Normington

14 January 2002

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

I certify that I have audited the financial statements on pages 11 to 36 under the Exchequer and Audit Departments Act 1921. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 16 to 18.

Respective responsibilities of the Accounting Officer and Auditor

As described on page 8 the Accounting Officer is responsible for the preparation of the financial statements in accordance with the Exchequer and Audit Departments Act 1921 and Treasury directions made thereunder and for ensuring the regularity of financial transactions. The Accounting Officer is also responsible for the preparation of the other contents of the Accounts. My responsibilities as independent auditor are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Exchequer and Audit Departments Act 1921 and Treasury directions made thereunder and 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. I also report if in my opinion the Foreword is not consistent with the financial statements if the Department has not kept proper accounting records or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Accounts and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on page 9 reflects the Department's compliance with Treasury's guidance 'Corporate governance: statement on the system of internal financial control'. I report if it does not meet the requirements specified by Treasury or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination on a test basis of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Department in the preparation of the financial statements and of whether the accounting policies are 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 are free from material misstatement whether caused by error or by fraud or other irregularity 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 have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Department of Education and Employment at 31 March 2001 and of the net resource outturn resources applied to objectives recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Exchequer and Audit Departments Act 1921 and directions made thereunder by Treasury; and
- 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.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

25 January 2002

National Audit Office
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SCHEDULE 1

Summary of Resource Outturn
for year ended 31 March 2001

	Indicative Estimate			2000-01 Outturn			1999-2000	
	Gross expenditure	A in A	Net Total	Gross expenditure	A in A	Net Total	Net Total Outturn to Estimate saving/(excess)	Prior-year Outturn
	1	2	3	4	5	6	7	8
	£000	£000	£000	£000	£000	£000	£000	£000
Request for Resource (Class I Vote 1)	17,466,510	(239,493)	17,227,017	16,269,908	(170,019)	16,099,889	1,127,128	13,400,103
Request for Resource (Class I Vote 3)	1,975,564	(33,489)	1,942,075	1,702,283	(54,723)	1,647,560	294,515	1,528,684
Request for Resource (Class I Vote 5)	183,375	0	183,375	55,786	0	55,786	127,589	7,067
Total Resources	19,625,449	(272,982)	19,352,467	18,027,977	(224,742)	17,803,235	1,549,232	14,935,854
Non-Operating Cost A in A			(133,979)					
Net Cash Requirement			20,516,592			18,930,260		

Reconciliation of Resources to Cash Requirement

	Note	£000	£000	£000
Total Resources		19,352,467	17,803,235	1,549,232
Non cash items	3	(742,770)	(581,401)	(161,369)
Adjustments for transfer in provision	17		110,476	(110,476)
Adjustment for transfer of loans			(145,497)	145,497
Movements in working capital other than cash	12	55,960	(50,227)	106,187
Purchase of fixed assets		34,314	30,925	3,389
New loans	11	1,950,600	1,899,777	50,823
Disposal of fixed assets	9		(2,427)	2,427
Non Operating Cost A in A		(133,979)	(134,601)	622
Excess cash receipts to be surrendered to the Consolidated Fund				0
Net Cash Requirement (Schedule 4)		20,516,592	18,930,260	1,586,332

Explanation of the variation between request for resources and outturn

Explanation of the variation between estimate net cash requirement and outturn net cash requirement

Analysis 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

	2000-01 Forecast		2000-01 Outturn	
	Income	Receipts	Income	Receipts
	£000	£000	£000	£000
Operating Income not classified as A in A	116,800	116,800	109,819	109,383
Non operating income not classified as A in A	19,710	19,710	26,261	23,661
Other amounts collectable on behalf of the Consolidated Fund	0	0	0	0
Income from the sale of assets not classified as A in A				
	136,510	136,510	136,080	133,044

All Estimate figures are illustrative and have no parliamentary status. In consequence, treatments in income as Appropriations in Aid and Excess Appropriations in Aid also have no parliamentary significance. The information disclosed in Schedule 1 is to illustrate the functioning of the Schedule, including the Reconciliation from Schedule 2, in advance of resource-based Supply Estimates being introduced from 2001-02.

The amount of cash receipts which a department may apply towards its outturn net cash requirement and those which must be surrendered to the Consolidated Fund are not necessarily the same in Resource Accounts as in the department's Appropriation Accounts.

SCHEDULE 2**Operating Cost Statement**
for the year ended 31 March 2001

	Note	2000-01		1999-2000	
		£000	£000	£000	£000
Administration Costs					
Staff costs	2		801,773		753,064
Other administration costs	3		549,686		475,719
Gross Administration costs			1,351,459		1,228,783
EU income treated as negative public expenditure	5	115		(255)	
Operating income		(71,025)		(59,579)	
	5		(70,910)		(59,834)
Net Administration Costs			1,280,549		1,168,949
Programme Costs					
Request for Resources 1					
(Class I Vote 1 – DfEE Programmes and Central Services)					
Expenditure	4	15,978,893		13,883,235	
Less: EU income where DfEE is agent	5	0		(454,516)	
: other programme income	5	(262,236)	15,716,657	(659,487)	12,769,232
Request for Resources					
(Class I Vote 3 – Employment Service)					
Expenditure	4	643,745		608,183	
Less: income	5	(1,415)	642,330	(933)	607,250
Request for Resources					
(Class I Vote 5 – Sure Start)					
Expenditure	4	53,880		5,981	
Less: income	5		53,880		5,981
Net Programme Costs	4		16,412,867		13,382,463
Net Operating Cost	7 & 8		17,693,416		14,551,412
Net Resource Outturn	7 & 8		17,803,235		14,935,854

Statement of Recognised Gains and Losses
for the year ended 31 March 2001

	Note	2000-01	1999-2000
		£000	£000
Unrealised loss/(gain) on revaluation of tangible fixed assets	18	44,225	6,766
Unrealised Loss on Impairment	18	(3,024)	
1999-00 Prior year adjustment			471
		41,201	7,237

All income and expenditure reported in the Operating Cost Statement are derived from continuing operations, however, some of the operations have transferred to other government departments after 31 March 2001 as a result of the Machinery of Government changes.

SCHEDULE 3**Balance Sheet**
as at 31 March 2001

	Note	£000	31 March 2001 £000	£000	31 March 2000 £000
Fixed Assets					
Tangible assets	10	256,677		223,338	
Loans	11	5,037,294		3,295,108	
			5,293,971		3,518,446
Current Assets					
Stocks	13	484		437	
Debtors	14	380,659		897,298	
Loans repayable within 1 year	14	269,952		124,455	
Cash at bank and in hand	15	425,807		4,910	
		1,076,902		1,027,100	
Creditors (due within one year)	16	(868,392)		(849,989)	
Cash at bank and in hand	15			(72,918)	
		(868,392)		(922,907)	
Net Current Assets			208,510		104,193
Total Assets less Current Liabilities			5,502,481		3,622,639
Provisions for Liabilities and Charges	17		(2,547,609)		(2,015,937)
			2,954,872		1,606,702
Taxpayers' Equity					
General Fund	23		2,897,110		1,589,894
Revaluation reserve	18		57,762		16,799
Donated Asset reserve	18		0		9
			2,954,872		1,606,702

David Normington
Accounting Officer

14 January 2002

SCHEDULE 4**Cash Flow Statement**

for the year ended 31 March 2001

	2000-01	1999-2000
	£000	£000
Net cash outflow from operating activities (i)	(17,026,767)	(14,333,212)
Capital expenditure and financial investment (ii)	(1,768,316)	(1,191,460)
Payments to the Consolidated Fund	(260,794)	(257,272)
Financing from the Consolidated Fund (iii)	19,549,692	15,616,658
Increase/(Decrease) in cash in the period	493,815	(165,286)

Notes:

(i) See the table below giving a reconciliation of operating cost to operating cash flows.

(ii) See the table below giving an analysis of capital expenditure and financial investment.

(iii) See table below giving an analysis of financing and a reconciliation to the net cash requirement.

Reconciliation of operating cost to operating cash flows

Net operating cost	17,693,416	14,551,412
Adjust for non cash transactions (note 3)	(581,401)	(575,354)
Adjust for movements in working capital other than cash (note 12)	(50,227)	282,578
Debt subsidy payments from Provisions Account (note 17)	110,476	90,890
Adjustment for transfer from provision (note 17)		(3,347)
Adjustment for transfer of loans payable within one year to debtors	(145,497)	30,904
Adjustment for transfer of early departure pre-funding from provisions to deferred income		(43,871)
Net cash outflow from operating activities	17,026,767	14,333,212
Analysis of capital expenditure and financial investment		
Purchase of fixed assets	30,925	22,844
Proceeds from disposal of fixed assets (note 9)	(2,427)	(1,893)
Loans to other bodies (note 11)	1,899,777	1,283,069
Repayment of Loans (note 11)	(159,959)	(112,560)
Net cash outflow from investing activities	1,768,316	1,191,460
Analysis of financing		
From Consolidated Fund	19,549,692	15,616,658
(Increase)/Decrease in cash	(493,815)	165,286
CFERs received in years and not paid over	33,585	159,201
CFERs received in prior year and paid over in current year	(159,202)	(17,823)
Advances from the Contingencies fund	1,570	100
Repayments to the Contingencies fund	(1,570)	(100)
Net cash requirement (Schedule 1)	18,930,260	15,923,322

SCHEDULE 5

Resources by Departmental Aim and Objectives
for the year ended 31 March 2001

	2000-01			1999-2000		
	Gross	Income	Net	Gross	Income	Net
	£000	£000	£000	£000	£000	£000
AIM: To give everyone the chance, through education, training and work, to realise their full potential and build an inclusive and fair society and a competitive economy						
Objective One Ensuring that all young people reach 16 with the skills, attitudes and personal qualities that will give them a secure foundation for lifelong learning, work and citizenship in a rapidly changing world.	4,523,514	(12,263)	4,511,251	2,157,809	(5,997)	2,151,812
Objective two Developing in everyone a commitment to lifelong learning, so as to enhance their lives, improve their employability in a changing labour market and create the skills that our economy and employers need.	11,352,956	(257,173)	11,095,783	11,200,417	(659,396)	10,541,021
Objective three To help people without a job into work	2,151,507	(65,125)	2,086,382	1,913,439	(54,860)	1,858,579
Net Operating Costs	<u>18,027,977</u>	<u>(334,561)</u>	<u>17,693,416</u>	<u>15,271,665</u>	<u>(720,253)</u>	<u>14,551,412</u>

See note 26 for further information on Schedule 5

Notes to the Accounts

1. Statement of Accounting Policies

The financial statements have been prepared in accordance with the Resource Accounting Manual issued by HM Treasury. The particular accounting policies adopted by the department are described below. They 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, and stocks where material, at their value to the business by reference to their current costs.

1.2 Basis of Consolidation

These accounts comprise the core department, its on-Vote agency, the Employment Service Agency (ES) and Sure Start. The core department also has a number of Executive Non-Departmental Public Bodies (NDPBs). However, as they are deemed to be outside the departmental boundary their results have not been consolidated into these accounts. The core department, the ES Agency and the NDPBs each produce and publish their own annual report and accounts.

1.3 Tangible Fixed Assets

Freehold land and buildings have been restated at current cost using professional valuations every 5 years and appropriate indices in intervening years. Other tangible assets have been stated at current cost using appropriate indices. The minimum level for capitalisation of 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.

1.4 Leases

Operating leases are charged to the Operating Cost Statement as expenditure is incurred. The Department does not currently hold any finance leases.

1.5 Depreciation

Freehold land is not depreciated.

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. Lives are normally in the following ranges:

Freehold buildings	up to 50 years
Furniture & Fittings	10 years
Plant and Machinery	3-10 years
Computer Equipment	3-7 years
Vehicles	5-8 years
Telecommunications	8-10 years

A residual value of 20% of the original purchase price is applied to all cars purchased on or after 1 November 1997.

1.6 Donated assets

Donated tangible fixed assets are capitalised at their current value on receipt, and this value is credited to the donated asset reserve. Subsequent revaluations are also taken to this reserve. Each year, an amount equal to the depreciation charge on the asset is released from the donated asset reserve to the operating cost statement.

1.7 Investments

The Department currently makes only two forms of loan, namely; loans to students via the Student Loan Company and; loans to schools to fund capital projects. The loans to schools fall into two categories. The first are issued under Schedule 3 of the Schools Standards and Framework Act 1998 (formerly known as Section 105 loans), and the second are issued under Section 255 loans formerly issued by the Funding Agency for Schools (FAS).

Notes to the Accounts *(continued)*

Loans to students are included in the balance sheet at their revalued cost, which is calculated each year utilising the Retail Price Index.

Loans issued under Schedule 3 are issued to Voluntary Schools. The value shown on the balance sheet represents the principal outstanding at 31 March.

Section 255 loans were issued to grant maintained schools by FAS. Although new loans are no longer issued, schools continue to repay the principal and interest to the Department. The value shown on the balance sheet represents the principal outstanding at 31 March.

The only investment held by the ES comprises 100 ordinary shares, with a nominal value of £1 each, in Working Links (Employment) Ltd, the joint venture with Manpower plc and Cap Gemini Ernst and Young. There has been no change in the number of shares owned by ES, since the company was founded on 16 March 2000. Initially Working Links were to operate in nine of the fifteen Employment Zones for a period of two years. During 2000-01 these contracts were extended to run until March 2003.

1.8 Stocks and work in progress

Stocks and work in progress are valued as follows:

- a finished goods and goods for resale are valued at cost or, where materially different, current replacement cost, and at net realisable value open value only when they either they cannot or will not be used;
- b work in progress is valued at the lower of cost, including appropriate overheads, and net realisable value.

1.9 Research and Development

Expenditure on research and development has been treated as an operating cost 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.

1.10 Operating Income

Operating income is income which relates directly to the operating activities of the department. It comprises, principally, receipts from ESF towards the cost of department programmes, but also includes other income such as that from investments as well as fees and charges for services provided, on a full cost basis, to external customers. It includes both income appropriated-in-aid of the Vote and income to the Consolidated Fund that HM Treasury has agreed should be treated as operating income.

1.11 Administration and Programme Expenditure

The operating cost statement is analysed between administration and programme costs. 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.

1.12 Capital Charge

A charge, reflecting the cost of capital utilised by the department, is included in operating costs. The charge is calculated at the Government's standard rate of 6% in real terms on the average balances of all assets less liabilities, except for:

- donated assets;
- Consolidated Fund balances
- Paymaster bank balances.

1.13 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.

Notes to the Accounts (continued)**1.14 Pensions**

Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is non-contributory and unfunded. Although the Scheme is a defined benefit scheme, liability for payment of future benefits is a charge to the PCSPS. Departments, agencies and other bodies covered by the PCSPS meet the cost of pension cover provided for the staff they employ by payment of charges calculated on an accruing basis. There is a separate scheme statement for the PCSPS as a whole.

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. The department provides in full for this cost when the early retirement programme has been announced and is binding on the department. The department may, 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.

1.16 Special Aids to Employment

Until June 1996 the Department's Executive Agency, ES, purchased equipment and loaned it to disabled people, retaining legal title for up to 5 years. However, as the equipment was not normally returned and the Agency derived no future benefit from its use, purchase costs were written-off in the year they were incurred. Since June 1996, employers procure the equipment and ES pays a grant towards the cost, which is charged, to expenditure in the year the equipment is purchased.

1.17 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 it is possible to measure grants paid to specific activity in the previous period, for example TECs and Careers Service providers, the grants paid are accrued in the Operating Cost Statement and shown as a liability on the Balance Sheet.

2. Staff Numbers and Costs

A Staff costs consist of:

	2000–01			1999–2000	
	£000			£000	
	Total	Officials	Ministers	Special Advisors	Total
Wages and salaries	680,766	680,305	306	155	640,038
Social Security	43,212	43,169	28	15	39,690
Other pension costs	77,795	77,775	0	20	73,336
	<u>801,773</u>	<u>801,249</u>	<u>334</u>	<u>190</u>	<u>753,064</u>

For 2000–01 contributions of £77,794,673 were paid to the PCSPS at rates determined by the Government Actuary and Advised by the Treasury. These rates were in the range 12%–18.5% of pensionable pay.

B The average number of whole-time equivalent persons employed (including senior management) during the year was as follows:

	2000–01	1999–2000
Objective		
1	2,003	1,627
2	2,546	2,015
3	33,075	32,914
TOTAL	<u>37,624</u>	<u>36,556</u>

In addition to the above staff numbers and costs the DfEE has two unpaid non executive directors, Lin Homer and Tim Stevenson.

Notes to the Accounts (continued)

C The salary and pension entitlements of the most senior managers of the Department were as follows:

Name and title	Age Yrs	2000-01		Total accrued pension at age 60 at 31 March 2001	1999-2000		Total accrued pension at age 60 at 31 March 2000
		Salary (as defined below)	Real increase in pension at age 60		Salary (as defined below)	Real increase in pension at age 60	
		£000	£000		£000	£000	
Sir Michael Bichard <i>Permanent Secretary</i>	54	150-155	0-2.5	10-15	135-140	0-2.5	10-15
Mr Leigh Lewis <i>Chief Executive ES</i>	50	115-120	5-7.5	35-40	95-100	0-2.5	30-35
Mr Roger Dawe <i>Director General (until 31.8.00)</i>	60	45-50	0-2.5	50-55	100-105	2.5-5	45-50
Mr David Normington <i>Director General</i>	49	110-115	2.5-5	35-40	95-100	2.5-5	30-35
Mr Clive Tucker <i>Director General (from 2.5.00 until 3.9.00)</i>	56	30-35	2.5-5	35-40			
Mr Peter Shaw <i>Director General</i>	51	105-110	2.5-5	35-40	90-95	2.5-5	30-35
Mr Nick Stuart <i>Director General</i>	58	120-125	2.5-5	50-55	110-115	5-7.5	45-50
Mr Peter Makeham <i>Director General (from 27.11.00)</i>	53	30-35	2.5-5	30-35			
Mrs Hilary Douglas <i>Director (until 1.10.00)</i>	50	40-45	2.5-5	25-30	65-70	0-2.5	20-25
Mr Mike Shipp <i>Acting Director (from 2.10.00 until 14.1.00)</i>	45	15-20	0-2.5	15-20			
Ms Susan Thomas <i>Director (from 11.12.00)</i>	49	25-30					
Mr John Hedger <i>Director (until 31.8.00)</i>	58	35-40	0-2.5	35-40	80-85	0-2.5	35-40
Mr Peter Wanless <i>Director</i>	36	70-75	0-2.5	10-15	60-65	0-2.5	10-15

Susan Thomas's pension cannot be calculated, as she has less than 2 years reckonable service, on which the calculation is based.

Pension benefits are provided throughout the Principal Civil Service Scheme (PCSPS). This is a statutory scheme which provides benefits on a "final salary" basis at a normal retirement age of 60. Benefits accrue at the rate of 1/80th pensionable salary for each year of service. In addition, a lump sum equivalent to 3 years' pension is payable on retirement. Members pay contributions of 1.5 per cent of pensionable earnings. Pensions increase in payment in line with the Retail Prices Index. On death, pensions are payable to the surviving spouses at a rate of half the members' pension. On death in service the scheme pays a lump sum benefit of twice the pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

Salaries include the gross salaries, performance bonuses payable reserved rights to London Weighting or London allowances, recruitment and retention allowances and private office allowances. It does not include the estimated monetary value of benefits in kind. An interest free advance of salary for House Purchase loan was made to the Permanent Secretary. The outstanding balance at 31 March 2001 was £22,010. The notional interest on this loan is regarded as a taxable benefit.

The information given in table C relates to the Permanent Secretary and senior managers of the Department for Education and Employment, including the Chief Executive of the Employment Service. Equivalent information relating to the Employment Service board is given in its separate accounts.

Notes to the Accounts (continued)

3. Other Administration Costs

	2000-01	1999-2000
	£000	£000
Rentals under operating leases:		
hire of plant and machinery	2,518	3,754
other operating leases	93,706	94,158
	96,224	97,912
Non cash items:		
depreciation	23,225	21,353
Non chargeable services received	76	101
Donated Asset depreciation offset	(9)	(2)
Loss/Gain on disposal of fixed assets	1,175	1,930
Permanent Diminution in fixed asset values	11,964	642
cost of capital charge	11,446	7,659
auditor's remuneration	622	480
	48,499	32,163
Other expenditure	404,963	345,644
	549,686	475,719
Total non cash charges as above	48,499	32,163
non cash income	(17,507)	(22,406)
Asset Transfers in	27	0
Assets Sold as CFER	0	0
other non cash items charged to salaries (decrease in early release provision)	(4,512)	5,562
Total admin non cash items	26,507	15,319
Cost of Capital on Programmes	121,607	59,440
Create TEC Property Provision	573	0
Increase in student loan write off provision	115,753	192,455
Increase in student loan interest subsidy provision	678,870	366,480
Movement in student loan debt sale subsidy provision	0	51,000
Interest applied to Student Loans	(101,473)	(69,391)
Admin charges applied to Student Loans	(1,763)	(521)
SLC Interest Subsidy Inflation Adj	76,953	40,469
Unwind Debt Sale Provision	46,367	49,602
Release Interest Subsidy Provision to OCS	(254,118)	(147,473)
Unwind Interest Subsidy Provision	54,427	30,600
Under/over Provision	5,781	(12,626)
SLC opening domicile adjustment	(45,707)	0
Section 255 loan written-off	85	0
ESF PY Claim on Reserve Adj	(142,461)	0
Total programme non cash items	554,894	560,035
Total non cash items	581,401	575,354

The audit represents the cost of the audit of the Financial Statements carried out by the Comptroller and Auditor General. The auditors received no remuneration for non audit work.

4. Net Programme Costs

	2000-01	1999-2000
	£000	£000
Current grants and other current expenditure	16,554,911	13,983,443
Cost of Capital on Programmes	121,607	59,440
Agency payments on behalf of EU to third parties	0	454,516
Gross programme spend	16,676,518	14,497,399
less programme income	(173,056)	(394,316)
	16,503,462	14,103,083
Less EU Income	(90,595)	(720,620)
Net Programme Income	16,412,867	13,382,463

Notes to the Accounts (continued)

5. Operating Income

	2000–01		
	Appropriated in aid	Not appropriated in aid	Total
	£000	£000	£000
Operating income analysed by classification and activity, is as follows:			
Administration income:			
allowable within admin cost limit	(2,144)		(2,144)
EU income treated as negative public expenditure	115		115
other—fees & charges external customers	(788)		(788)
other miscellaneous	(58,856)	(9,237)	(68,093)
	(61,673)	(9,237)	(70,910)
Programme income:			
EU income where DfEE acts as agent for payments to third parties			
ESF contributions to Government Programmes		(90,595)	(90,595)
EU income treated as negative public expenditure			0
Discount on sale of student loans debt			0
Other income	(163,069)	(9,987)	(173,056)
Programme total	(163,069)	(100,582)	(263,651)
	(224,742)	(109,819)	(334,561)

Included in the Administration income total of £61.673 million is rental income from Other Government Departments totalling £17,250,000, and rental income from the private sector totalling £6,587,000.

	1999–2000		
	Appropriated in aid	Not appropriated in aid	Total
	£000	£000	£000
Operating income analysed by classification and activity, is as follows:			
Administration income:			
allowable within admin cost limit	(2,191)		(2,191)
EU income treated as negative public expenditure	(255)		(255)
other – fees & charges external customers	(795)		(795)
other miscellaneous	(50,182)	(6,411)	(56,593)
	(53,423)	(6,411)	(59,834)
Programme income:			
EU income where DfEE acts as agent for payments to third parties	(454,516)		(454,516)
ESF contributions to Government Programmes		(266,104)	(266,104)
Other income	(379,630)	(14,686)	(394,316)
Programme total	(834,146)	(280,790)	(1,114,936)
	(887,569)	(287,201)	(1,174,770)

Included in the Administration income total of £53.423 million is rental income from Other Government Departments totalling £16,485,000, and rental income from the private sector totalling £6,186,000.

An analysis of income from services provided to external and public sector customers is as follows:

	2000–01			1999–2000		
	Income	Full Cost	Surplus/Deficit	Income	Full Cost	Surplus/Deficit
	£000	£000	£000	£000	£000	£000
Careers and Occupational Information Centre (COIC)	(788)	884	96	(795)	1,104	309
Pensions Services	(188)	188	0	(160)	160	0
	(976)	1,072	96	(955)	1,264	309

Notes to the Accounts *(continued)***6. Administration Cost Limits**

The outturn shown against individual administration cost limits is:

	2000–01		1999–2000
	Outturn	Limits	Outturn
	£000	£000	£000
Request for Resources 1	288,871	275,035	278,493
Request for Resources 3	1,058,538	1,096,518	947,012
Request for Resources 5	1,906	2,060	1,087
	1,349,315	1,373,613	1,226,592

7. Reconciliation of Net Operating Cost to Control Total and Net Resource Outturn

	2000–01	1999–2000
	£000	£000
Net operating cost	17,693,416	14,551,412
Less:		
Supply and other expenditure outside resource budget		
Add:		
expenditure financed by EU receipts (Agency payments to third parties by ESF unit and ESF administration costs supported by EU income)	166,906	454,771
operating income not classified as A in A and not in public expenditure (note 5) (for DfEE this is Student Loan Principle CFERs)	23,661	95,624
Credit Approvals and ERDF and other DETR	547,502	458,752
Less:		
non supply expenditure in the resource budget		
expenditure financed by EU receipts (Agency payments to third parties by ESF unit and ESF administration costs supported by EU income)	(166,906)	(454,771)
operating income not classified as A in A and not in public expenditure (note 5) (for DfEE this is Student Loan Principle CFERs)	(23,661)	(95,624)
Credit approvals and ERDF and other DETR	(547,502)	(458,752)
Add:		
Supply expenditure outside resource budget (Lines M and N of Class I Vote 1)	0	0
Excess A in A		97,241
operating income not classified as A in A but within public expenditure (note 5) (All other CFERs not including student loans)	109,819	287,201
Net resource outturn	17,803,235	14,935,854

Notes to the Accounts (continued)

8. Analysis of Net Resource Outturn and Net Operating Cost by Function

2000-01

	Admin	Other Current	Current grants	A in A	Net Total	Indicative Estimate	Net Total Outturn compared with Estimate
	£000	£000	£000	£000	£000	£000	£000
Request for Resources—1							
Function A		69,408	800,795	(6,375)	863,828	1,067,503	203,675
Function B		242,281	1,692,404	(34,862)	1,899,823	1,972,227	72,404
Function C			1,117,290		1,117,290	1,376,234	258,944
Function D					0	1	1
Function E			82,159		82,159	120,000	37,841
Function F		91,076	267,949	19	359,044	383,712	24,668
Function G	268,662	33,011	981	(8,213)	294,441	314,120	19,679
Function H			5,223		5,223	5,480	257
Function I			1,661,866	(129)	1,661,737	1,756,041	94,304
Function J			317,999		317,999	291,800	(26,199)
Function K			0		0	1	1
Function L			23,399		23,399	30,000	6,601
Function M	574	5,204			5,778	5,588	(190)
Function N	3,629	9,350	6,133	(81)	19,031	21,879	2,848
Function O	12,948		(22,182)		(9,234)	6,521	15,755
Function P					0	(294)	(294)
Function Q	702,290	8,209	1,019,372	(398)	1,729,473	1,896,458	166,985
Function R				(105,558)	(105,558)	(149,998)	(44,440)
Function S		116,607	7,679,857	(14,422)	7,782,042	8,002,284	220,242
Function T		14,946	5,479		20,425	7,488	(12,937)
Function U			25,996		25,996	113,016	87,020
Function V			4,926		4,926	4,500	(426)
Function W			2,067		2,067	2,456	389
ESF Section D 3 rd Party Payments					0		0
ESF Section K Local Authority Payments					0		0
Total	988,103	590,092	14,691,713	(170,019)	16,099,889	17,227,017	1,127,128
Request for Resources—2							
Function A	887,246	78,529	134,187	(53,393)	1,046,569	1,039,685	(6,884)
Function B					0	89,076	89,076
Function C			32,828		32,828	32,347	(481)
Function D	176,267	240,038	110,207	(1,100)	525,412	660,662	135,250
Function E			42,751		42,751	111,483	68,732
Function F					0	8,822	8,822
Total	1,063,513	318,567	319,973	(54,493)	1,647,560	1,942,075	294,515
Request for Resources—3							
Function A	1,906	894	52,986		55,786	108,796	53,010
Function B					0	74,579	74,579
Function C							
Total	1,906	894	52,986	0	55,786	183,375	127,589
Resource Outturn	2,053,522	909,553	15,064,672	(224,512)	17,803,235	19,352,467	1,549,232
Non-Supply Expenditure							
Non-A in A Operating Income					(109,819)		
Excess in A in A							
Net Operating Cost					17,693,416		

Functions represent the disaggregation of request for resources for control purposes and parliamentary approval. They correspond to objectives as follows:

Objective 1—Request for Resource 1 Functions A, I, P, Q and W; Request for Resource 3 Function A.

Objective 2—Request for Resource 1 Functions B, C, D, E, J, K, L, M, R, S and V.

Objective 3—Request for Resource 1 Functions F, N and T; Request for Resource 2 Functions A—E.

In addition Request for Resource 1 Functions G, H, O and U are activities which support all three objectives.

Notes to the Accounts (continued)

	1999-2000						Net Total Outturn Compared with Estimate
	Admin	Other Current	Current grants	A in A	Net Total	Indicative Estimate	
	£000	£000	£000	£000	£000	£000	
Request for Resources—1							
Function A		66,933	747,191	(985)	813,139	1,097,585	284,446
Function B		203,892	8,834,359	(4,271)	9,033,980	9,182,809	148,829
Function C			337		337	654,708	654,371
Function D					0	1	1
Function E			305,097		305,097	340,000	34,903
Function F	2,089	33,190	258,254	(95)	293,438	355,971	62,533
Function G	274,588	26,025	3,262	(6,893)	296,982	295,247	(1,735)
Function H			5,488		5,488	5,757	269
Function I			1,046,132	(579)	1,045,553	684,267	(361,286)
Function J			1,072,953		1,072,953	1,079,153	6,200
Function K					0	1	1
Function L			56,561		56,561	60,000	3,439
Function M		2,761			2,761	4,252	1,491
Function N		2,810	6,582		9,392	13,402	4,010
Function O			234,155		234,155	440,172	206,017
Function P					0	(294)	(294)
Function Q				(294,602)	(294,602)	(294,998)	(396)
Function R			521,025	(1,876)	519,149	0	(519,149)
Function S			2,089		2,089	1,250	(839)
Function T			3,630		3,630	6,699	3,069
ESF Section D 3 rd Party Payments			373,192	(373,192)	0	(373,192)	(373,192)
ESF Section K Local Authority Payments			81,324	(81,324)	0	(81,324)	(81,324)
Total	276,677	335,611	13,551,631	(763,817)	13,400,102	13,471,466	71,364
Request for Resources—2							
Function A	815,768	68,290	133,108	(26,007)	991,159	937,921	(53,238)
Function B	18,826	67,500			86,326	86,326	0
Function C			34,676		34,676	49,109	14,433
Function D	121,408	162,513	132,539	(504)	415,956	415,733	(223)
Function E			567		567	31,910	31,343
Total	956,002	298,303	300,890	(26,511)	1,528,684	1,520,999	(7,685)
Request for Resources—3							
Function A	1,087	682	5,299		7,068	30,071	23,003
Function B					0	48,204	48,204
Total	1,087	682	5,299	0	7,068	78,275	71,207
Resource Outturn	1,233,766	634,596	13,857,820	(790,328)	14,935,854	15,070,740	134,886
Non-Supply Expenditure							
Non-A in A Operating Income					(287,201)		
Excess in A in A					(97,241)		
Net Operating Cost					14,551,412		

Functions represent the disaggregation of request for resources for control purposes and parliamentary approval. They correspond to objectives as follows:

Objective 1—Request for Resource 1 Functions A, I, O, P and T; Request for Resource 3 Function A.

Objective 2—Request for Resource 1 Functions B, C, D, E, J, K, L, M, Q, R and S.

Objective 3—Request for Resource 1 Functions F and N; Request for Resource 2 Functions A—E.

In addition Request for Resource 1 Functions G and H are activities which support all three objectives.

Notes to the Accounts *(continued)*

9. Analysis of Capital Expenditure, Financial Investment and Associated in A-in-A

	2000-01			Net Total
	Capital expenditure	Loans etc	A-in-A	
	£000	£000	£000	
Request for Resources 1	10,858		(375)	10,483
Request for Resources 3	20,225		(2,052)	18,173
Request for Resources 5	211			211
Total	31,294	0	(2,427)	28,867
Non A-in-A income from disposal of fixed assets				0
				0
	1999-2000			Net Total
	Capital expenditure	Loans etc	A-in-A	
	£000	£000	£000	
Request for Resources 1	10,401		(99)	10,302
Request for Resources 3	12,773		(1,794)	10,979
Request for Resources 5				
Total	23,174	0	(1,893)	21,281
Non A-in-A income from disposal of fixed assets				(104)
				21,177

In addition to the capital purchases there was a non cash adjustment of £330,000 to capital purchases for items purchased in 1998-99 that had been capitalised in 1999-00. The Schedule 4 Purchases of Fixed Assets includes the £330,000 non cash adjustment which decreases the £23,174,000 purchases figure to £22,844,000.

Notes to the Accounts (continued)

10. Tangible Fixed Assets

	Property	Office Machinery	Computer Capital	Telecoms	Vehicles	Fixtures & Fittings	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
At 1 April 2000	177,825	5,030	27,270	1,834	6,319	71,359	289,637
Additions	13,774	142	7,620	10	1,044	8,704	31,294
Disposals	(2,592)	(872)	(10,273)	(7)	(1,837)	(12,381)	(27,962)
Revaluations	31,193	(7)	570	119	(175)	1,341	33,041
Impairments	(11,517)	0	0	0	0	0	(11,517)
At 31 March 2001	208,683	4,293	25,187	1,956	5,351	69,023	314,493
Depreciation							
At 1 April 2000	7,539	3,767	14,164	1,264	2,467	37,098	66,299
Provided in year	5,012	406	8,173	78	889	8,667	23,225
Disposals	(60)	(776)	(10,197)	(5)	(1,061)	(12,261)	(24,360)
Revaluations	(8,295)	(28)	476	85	(174)	588	(7,348)
At 31 March 2001	4,196	3,369	12,616	1,422	2,121	34,092	57,816
Net Book Value							
At 1 April 2000	170,286	1,263	13,106	570	3,852	34,261	223,338
At 31 March 2001	204,487	924	12,571	534	3,230	34,931	256,677

During the year a freehold properties Castle View House, East Lane House, Moorfoot and Mowden Hall, was revalued, on an existing use basis, by Donaldsons, Chartered Surveyors. Other tangible assets were revalued on the basis of monthly indices provided by the Office for National Statistics. All ES Land and Buildings were independently valued as at 30 September 2000 on the basis of existing use value by Gerald Eve, Chartered Surveyors, in accordance with the requirements of the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual, 1st Edition (as amended). The ES Land and Buildings Net Book Value of £166,300 is made up of £145,777 Freeholds, £5,930 Long Leaseholds and £14,593 Short Leaseholds.

11. Loans

	Students	Section 255	Schedule 3	Total
	£000	£000	£000	£000
Balance at 1 April 2000	3,290,258	2,430	2,420	3,295,108
Amounts previously transferred to debtors 1999-00	123,555	801	99	124,455
Total loans outstanding at 1 April 2000	3,413,813	3,231	2,519	3,419,563
Opening balance adjustment	45,707			45,707
New loans	1,899,777			1,899,777
Interest added	101,473			101,473
Admin Charge Applied	1,763			1,763
Repayments	(158,486)	(814)	(659)	(159,959)
Write Offs	(993)	(85)		(1,078)
Balance at 31 March 2001	5,303,054	2,332	1,860	5,307,246
Amounts repayable in 1 year transferred to debtors	269,048	829	75	269,952
Balance payable at 31 March 2001 after one year	5,034,006	1,503	1,785	5,037,294

The Student Loan Company issues loans on behalf of DfEE (England & Wales), the Student Awards Agency for Scotland and the Department for Higher and Further Education Training and Employment (Northern Ireland). The loans are accounted for on a domicile basis.

The Section 255 loans were issued by the Funding Agency for Schools (FAS) from money provided by the Department to help grant maintained schools fund capital projects. Responsibility for administering the loans transferred to the Department on 31 March 2000. At 31 March 2001 there were 31 outstanding loans (32 in 1999-00).

The Schedule 3 loans (formally known as 105 loans) are loans issued to voluntary schools for capital projects under Schedule 3 of the Schools Standards & Framework Act 1998. At 31 March 2001 there were 16 outstanding loans (48 in 1999-00).

Notes to the Accounts (continued)**12. Movements in Working Capital other than Cash**

	2000-01	1999-2000
	£000	£000
Increase/(Decrease) in stocks/WIP	47	(22)
Increase/(Decrease) in debtors (including loans repayable within 1 year)	93,746	277,266
(Increase)/Decrease in creditors (excluding cash payable to Consolidated Fund)	(144,020)	5,334
	<u>(50,227)</u>	<u>282,578</u>

13. Stocks and Works-in-Progress

	2000-01	1999-2000
	£000	£000
Stocks	484	437
	<u>484</u>	<u>437</u>

The Careers and Occupational Information Centre (COIC) publish a catalogue of free and priced publications for use by careers' services, schools and colleges. The closing stock balance is the value of priced publications held in store and work in progress.

14. Debtors

	2000-01	1999-2000
	£000	£000
Amounts falling due within one year:		
VAT	35,855	33,691
Trade debtors	13,679	4,335
Deposits and advances	5,774	5,282
ESF Debtor		93,153
FCO Debtors	13	33
Other debtors	5,097	1,383
Treasury Debtor	18,523	483,411
Prepayments and accrued income	277,498	238,273
Amounts falling due after more than 1 year:		
Prepayment of operating leases	1,040	4,984
Prepayments of early departure pre-funding	23,180	32,753
	<u>380,659</u>	<u>897,298</u>
Transfer of loans payable within one year (see note 11)	269,952	124,455

In the accounts for 1999-2000, prepayments by the department to the Civil Superannuation Vote towards meeting liabilities relating to early retirement were offset against the provision for those liabilities.

In the accounts for 2000-01, such prepayments are recognised separately from the liability. Accordingly, the prior year balances above have been restated to include such prepayments at 31 March 2000 (£11,118 in amounts falling due within one year, and £32,753 in amounts falling due after one year). See also Note 17.

The amount disclosed as the Treasury Debtor is based on accounting conventions adopted for resource based supply.

Notes to the Accounts (continued)**15. Cash at Bank and In Hand**

	2000-01	1999-2000
	£000	£000
Balance at 1 April	(68,008)	97,278
Net cash inflow:		
Department	619,432	(300,275)
Payable to the Consolidated Fund	(125,617)	134,989
	<u>425,807</u>	<u>(68,008)</u>
Balance at 31 March		
The Office of HM Paymaster General provides a current account banking service. The following balances are held at 31 March:		
Balances at OPG	424,177	(72,918)
Commercial banks and cash in hand	1,630	4,910
	<u>425,807</u>	<u>(68,008)</u>

16. Creditors: amounts falling due within one year

	2000-01	1999-2000
	£000	£000
Other taxation and social security	14,860	3
Other creditors	256,417	169,945
Trade Creditors	24,986	13,407
ESF creditor	362,239	0
Cash payable to the Consolidated Fund for CFER	33,585	159,202
Treasury creditor	0	17,095
Early release provision payable in one year	0	0
Accruals and deferred income	176,305	490,337
	<u>868,392</u>	<u>849,989</u>

The amount disclosed as the 'Cash payable to the Consolidated Fund as CFER' is based on accounting conventions adopted for resource based supply.

17. Provisions for Liabilities and Charges

	<i>Early Retirement & Pension commitments</i>	<i>Student Loans write off</i>	<i>Students Loans Interest subsidy</i>	<i>Students Loans debt sale subsidy</i>	<i>Residual TEC Property Provision</i>	<i>Total</i>
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2000	53,992	566,688	621,599	773,658		2,015,937
Amortisation of one year's discount	2,334		54,427	46,367		103,128
Release to OCS	(14,869)		(254,118)			(268,987)
(decrease)/increase in provision	8,520	115,753	678,870	5,781	573	809,497
debts written off		(993)				(993)
under/over provision	(497)					(497)
Debt subsidy payment				(110,476)		(110,476)
Balance at 31 March 2001	<u>49,480</u>	<u>681,448</u>	<u>1,100,778</u>	<u>715,330</u>	<u>573</u>	<u>2,547,609</u>

There are additional discounted early departure costs of £20.7m which are funded under the 80/20 scheme approved by the Treasury.

Notes to the Accounts (continued)

The provision for early retirement and pension costs has been created to meet the Department's liability to pay Annual Compensation Payments (ACPs) to staff who take early retirement until the Principal Civil Service Pension Scheme meets the costs when the members reach their 60th birthday (also see notes 1.14 and 1.15).

The balance of provision for early retirement at 31 March 2000 recognised in the accounts for 1999-2000 (£8,145), was net of the balance on amounts pre-funded by the department to the Civil Superannuation Vote towards meeting that liability.

In the accounts for 2000-01, the gross liability and the balance of pre funded amounts are recognised separately. Accordingly, the balance on the provision at 1 April 2000 is restated as the gross amount. The offset of £43,871 taken in to account in the provision at 31 March last year is instead recognised as a pre payment. See also Note 14.

The student loans write off provision was created to meet the future cost of loans which could not be recovered due to the death of the student, their income not reaching the income threshold, or not being able to trace the student. Each year the Department estimates the future cost of bad debts based on a percentage of new loans issued during the financial year. This is offset by the actual debts written off by the Student Loan Company.

Student loans are effectively interest free as students are only charged interest equivalent to the rate of inflation. The Department meets the costs resulting from difference between the interest paid by students and the cost of capital on loans, which is known as the interest subsidy. The interest subsidy provision meets the cost of the interest over the life of the loan and is offset by the annual interest subsidy charge.

The student loan debt sale provision is the additional cost to the Department of government subsidies contractually due to the purchaser of the debts beyond the cost that the government would have incurred had the debts remained in the public sector.

18. Reserves

	<i>Revaluation Reserve</i>
	<u>£000</u>
Balance at 1 April 2000	16,799
Arising on revaluation during the year	44,225
Transferred to the General Fund in respect of realised element of Revaluation Reserve	(238)
Land and buildings Impairment	(3,024)
Balance at 31 March 2001	<u>57,762</u>

The Revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments (excluding donated assets).

	<i>Donated Asset Reserve</i>
	<u>£000</u>
Balance at 1 April 2000	9
Additions during the year	0
Realised element released to Operating Cost Statement	(9)
Balance at 31 March 2001	<u>0</u>

The Donated Asset Reserve reflects the net book value of assets donated to the Department.

Notes to the Accounts (continued)**19. Capital Commitments**

	2000-01	1999-2000
	<u>£000</u>	<u>£000</u>
Contracted and approved commitments at 31 March 2001 for which no provision has been made	1,000	10,987

20. Commitments under Operating Leases

	2000-01		1999-2000	
	Land & Buildings	Other	Land & Buildings	Other
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
At 31 March 2001 the department was committed to making the following payments during the next year in respect of operating leases expiring:				
within one year	7,466	246	6,271	373
between two to five years	8,088	960	9,881	842
after 5 years	80,206	9	76,554	1
	<u>95,760</u>	<u>1,215</u>	<u>92,706</u>	<u>1,216</u>

21. Other Commitments

In addition to the above commitments the Employment Service has entered into long term partnerships agreements for the delivery of its Estates Facilities Management services totalling £2.966 million during 2001-02. The Employment Service has also entered into two Private Finance Initiative (PFI) agreements for the separate provision of IT services and Human Resources (HR) services. The committed expenditure for 2001-02 under the contract for IT service with EDS is £156.338 million, and £3.065 million under contract with Rebus for HR services.

Notes to the Accounts (*continued*)

22. Contingent Liabilities

	2000-01	1999-2000
	<u>£000</u>	<u>£000</u>
Non-Statutory Liabilities Charged to Votes		
Secretary of State legal requirement in respect of Remploi, a company limited by guarantee.	Unquantifiable	Unquantifiable
The Department will meet the accrued Civil Service redundancy entitlement to date of resignation of secondees who resigned from the Department to take up Training and Enterprise (TEC) employment on or after 1 January 1993 in TECs in England and Wales if:		
a their TEC makes them redundant due to direct government action during their first five years of employment		
b a court or tribunal ever ruled that TEC and civil service employment were continuous for redundancy calculation purposes.	6,000	24,000
The Department will meet the redundancy and other staff related costs of any staff who transferred, with rights under the Transfer of Undertakings (Protection of Employment) regulations (TUPE), from TECs to the contractor responsible for delivery of the individual Learning Accounts Framework.	1,000	
The Department has and will continue to give indemnities to Training and Enterprises Councils (TECs), Chamber of Commerce Training and Enterprise Councils (CCTEs), their representative TEC bodies and those concerned with the wind up, transfer or continuation of TEC delivered activity, where this will facilitate the conclusion of the working and contractual relationship between TECs, CCTEs and Government, thereby ensuring the continuation of essential discretionary activity and the return of residual reserves owing to the Secretary of State at the earliest opportunity.		
The indemnities will include:		
- Liabilities that arise from audit work carried in respect of the delivery of activities funded through European Union initiatives or through Single Regeneration Budget and other schemes sponsored by Government Departments other than DfES and DTI;	3,500	
- Liabilities that arise from the transfer of TEC/CCTE functions to successors, including from staff who have transferred or been made redundant, and who as a result of the transfer seek redress through the Employment Tribunal.	2,000	
- Liabilities arising from properties leased by TECs/CCTEs that they have been unable to dispose of by the time they wind up. The Department may take over these leases and dispose of them on behalf of the TECs/CCTEs	24,000	

Notes to the Accounts (*continued*)

	2000-01	1999-2000
	<u>£000</u>	<u>£000</u>
In order to ensure the Croydon Local Learning and Skills Council (LLSC) commences operations on April 2001 and because no suitable Training and Enterprise Council (TEC) or Chamber of Commerce Training and Enterprise (CCTE) property exists in the Croydon LLSC area an indemnity to give a landlord a guarantee that, in the event of the Learning and Skills Council (LSC) ceasing to exist the Secretary of State will take over the lease. This is because, to the landlord, the LSC is an unknown body with no financial history	6,880	
In order to ensure the Learning and Skills Council (LSC) commences operations in April 2001 and because no suitable Training and Enterprise Council (TEC) or Chamber of Commerce Training Enterprise (CCTE) property exists in Brighton, Manchester or Coventry area an indemnity to give landlords a guarantee that, in the event of the LSC ceasing to exist the Secretary of State will take over the lease. This is because, to the landlord, the LSC is an unknown body with no financial history.	76,000	
In order to ensure that Adult Learning Inspectorate (ALI) commences operations in April 2001 and because no suitable Departmental property exists in the Coventry area an indemnity to give landlords a guarantee that, in the event of ALI ceasing to exist the Secretary of State will take over the lease. This is because, to the landlord, the ALI is an unknown body with no financial history.	8,700	
An indemnity to cover the cost of re-assessing trainees who are disadvantaged by flaws in the awarding of National Vocational Qualifications by the Road Transport Industry Training Board.	390	
The Employment Service has underwritten a bank overdraft guarantee of £1m for Working Links Limited. This represents the Employment Service's one-third share of the company's overdraft facility, which is expected to continue throughout the 2000-01 financial year.	1,000	1,000
During the course of its normal business, the Employment Service frequently enters into large, sometimes long term, contracts with a wide range of private sector suppliers. The changing nature of Employment Service business, and its obligation to respond to prevailing government priorities, can mean that it is occasionally in the Agency's interest to try to vary, re-negotiate or, in exceptional circumstances, cancel certain contracts. Where the Employment Service takes such action, it always does so on legal advice and so as to avoid a breach of contract. However, disputes occasionally arise which could result in the Employment Service making compensatory payments in response to legal proceedings, or as part of an out of court settlement. The Employment Service considers that disclosure of such cases in detail, particularly, whilst negotiations are still in progress, could seriously prejudice the Agency's position if legal proceedings subsequently develop. There were no such contractual disputes outstanding at 31 March 2000 where a settlement had been reached and the value of a compensatory payment had been agreed. For cases still under negotiation, the total value of the outstanding claims made against the Employment Service by suppliers at the balance sheet date was less than £10m, but it is not yet known whether the Employment Service will need to make any compensatory payments.	10,000	10,000

Notes to the Accounts (*continued*)

23. Reconciliation of net operating cost to changes in General Fund

	2000-01	1999-2000
	£000	£000
Net Operating cost for the year (Schedule 2)	(17,693,416)	(14,551,412)
Income not appropriated in aid paid/payable to Consolidated Fund	(135,177)	(398,420)
	(17,828,593)	(14,949,832)
Net Parliamentary Funding	19,084,804	15,616,658
Non-cash charges:		
cost of capital	133,053	67,099
auditors remuneration	622	480
Fixed asset adjustment	(100)	2,570
Notional Charges Offset	(17,062)	(16,223)
SLC closing balance percentage adj	0	(15,374)
SLC interest subsidy Inflation adj	76,953	40,469
ESF PY claim on reserve adj	(142,461)	
	51,005	79,021
Net increase general fund	1,307,216	745,847
General Fund at 1 April 2000	1,589,894	844,047
General Fund at 31 March 2001	2,897,110	1,589,894

24. Analysis of Net Operating Cost

This analyses funding by the Department to relevant spending body

	2000-01		1999-2000
	£000	£000	£000
	Budget	Outturn	Outturn
Spending Body			
Non-Departmental Public Bodies (NDPBs):			
Higher Education Funding Council for England (HEFCE)	4,337,709	4,337,709	4,101,762
Further Education Funding Council (FEFC)	3,636,982	3,567,550	3,370,071
Funding Agency for Schools (FAS)			12,469
Student Loans Company Ltd (SLC)	973,306	551,613	465,988
Teacher Training Agency (TTA)	319,962	311,177	230,926
Qualification Curriculum Authority (QCA)	61,326	60,039	58,344
Remploy Ltd	100,661	100,661	95,661
Other NDPBs	27,693	27,379	20,154
Local Authorities	1,561,666	1,373,196	1,669,395
Training and Enterprise Councils	1,196,363	1,164,857	1,350,376
Employment Service Agency	1,841,414	1,537,591	1,405,660
Other DfEE	5,295,385	4,661,644	1,770,606
Total	19,352,467	17,693,416	14,551,412

Notes to the Accounts (continued)**25. Related Party transactions**

The DfEE and its Agency, the Employment Service, pay grants to the following executive Non-Departmental Public Bodies:

British Educational Communications and Technology Agency (BECTA)
 Construction Industry Training Board (CITB)
 Disability Rights Commission (DRC)
 Education Transfer Council (ETC)
 Engineering Construction Industry Training Board (ECITB)
 Equal Opportunities Commission (EOC)
 Further Education Funding Council (FEFC)
 Higher Education Funding Council for England (HEFCE)
 Investors in People UK Ltd (IiP)
 Qualification Curriculum Authority (QCA)
 Remploy Ltd (REMPLOY) – Public Corporation
 Student Loans Company Ltd (SLC)
 Teacher Training Agency (TTA)

In addition, the DfEE has had various material transactions with other Government Departments. Most of these transactions are with the Department for Social Security, Department for Trade and Industry and Department for Environment, Transport and the Regions.

None of the DfEE Board members, members of key managerial staff or other related parties has undertaken any material transactions with the DfEE during the year.

26. Notes to Schedule 5

Other than Student Loans outstanding which can be linked directly to Objective 2, the Department for Education and Employment's capital employed is used extensively for administrative purposes. Its distribution amongst objectives is therefore not markedly different from the proportion of the related gross administration cost.

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

	2000–01	1999–2000
	£000	£000
Objective 1	4,386,533	2,043,899
Objective 2	10,972,573	10,422,358
Objective 3	1,053,761	916,206
Total	16,412,867	13,382,463

27. Entities within the departmental boundary

The entities within the Department boundary were as follows:

the Department for Education and Employment (Class I, Vote 1);
 the Employment Service (Class I, Vote 3);
 and Sure Start (Class I, Vote 5).

Notes to the Accounts (*continued*)

28. Accountability Notes

a Losses Statement

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

	No. of cases	£000
Request for Resource 1	13,852	1,175
Request for Resource 2	8,323	970
Request for Resource 3	—	—
	<u>22,175</u>	<u>2,145</u>

b Special Payments

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

	No. of cases	£000
Request for Resource 1	104	345
Request for Resource 2	206	434
Request for Resource 3	—	—
	<u>310</u>	<u>779</u>

c Gifts Made

There were no gifts made during the year.

d Loans Remitted (written off) in Year

Loans totalling £1,133,000 issues by the Student Loans Company were remitted during the year mainly due to 332 deaths (£857,000) and 105 disabled borrowers (£268,000). Of this total £993,000 is attributable to funds provided from Section R. The remainder is attributed to the separate Votes for the Student Awards Agency for Scotland (£131,000) and the Department for Education of Higher and Further Education, Training and Employment (Northern Ireland) (£10,000).

e Acquisition of Shares

	£
Shares held at 1 April 2000	105
In Year Acquisitions	0
Total shares held at 31 March 2001	105

The above shares include the following:

- 5 ordinary shares of £1 in the Student Loan Company Limited.
- 100 ordinary shares of £1 in Working Links (Employment) Ltd.

f Related Accounts

The accounts of the following agencies and NDPBs whose funding is reported in the DfEE accounts are published separately as a White Paper Account and have not been consolidated in these accounts:

- British Educational Communications and Technology Agency
- Disability Rights Commission
- Education Transfer Council (1 April 2000 to 31 December 2000)
- Equal Opportunities Commission
- Further Education Funding Council
- General Teaching Council
- Higher and Education Funding Council for England
- Qualification Curriculum Authority
- Remploy Ltd (REMPLOY)—Public Corporation
- Student Loans Company Ltd
- Teacher Training Agency

Notes to the Accounts (*continued*)

g Other Notes

Request for Resource 1 includes payments of £276,572,303.00 to local authorities in respect of performance related pay for head teachers, deputy teachers and advanced skills teachers; increases in salary due to teachers crossing the deputy teachers and advanced skills teachers; increases in salary due to teachers crossing the performance threshold; deputy head teacher assimilation costs; and appointments to assistant head teacher posts. These are subject to audit under the arrangements made by the Audit Commission by 31st December after the financial year in which money is spent. Further certification of the claims for this work could result in adjustments to the figures.

29. Post Balance Sheet Events

- i Following the General Election in June 2001 the Prime Minister announced the creation of two new Departments. The Department for Work and Pensions (DWP) has being formed from the Department of Social Security and most of its agencies, the Employment Service and the policy groups previously in DfEE covering employment policy, together with the disability responsibilities of the DfEE's Opportunity and Diversity group.

Other DFEE functions have also transferred to other departments. Responsibility for equal opportunities policy (including responsibility for the Equal Opportunities Commission) has transferred to the Cabinet Office and, in view of their role within the UK immigration framework, work permits policy and operations have transferred to the Home Office. Policy on equality issues, including Work Life Balance has transferred to the Department for Trade & Industry.

The Department for Education and Skills (DfES) has been formed from the rest of the DfEE, being responsible for education, skills and lifelong learning.

- ii Included in Request for Resource 1 are payments to providers to subsidise skills training under the 'Individual Learning Accounts' (ILA) scheme. On 24 October 2001 the Secretary for State announced that the scheme was to be suspended from December 7. Subsequently, the Department received new information about serious potential fraud and theft. In direct response the Department took two immediate actions; the Police were called in and the programme was closed down with immediate effect on 23 November 2001. Investigations into the alleged fraud and theft are ongoing. No adjustments to these accounts has been made in respect of this matter.
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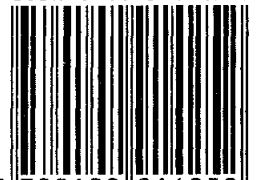
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