Department for Education

Department for Education

Consolidated Annual Report and Accounts 2013-14

For the year ended 31 March 2014

Department for Education

Department for Education

Consolidated Annual Report and Accounts 2013-14

For the year ended 31 March 2014

Presented to House of Commons pursuant to
Section 6(4) of the Government Resources and Accounts Act 2000

Ordered to be printed by the House of Commons on 20 January 2015

HC 745

This publication is available at www.gov.uk/government/publications

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

Print ISBN 9781474111935
Web ISBN 9781474111942

ID P002699711 01/15 46328 19585

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the Williams Lea Group on behalf of the Controller of Her Majesty's Stationery Office

Contents

Glossary of key terms

Abbreviation or term	Description
Academies	All schools operated by Academy Trusts encompassing academies, Free Schools, University Technical Colleges and Studio Schools
AME	Annually Managed Expenditure
ARA	Annual report and accounts
ATs	Academy Trusts: the charitable companies that operate all types of academy schools
BCM	Business Continuity Management
CAFCASS	Children and Family Court Advisory and Support Service
CSC	Children's Social Care
CSDSD	Children's Services and Departmental Strategy Directorate, a directorate of the Department
CSENS	Children's Strategy, Early Education, Special Needs and Strategy
DEL/CDEL/RDEL	(Capital/Resource) Departmental Expenditure Limit
Departmental Group, the Group	The Departmental Group (the Group) represents the full group encompassing the core Department, Executive Agencies, Non-departmental Public Bodies and Academy Trusts.
EA	Executive Agency
EFA	Education Funding Agency
ESD	Education Standards Directorate, a directorate of the Department
GAG	General Annual Grant
HMT	HM Treasury
GIAS	Government Internal Audit Service
IFD	Infrastructure and Funding Directorate, a directorate of the Department
NAO	National Audit Office
NCSL	National College for School Leadership
NCTL	National College for Teaching and Leadership
NDPB	Non-departmental Public Body
OCC	Office of the Children's Commissioner
ONS	Office for National Statistics
QDS	Quarterly Data Summary
SEN	Special Educational Needs
SMCPC	Social Mobility and Child Poverty Commission
STA	Standards and Testing Agency
STRB	School Teachers' Review Body
TA	Teaching Agency
WGA	Whole of Government Accounts
YPLA	Young People's Learning Agency
2012-13 & 2013-14	Financial years, ending on 31 March.
2012/13 & 2013/14	Academic years, ending on 31 August.

Lead non-executive's report

The core responsibilities of the non-executive team are to assist the Department in the delivery of government policy priorities, with a focus on the key management drivers of organisational clarity, capability, management information and IT infrastructure; to provide scrutiny to implementation challenges and risks, and to provide additional leadership and support to Board Governance.

The Department has had a year of embedding substantial reforms to size, shape and ways of working, while continuing to deliver a highly ambitious programme of reforms for the government to help it achieve its vision of a highly educated society, in which opportunity is equal for young people, no matter what their background or family circumstances.

Performance of Department

During the financial year 2013-14, the Department has made significant progress in delivering a large programme of reforms. This has included the opening of over 950 new academies (including converters), opening 95 new Free Schools in September 2013, a new free childcare offer for 2 year olds and the development of significant new policies, such as Universal Infant Free School Meals and a new national curriculum. The Department has also steered a significant piece of legislation through Parliament with the *Children and Families Act* receiving Royal Assent in March 2014.

Departmental structure

The Department has continued to make progress on the implementation of the DfE Review. During financial year 2013-14 the Department's net administration spend reduced by over £17 million from the previous year. In addition, five Departmental buildings were closed.

The Department has responded well to a reduced headcount and fewer sites and continued to deliver the business of the Department efficiently and effectively. There has been a strong focus on raising capability and flexible working which has resulted in a more agile department and a culture of continuous improvement has begun to be embedded. Non-executive Board Members have continued to challenge the Department to be as nimble as possible and to look for new ways to improve efficiency while retaining a strong focus on the quality of the Department's work.

The Department has also made good progress in increasing its capability as a delivery organisation, with a greatly enhanced role for the Education Funding Agency as the number of academies and Free Schools has increased, but there is still progress to be made in promoting delivery and commercial skills across the organisation.

Use of data and management information

During the year, there have been significant improvements in the use of data by the Department and in the quality and rigour of management information, which have allowed Board members to scrutinise more effectively how well the Department's policies are being delivered. The latest data on delivery is received by Board members on a regular basis and scrutinised on a bi-monthly basis by the Department's Performance Committee, which is chaired by one of the Department's non-executives. There is still more to do to make the Department fully data driven, so that data always drives decision making, but the progress is encouraging.

Board impact

Governance arrangements, which were revised significantly in 2012-13, have been working well. The Board's sub-committees have provided regular scrutiny and challenge of the Department's internal and external workings. Progress has been made in ensuring that the governance arrangements for the Department's agencies fit securely within the Department's overall governance structure and these processes have continued to be reviewed to ensure they are as effective as possible. In my role as Chair of the Department's Audit and Risk Committee I have been driving an enhanced focus on risk management across the Department and ensuring that lessons are learnt from near misses.

There has been change in the non-executive team during 2013-14. I was appointed in March 2013 and in June 2013 David Meller and Jim O'Neill were appointed bringing experience and skills from their business and finance backgrounds, as well as strong personal commitment to the lives and welfare of children and young people in this country. Theodore Agnew and Dame Sue John remained on the non-executive team throughout the year.

Future priorities

At the end of financial year 2013-14, the Board identified several areas for continued focus over the subsequent months, including improvements to the Department's financial systems, finance and IT capability, simpler and more effective reporting lines, and developing the IT infrastructure. The Department will also face continued challenges as it seeks to deliver the government's ambitious reform programme, with several notable reforms to be implemented in the last year of the Parliament, all within a curtailed administration budget. The non-executive team will continue to support the Department in achieving its aims against this challenging background.

As detailed in this report, the Department needs to develop an alternative approach to the method of consolidating Academy Trusts within its Group accounts used in 2012-13 and 2013-14. This is required both to improve the accuracy and timeliness of the Department's annual accounts, and also to improve their transparency and usability by Parliament and other users. On behalf of independent members of the Audit and Risk Committee, I have written to HM Treasury to support the Department's proposals and current discussions around developing an alternative approach which can meet the needs of all stakeholders.

Paul Marshall **12 January 2015**

1. Introduction

What we do

1.1 The Department for Education is responsible for education and children's services in England. We work to achieve a highly educated society in which opportunity is equal for children and young people, no matter what their background or family circumstances.

Responsibilities

1.2 We are responsible for:

- teaching and learning for children in the early years and in primary schools;
- teaching and learning for young people under the age of 19 years, in secondary schools and in further education;
- supporting professionals who work with children and young people;
- helping disadvantaged children and young people to achieve more; and
- making sure that local services protect and support children.

Our priorities

1.3 Our priorities for the 2013-14 financial year were to

- create a self-improving, school-led system;
- develop a great workforce – with strong leadership;
- increase rigour and expectations of curricula, assessment and behaviour; and
- protect and increase opportunity for vulnerable children.

Who we are

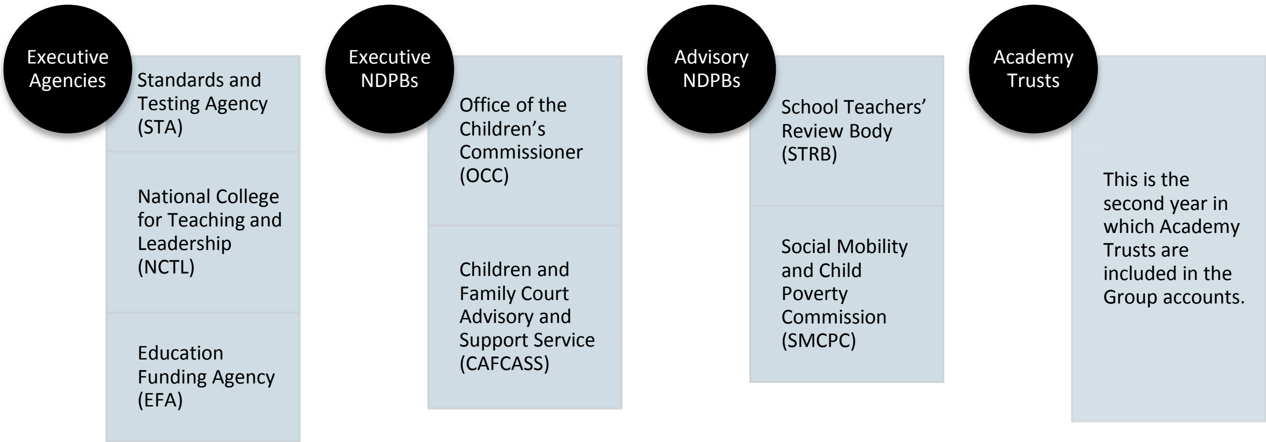
1.4 We are a Department of State, including three Executive Agencies (EAs) and two executive Non-Departmental Public Bodies (NDPBs, reducing to one from 1 April 2014). The Departmental Group (called the Group in this report) also includes 2,591 Academy Trusts (ATs), legally defined as arms-length bodies, that had operational academies during the year. The year end number of operational ATs fell to 2,585 through transfer of academies between ATs.

1.5 Our staff are based at our ministerial offices in London and in a number of other locations around England. We work closely with national and local agencies that look after children, with local authorities, and with the professionals who work in schools, children's services and health services.

2 Strategic report

Entities within the Group's accounting boundary

2.1 In addition to the core Department for Education, the entities within the accounting boundary that are covered by this Annual Report and Accounts for 2013-14 are:



2.2 The Annual Report and Accounts will refer to the Department for Education and its entities as the Group. Details of the Department's public bodies at 31 March 2014 are contained in Public Bodies 2014, which is published at:
https://www.gov.uk/government/publications/public-bodies-2014.

2.3 The executive NDPBs were financed through grant in aid and the other bodies through grant funding.

An Overview of the Group, its entities and what they do

Department for Education

The Department for Education is responsible for education and children's services in England. We work to achieve a highly educated society in which opportunity is equal for children and young people, no matter what their background or family circumstances.

The Department for Education is a Ministerial department, supported by 7 agencies and public bodies and a large number of Academy Trusts.

Executive agencies

Education Funding Agency

Manages £54 billion of funding a year to support all state-provided education for 8 million children aged 3 to 16, and 1.6 million young people aged 16 to 19.

National College for Teaching and Leadership

Improve the quality of the education workforce (teachers) and help schools to help each other improve. NCTL works with schools to develop an education system supported locally by partnerships and led by the best head teachers.

Standards & Testing Agency

Sets the tests to assess children in education from early years to the end of key stage 3.

Executive NDPBs

The Office of the Children's Commissioner (OCC)

The Office of the Children's Commissioner promotes and protects the rights of all children. They particularly represent children who are vulnerable and provide advice and assistance to children who are looked after or supported by the state.

The Children and Family Court Advisory and Support Service (CAFCASS).

This NDPB moved to the Ministry of Justice on 1 April 2014.

CAFCASS looks after the interests of children involved in family proceedings. It is independent of the Courts and social services. It works under the rules of the Family Court and legislation to work with children and their families, and then advise the Court on what is considered to be in the best interests of individual children.

Advisory NDPBs

School Teachers' Review Body

The School Teachers' Review Body (STRB) looks into pay, professional duties and working time of school teachers in England and Wales and reports to the Secretary of State.

Social Mobility and Child Poverty Commission

The Social Mobility and Child Poverty (SMCP) Commission monitors the progress of the government and others in improving social mobility and reducing child poverty in the United Kingdom.

Academy Trusts (ATs)

Academy Trusts

ATs govern Academy Schools which are directly funded by the Group. The academy schools deliver education to children and young adults aged 3-19 years old.

Ministers

2.4 The ministerial team at the end of the financial year 2013-14 was:

Rt. Hon. Michael Gove MP	Secretary of State for Education
Rt. Hon. David Laws MP	Minister of State for Schools
Elizabeth Truss MP	Parliamentary Under Secretary of State for Education and Childcare
Edward Timpson MP	Parliamentary Under Secretary of State for Children and Families
Matthew Hancock MP	Minster of State for Skills and Enterprise (jointly with the Department for Business, Innovation and Skills)
Lord Nash	Parliamentary Under Secretary of State for Schools

2.5 In July 2014, following the Cabinet re-shuffle, there was a change of Ministerial team in the Department. The current ministerial team is as follows:

Rt. Hon. Nicky Morgan MP	Secretary of State for Education
Nick Boles MP	Minister of State for Schools (Business and Education Departments)
Nick Gibb MP	Minister of State for Schools
Rt. Hon. David Laws MP	Minister of State for Schools
Edward Timpson MP	Parliamentary Under Secretary of State for Children and Families
Lord Nash	Parliamentary Under Secretary of State for Schools
Sam Gyimah MP	Parliamentary Under Secretary of State for Schools

Management of the Group

2.6 The Group Board provides strategic and operational leadership. It is chaired by the Secretary of State and members include the full Ministerial team, the Permanent Secretary and senior officials, and non-executive members. Further information on the appointment and policies relating to Board members is contained in the Remuneration Report.

2.7 Detail of the Board and its sub-committees is set out within the Governance Statement, which can be seen at paragraph 5.3 of this report. Details of the Board's membership are also contained within the Directors' Report (paragraph 3.1).

Register of interests

2.8 The Group maintains a register of interests which contains details of company directorships and other significant interests held by executive and non-executive Board members. The register is open for inspection by appointment at any of the Group offices. Anyone wishing to view the register can contact the Group as follows:

- Electronically, via https://www.education.gov.uk/contactus/dfe ;
- By telephone: 0161 600 1278 ; and
- By writing to: Sean Clayton, Corporate Finance, Department for Education, First Floor, Piccadilly Gate, Store Street, Manchester, M1 2WD.

2.9 Details of directorships and other significant interests held by Ministers are set out in the Register of Members' Interests for MPs, and the Register of Lords' Interests. Both registers can be found on the UK Parliament website:
http://www.parliament.uk/mps-lords-and-offices/standards-and-interests

How the Group operates

Vision and strategic aims

2.10 The long term vision for the Group is to provide a highly educated society in which opportunity is more equal for children and young people, no matter what their backgrounds or family circumstances. By focusing efforts on policies which raise children's attainment, the Group will close the gap between disadvantaged children and their peers to create a world-leading education and children's services system.

Delivery plans

2.11 The Group has identified 18 Delivery Plans, each of which is overseen by a Minister to support the Group's Business Plan aims, which are to:

- Increase the number of high quality schools and introduce fairer funding;
- Reform the school curriculum and qualifications;
- Reduce bureaucracy and improve accountability;
- Train and develop the professionals who work with children;
- Improve support for children in the early years; and
- Improve support for children, young people and families, focusing on the most disadvantaged.

Business and structural reform plans

2.12 The Group's Business Plan covers the period 2012-15, and sets out its vision, government priorities, structural reform plans, and expenditure. It also explains our commitments to providing greater transparency in its activities.

2.13 Progress on implementing the actions in the Group's business plan can be tracked on the No.10 Transparency website at:
http://transparency.number10.gov.uk/business-plan/15

2.14 The Group is set to undertake 52 actions between 2012 and 2015. Of the 24 actions that were due to be completed between 1 April 2013 and 31 March 2014, the Group completed 22 on time.

The Business Plan includes a set of impact and input indicators which can be tracked at: https://www.gov.uk/government/collections/dfe-input-and-impact-indicators.

The Group's directorates

2.15 The Group is organised into three directorates, with responsibilities for delivering policy and programmes, directly or through its EAs. The directorates are:

- Education Standards Directorate (ESD);
- Children's Services and Departmental Strategy Directorate (CSDSD); and
- Infrastructure and Funding Directorate (IFD).

2.16 In addition, several directorates and groups provide a range of corporate and over-arching services, including the Finance and Commercial Group, the HR Group, the Chief Information Officer's Group and the Strategy Directorate.

Budget forecasting and monitoring

2.17 Within EFA, the Chief Financial Officer's Group (CFOG) reports monthly on the Academies and Maintained Schools budget to the programme boards and management teams, including the EFA's Executive Management Board. The financial reporting covers a range of information including the outturn position to date and year-end forecasts. The Funding Analysis and Modelling (Pre-16) team produce both in-year and cross-year budget forecasts to support ATs' budget management, working with the Academies and Maintained Schools group to agree assumptions and ensure that the latest allocations and recoupment data is reflected in forecasts. The Department's Funding Policy Unit (FPU) is responsible for the business planning forecasts which inform the ATs' budget allocation.

2.18 From 1 April 2014, the EFA finance business partners were reorganised into a new Planning and Performance Management division within CFOG to provide accurate, high quality and proportionate information, to help the EFA plan effectively, manage risk, provide value for money services and implement more robust governance of the ATs' forecasts.

2.19 Further details of the Parliamentary control totals framework for the overall Group and the challenges faced in managing outturns against control totals are detailed both from paragraph 5.79 and within Annex F.

Review of programmes and spending in the year

Summary of the year

2.20 Summary of the Group's financial performance:

The Group is responsible for issues affecting people in England up to the age of 19, including child protection and education. During the financial year 2013-14 the Group faced several financial challenges. Despite the tough economic climate and budgetary constraints, the Group achieved several targets and made progress in key objectives.

Primary statement	Group summary	
Consolidated Statement of Comprehensive Net Expenditure (SoCNE) Reports total administration and programme costs and revenue	**£53.8 billion** Total net operating expenditure up 4.9% in the year compared to £51.3 billion in 2012-13	**4.9%**
	£54.4 billion Net programme expenditure down 2.2% in the year compared to £55.6 billion in 2012-13	**(2.2%)**

Primary statement	Group summary	
	£350 million Net administration expenditure down 4.8% in the year compared to £367 million in 2012-13	**(4.8%)**
	£0.9 billion Net gain on transfer of ATs down 80.3% in the year compared to £4.7 billion in 2012-13	**(80.3%)**
Consolidated Statement of Financial Position (SoFP) Provides information on the Group's closing assets and liabilities	**£30.5 billion** Total net assets up 23.7% in the year compared to £24.7 billion at 31 March 2013	**23.7%**
Consolidated Statement of Parliamentary Supply (SoPS) Provides information on how the Group has performed against the total voted Supply authorised by Parliament, broken down by control totals	The Group breached the Parliamentary control total for Annually Managed Expenditure by £166.5 million. The Department will seek Parliamentary approval by way of an Excess Vote in the next Supply and Appropriation Act. At Estimate level, outturn was £1.1 billion (1.9%) lower than the £57.1 billion net resource limit. The net cash requirement limit was £56.1 billion, but the Group consumed £55.8 billion in financing its activities, £207 million less than the Parliamentary limit.	

Commentary on significant variances between estimates and outturn

2.21 The following table details significant variances between Estimate sub-totals and outturn. The presentation of outturn in the table and in the SoPS, on a net rather than gross accounting basis, tends to hide the underlying contributory factors giving rise to underspends. This means that the picture presented by the SoPS could be misleading; we have therefore broken out the contributory factors to these variances.

Category	Outturn	Estimate	Variance	Rationale
Resource DEL				
ATs	£12,619m	£13,260m	(£641m)	Driven by higher than anticipated outturn for non-Group income and depreciation, in addition to lower than anticipated net expenditure.
NCTL	£397m	£481m	(£84m)	Driven by a combination of lower than expected demand, for demand-led programmes, and unbudgeted intra-Group eliminations.
School Infrastructure and Funding of Education	£128m	£177m	(£49m)	Primarily due to a higher proportion of grant recipient schools than anticipated moving to AT status in 2013-14 and therefore grant payments to these being eliminated at Group level.
EFA – excluding ATs	£37,951m	£37,982m	(£31m)	Due to cost savings in provision of 16-19 foundation learning programmes, and lower than expected demand for the apprenticeships programme.
Resource AME				
ATs (net)	£412m	£268m	£144m	Higher than anticipated movement in funded LGPS pension liabilities, and depreciation and impairment on AT assets.
Department & Agencies	(£11m)	(£25m)	£14m	Lower than anticipated utilisation of provisions.
CAFCASS	£7m	(£1m)	£8m	Higher than anticipated movement in funded LGPS pension liabilities.
Capital DEL.				
EFA – excluding ATs	£2,894m	£3,457m	(£563m)	Driven by the impact of eliminations across the Group for both Free Schools assets under construction (£228m) and Building Schools for the Future (£315m); outturn has been reduced without an equivalent decrease within the Estimates figures.

Category	Outturn	Estimate	Variance	Rationale
ATs (net)	£713m	£440m	£273m	Driven primarily by under-budgeting for AT capital expenditure.
School Infrastructure and Funding of Education (Dept)	(£5m)	£80m	(£85m)	Primarily due to a higher proportion of grant recipient schools than anticipated moving to AT status in 2013-14 and therefore grant payments to these being eliminated at Group level.

2.22 This analysis of the £856 million net RDEL underspend demonstrates that approximately £753 million (88%) arises either directly from academies or indirectly through the accounting methodology necessary to allow us to consolidate them, giving rise to apparent underspends against Group budgets. This reflects the timing differences in expenditure, itself a feature of consolidating bodies whose financial year ends are different. Analysis of the £377 million CDEL net underspend indicated that approximately £375 million (99%) arises either directly from academies or indirectly through their consolidation into the Group accounts.

2.23 The difficulties of the methodology are exacerbated by the fact that although ATs' expenditure represents a significant part of the Group's expenditure, the Group has made a deliberate decision not to exercise control over this. ATs can spend both Group funding and their own non-Group income within their own financial years which, as they are not aligned with the Department's financial year, makes forecasting it very difficult.

Education standards directorate (ESD)

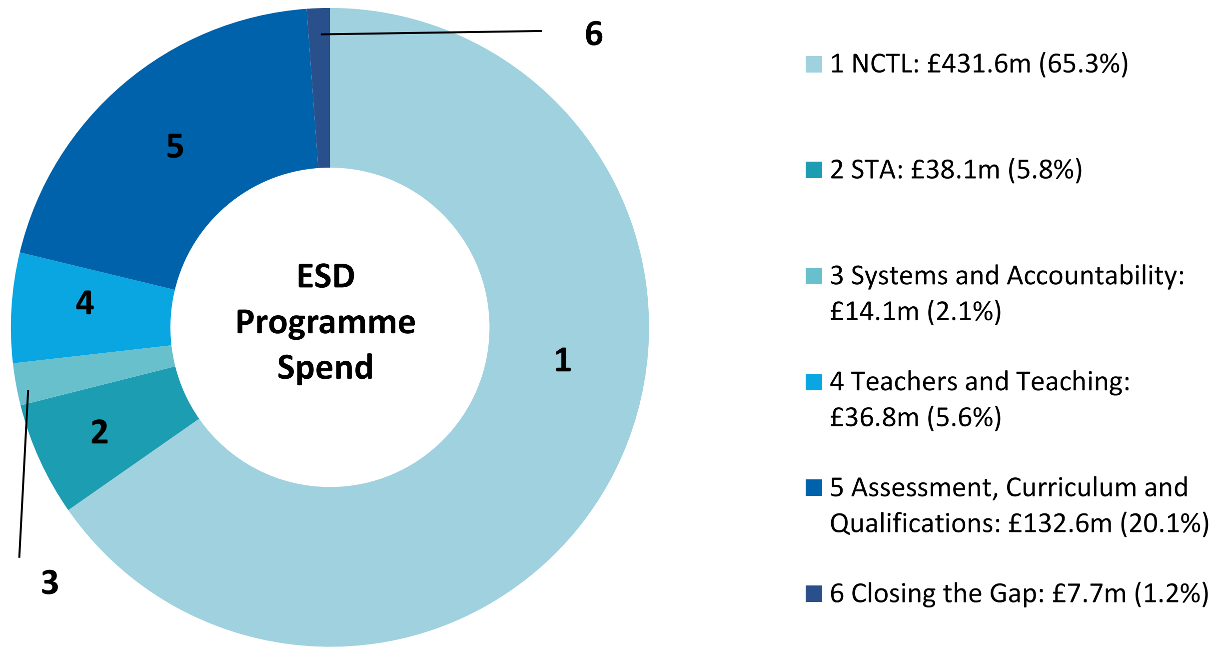
2.24 ESD'S work is focused on achieving Ministers' objectives to raise standards and narrow gaps, making the education system in England a world leader. The aim is for our education system to match the best anywhere in the world in preparing children and young people for the future. The executive agencies of STA and NCTL are part of this directorate. The directorate has a number of aims as set out below:

- Move England up the league tables of performance for language, maths and science in every age group whilst also narrowing gaps;
- Reform the National Curriculum and the qualifications system to set standards comparable to the highest achieving jurisdictions in the world, and meet the needs of universities and employers;
- Improve the recruitment, selection and training of teachers and leaders, supporting their professionalism and authority and raising the status of the profession, so that teachers and teaching are as highly regarded and effective as in any country in the world; and
- Create a system of accountability and incentives which supports every school and sixth form college to improve and share effective practice, and where the most effective practitioners and leaders take responsibility for improving practice elsewhere.

Summary – ESD programme spend

2.25 Gross programme spend was £661 million for 2013-14 on a number of key programmes:

Programme Costs



ESD programme overview

National College for Teaching and Leadership (NCTL)

2.26 The National College for Teaching and Leadership has made strong progress in its first year to deliver its two key aims:

- To improve the quality of the education workforce; and
- To help schools to help each other to improve.

2.27 The gross programme expenditure for the year ended 31 March 2014 was £431.6 million against a net budget of £461.1 million. A full financial review of NCTL is set out in the NCTL's 2013-14 annual report and accounts, laid before Parliament on 9 July 2014, which also include details of programmes linked to Initial Teacher Training initiatives. The accounts can be found at: https://www.gov.uk/government/publications/national-college-for-teaching-and-leadership-nctl-annual-report-and-accounts-2013-to-2014

Standards and Testing Agency (STA)

2.28 The STA delivered the flagship Key Stage 2 testing programme into schools in May 2013.

2.29 The gross programme expenditure for the year ended 31 March 2014 was £38.1 million against a net budget of £41.3 million. The net programme spend comprises:

- **Test Operations – Actual spend £32.9m (budget £34.1m)**. This is the largest division and the majority of the £1.2 million underspend in this area relates to savings within print and logistics and helpdesk areas; and
- **Test Development – Actual spend £5.2m (budget £7.2m).** The underspend in this area is mainly due to lower than expected activity relating to the Professional Skills Tests, which were transferred from the National College for Teaching and Leadership.

2.30 A full financial review of STA is set out in the STA's annual report and accounts, laid before Parliament on 9 July 2014, available at: https://www.gov.uk/government/publications/standards-and-testing-agency-annual-report-and-accounts-2013-to-2014

Data and Education Standards Analysis
2.31 The Group's policy staff work with customers and stakeholders to provide high-quality and relevant statistics, analyses, research and evaluation they need to support policy formulation and monitoring, and promotes the use of statistical evidence to underpin improvements in front-line services.

2.32 The total net programme expenditure for the year ended 31 March 2014 was £14.1 million against a net budget of £16.4 million. The underspend is mainly due to delays in the delivery of the School Performance Data Project (SPDP); the SPDP programme budget underspent by approximately 45% in the last financial year due to the supplier being unable to develop the data warehouse and web portal as quickly as planned, and associated milestone payments for the data warehouse therefore not falling due. The Department and the supplier decided to stop work on SPDP in August 2014 and the project was closed at the end of September 2014.

Closing the Gap
2.33 Expenditure is aimed at closing the gap in achievement between disadvantaged pupils and non-disadvantaged pupils and to increase post-16 participation through high quality vocational pathways, including traineeships and apprenticeships.

2.34 Net programme expenditure for the year ended 31 March 2014 was £7.7 million against a net budget of £12.0 million. The most significant savings contributing to the budgetary underspend arose from changes made in school food support procurement to take account of the new policy introducing universal free school meals for infants in September 2014.

Assessment, Curriculum and Qualifications
2.35 The aim of the policy family is to raise standards of education achievement and reform the curriculum and qualifications system. The total net programme expenditure for the year ended 31 March 2014 was £132.6 million against a net budget of £134.6 million. The most significant underspend relates to reduced programme funding to support qualification reform and reduced expenditure on A-level reform.

Teachers and Teaching
2.36 The policy aims are:

- to improve the quality of teachers and teaching, while encouraging the teaching profession to be more autonomous and to take more responsibility for improving itself;
- to ensure that the best schools lead and model outstanding practice; and
- to ensure that teachers and leaders throughout the system have the opportunity and capability to learn from and emulate that leading practice.

2.37 The total net programme expenditure for the year ended 31 March 2014 was £15.5 million against a net budget of £16.4 million. The underspend mainly reflects the in-year transfer of all funding responsibility for the 'Golden Hello' programme to the NCTL.

Children's services and departmental strategy directorate (CSDSD)

2.38 CSDSD is responsible for delivering the Group's aim to protect and promote equal opportunity for vulnerable children. The directorate also provides the Group's corporate strategic, analytical and communication services.

CSDSD aims:
2.39 The directorate aims to:

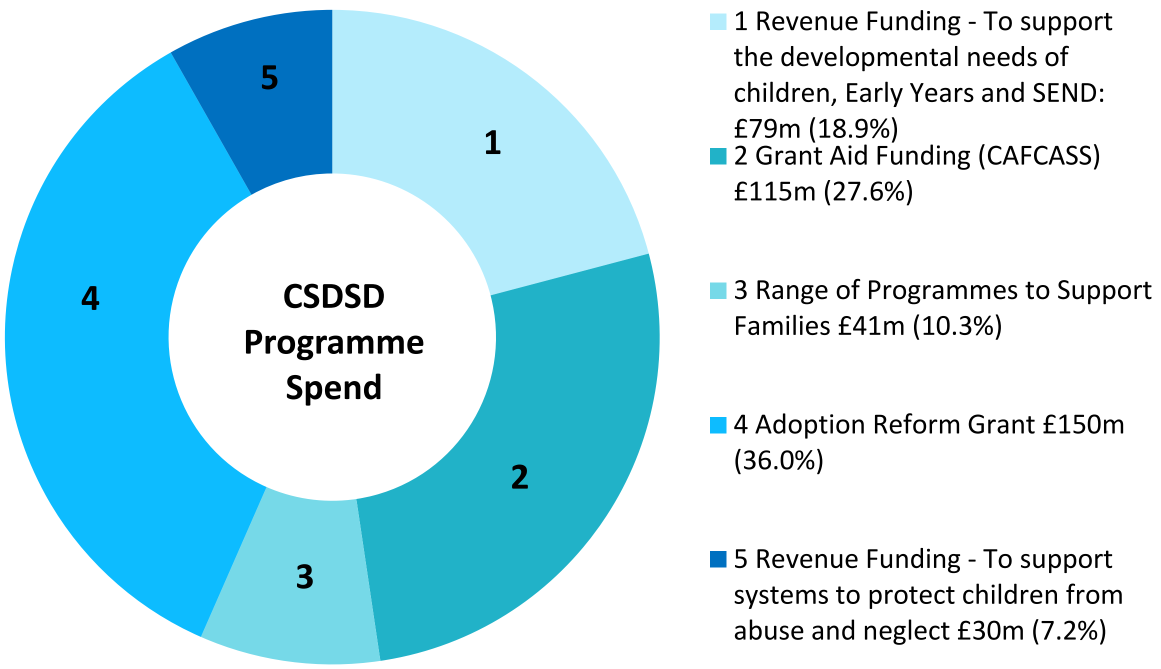
- Ensure that more children receive a high quality early education;
- Deliver a robust reform programme for special education needs and disability (SEND);
- Increase the affordability, availability and quality of childcare;
- Reform the child protection system to deliver the best possible support for children in need of help and protection;
- Ensure that children identified for adoption are placed as swiftly as possible;
- Increase the professionalism, qualifications and effectiveness of children's social workers;
- Reform the care system, including residential care;

- Implement reforms to the family justice system; and
- Tackle child poverty.

Summary – CSDSD programme spend

2.40 Expenditure on the directorate's varied programmes in the year was £415 million in the year, with the main contributors being:

Programme costs



CSDSD programme overview

Special Educational Needs, Early Years and Childcare

2.41 The *Children and Families Bill* gained royal assent in March 2014, leading to the development and implementation of a complex reform programme for children and young people with Special Educational Needs (SEN).

2.42 The Early Years Programme focuses on improving the take-up of early learning (particularly by disadvantaged children), increasing choice in the childcare market and raising the quality of early years settings and early years professionals. This year, provision of early education for 2 year olds was rolled out for the most deprived 20% in September 2013 and funded provision for 3 and 4 year olds was accessed by 96% of eligible children. The *Children and Families Act* introduced provisions for child-minder agencies, a new Early Years Foundation Stage was issued and measures to improve the status and quality of the early years workforce were established.

2.43 The Child Poverty Unit reports jointly to Department and DWP Ministers. It leads the work across government to deliver challenging legislative targets for ending child poverty by 2020. The policy family also oversees the programme of grants to the voluntary and community sector relating to children's services.

2.44 Total net programme expenditure across the range of budgets for the year ended 31 March 2014 was £86 million.

Children's Social Care

2.45 The Children's Social Care group is responsible for developing policy to protect and support the most vulnerable children in society, including those at risk of harm and those in care. At the heart of its work is protecting the children who suffer neglect and abuse in their own homes and elsewhere; children in care who deserve high quality help and support; and children waiting for adoptive families.

2.46 Adoption reforms have been introduced, which has led to an increase in adoption numbers and the recruitment of adopters, as well as improvements in speed of the system and extension of entitlements for adoptive families. The policy family has been developing reforms in child protection, residential care and driving further reforms in the adoption system as well as undertaking new and innovative work on social work practice. Chief Social Worker, Isabelle Trowler, has also been driving forward the agenda on social work reform and providing a voice for practitioners as part of our policy making. The Department continues to intervene to secure improvements in local authorities which are performing poorly in delivering their child protection and looked after children's services. Interventions include the development of innovative arrangements like the development of the Doncaster Children's Services Trust, delivering functions on behalf of Doncaster Council.

Children's services capital
2.47 The Group provided £9.9 million to Secure Children's Homes (SCH) to ensure, through an ongoing programme of capital rebuilds and wide range of refurbishments, that the SCH sector can continue to provide good quality, secure accommodation in line with national minimum standards for the very vulnerable children and young people who are placed in these establishments by local authorities and the Youth Justice Board. Capital grants are paid to the 15 local authorities who manage an SCH in their area.

Infrastructure and funding directorate (IFD)

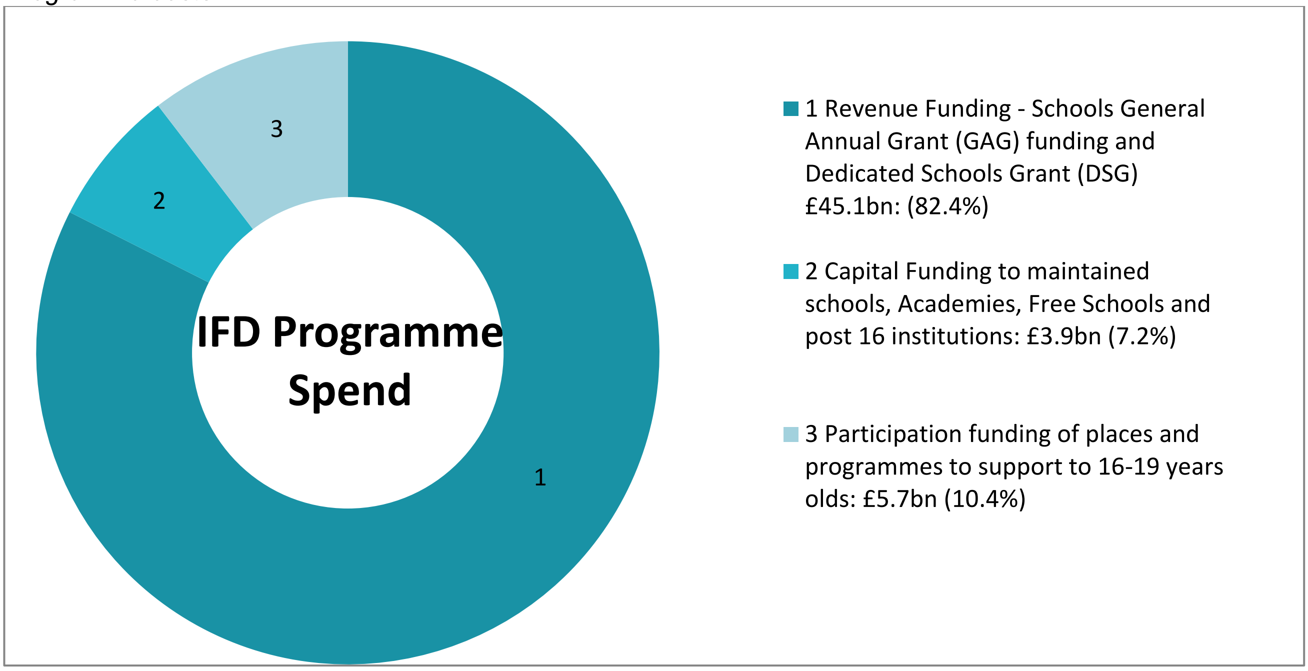
2.48 IFD's primary focus is on reforming the education system and the way in which it is funded. The EFA is part of this directorate.

IFD aims:
2.49 The directorate aims to:

- Lead the shift to a more autonomous education system through the delivery of the academies and free schools programmes, and the appointment of eight Regional Schools Commissioners;
- Maintain the funding systems for both pre and post-16 education, and reforming them to be fairer and transparent, where funding follows the pupil and where pupils with additional needs attract additional funding;
- Develop and implement policy on pre and post-16 capital funding including the Priority School Building Programme; and
- Apply Ministers' deregulatory principles to the wider school system.

Summary – IFD spend
2.50 The Directorate spent a net £54.7 billion in 2013-14 (including ATs), primarily on funding to schools both for ongoing resource expenditure and capital spending.

Programme costs



IFD programme overview

Funding to LAs for maintained schools

2.51 IFD provides £29.2 billion of funding to schools through the direct schools grant (DSG). This is a ring-fenced grant, used by local authorities in support of their schools, early years and high cost SEN budgets, as defined in school finance regulations each year. The funding is intended to be spent on activities which support educational aims.

2.52 The level of DSG for each year is mainly driven by pupil numbers. A further £2.2 billion has been provided for initiatives including the Pupil Premium and education services grants.

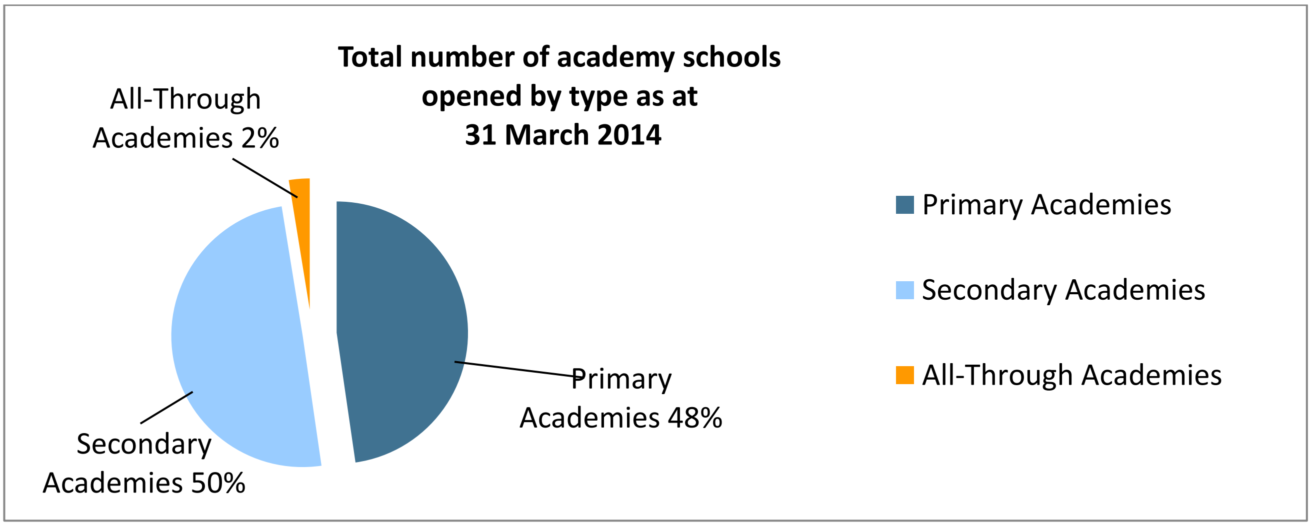
Academy funding

2.53 The term 'Academy' covers the following entities:

- Academies;
- Free Schools;
- University Technical Colleges; and
- Studio Schools.

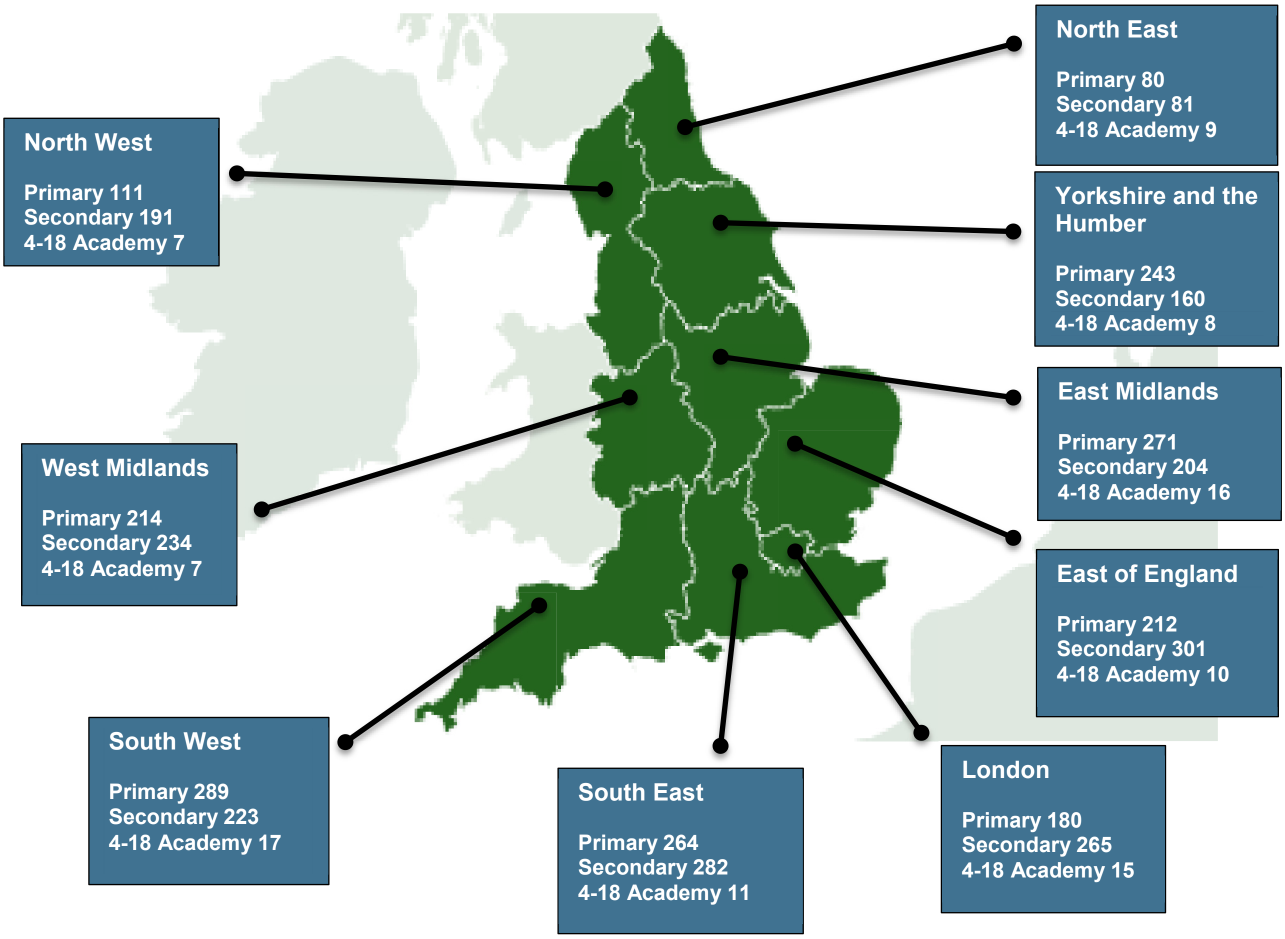
2.54 Academies receive funding on an equivalent basis to maintained schools in the same local authority area. General Annual Grant (GAG) funding is provided to academies and free schools to cover their general running costs: this amounted to £12.9 billion in 2013-14. A further £2.1 billion was provided to academies and free schools for initiatives including the Pupil Premium and activities including academy sector sixth forms.

2.55 The academies programme has expanded significantly in this Parliament. The table below shows the breakdown up to 31 March 2014 for different types of academy schools. There were 3,905 academy schools as at 31 March 2014 of which 1,863 were Primary, 1,942 Secondary and 100 'All-Through' academies (covering an age range from 4-18).



2.56 The map below shows the breakdown of the 3,905 individual academy schools (sitting within ATs) by region as at 31 March 2014.

Open academy schools as at 31 March 2014



Capital funding

2.57 The Group spent £3.8 billion on capital projects in the year. The largest programmes are listed below:

Programme	Amount
Central Managed Programmes: Free Schools	£541 million
Devolved Programmes: Basic Need Schools	£941 million
Devolved Programmes: Modernisation of local authority maintained schools	£596 million
Devolved Programmes: Academies Capital Maintenance	£359 million

Central managed programmes: Free Schools
2.58 The Free School Capital budget covers the costs of establishing a Free School, UTC or Studio School. It includes the costs of purchasing sites, refurbishing them to ensure they are fit for purpose and the professional fees (e.g. lawyers, architects, technical advisors etc.) to purchase, procure and manage the building works.

Devolved programmes:
Basic needs schools
2.59 Funding is allocated to support local authorities in their statutory duty to ensure sufficient school places, by ensuring the provision of new school places where they are needed. While allocations are made to local authorities, the funds should be used to provide places in any type of school, including all types of maintained schools (including voluntary aided schools), academies and Free Schools.

Modernisation of local authority maintained schools
2.60 Capital support to local authorities to address urgent building need for (non-voluntary aided) maintained schools, and sure start centres, in their area.

Academies capital maintenance
2.61 The priorities of the Academies Maintenance Capital Fund (AMCF) are to tackle building condition issues and to support the expansion of successful and popular Academies.

Key performance measures

Input and impact indicators

2.62 Performance against the Group's Business Plan (as set out in paragraph 2.12) is measured against a series of input and impact indicators. These impact indicators are updated with the most recent information available, predominantly on an annual basis; in many cases, indicators are compiled using data primarily covering the previous financial year. The latest impact indicators can be found via the following link: https://www.gov.uk/government/collections/dfe-input-and-impact-indicators

2.63 At age 11, attainment in reading, writing and maths for both FSM pupils and looked after children increased between 2011/12 and 2012/13, and the attainment gap with their peers narrowed (Impact indicators 7 and 10). At age 16, attainment in GCSE English and maths for both FSM pupils and looked after children also increased between 2011/12 and 2012/13, while the attainment gap between looked after children and their peers narrowed (Impact indicators 8 and 11). These results show solid progress in raising attainment and closing the gap at key stage 2 while key stage 4 is more challenging.

Spending Round 2013 and beyond

2.64 The Spending Round 2013 (SR13) Settlement was published in June 2013. It set out both the budgetary settlement and the reforms and measures that the Group will need to deliver for 2015-16. Resource expenditure was set at £53.2 billion in 2015-16; this is equivalent to a 1.0% reduction on the 2014-15 baseline. Budgeted capital expenditure in 2015-16 will be £4.6 billion.

2.65 There have been subsequent changes to the Department's SR13 Settlement as a result of the 2013 Autumn Statement and the 2014 Budget.

2.66 At the 2013 Autumn Statement, the Department's unprotected resource budget in both 2014-15 and 2015-16 was reduced by 1.1% (£167 million 2014-15; £156 million 2015-16). The core schools budget, including the Pupil Premium, continues to be protected in real terms. The Group was also allocated additional ring-fenced resource funding in 2014-15 and 2015-16 (£449 million; £635 million) in order to support universal free school meals to children in infant schools and for disadvantaged students in further education and sixth form colleges. An additional £70 million capital funding was provided in 2014-15 for capital investment in school kitchens.

2.67 At Budget 2014, we were allocated additional resource funding for the following purposes:

- £56 million in 2014-15 and £55 million in 2015-16 for an extension of the Apprenticeship Grant for Employers, which supports businesses, who would not otherwise be in a position to do so, to recruit apprentices; and
- £50 million in 2015-16 to fund an Early Years Pupil Premium to help improve outcomes for the most disadvantaged three and four year olds in government-funded early education.

2.68 As part of our SR13 commitment to move towards a fairer funding system for schools, in 2015-16 we will allocate an extra £390 million to the least fairly funded local authorities in England by ensuring that every local authority attracts a minimum funding level for the pupils and schools in its area.

2.69 At SR13, we undertook a complete review of capital programme needs and costs. The Group received a capital settlement for the period 2015-16 to 2020-21, giving greater certainty to support long-term planning. This funding is intended to:

- Build over 275,000 new primary school places and 245,000 new secondary school places;
- Open up to 180 new Free Schools, 20 University Technical Colleges (UTC) and 20 Studio Schools a year;
- Address all essential schools maintenance needs; and
- Rebuild, or address the condition need of, 261 schools in most in need of urgent repair through the Priority School Building Programme.

2.70 We were also allocated additional funding at the Autumn Statement 2014:

- £20 million to improve careers advice and support for young people;
- £10 million to drive up educational standards in areas of the north with the weakest provision by helping outstanding local academies sponsor local schools and supporting the expansion of the very best academy chains; and
- £3 million to pilot a new approach to ensure that the most effective early intervention actions are taken during a child's very earliest years to prevent avoidable problems later, working closely with the Department of Health.

2.71 For 2013-14 the Group's priorities for capital funding and main capital budgets were:

- £800 million to address the shortage in school places; and
- £1.4 billion for maintenance of the school estate, including £200 million that was devolved directly to schools.

2.72 The Group has announced its planned allocations for three-year basic need funding to local authorities, confirming previously announced £800 million funding for financial year 2014-15 and announcing a total of £2.35 billion in funding for financial years 2015-16 to 2016-17. This longer-term allocation gives authorities a longer planning horizon, supporting them to take more strategic decisions and to secure better value-for-money.

Extract of DfE settlement from 2013 spending round (revised to account for the carry-forward of forecast DEL* underspends)

£bn	2013-14	2014-15	2015-16
Resource DEL	52.9	54.5	54.6
Capital DEL	4.0	5.0	4.6
Total DEL	56.9	59.5	59.2

Note: Resource DEL includes ring-fenced depreciation.

* The government budget that is allocated to and spent by government departments is known as the Departmental Expenditure Limit, or DEL. This amount, and how it is split between government departments, is set at Spending Reviews.

Source: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/209036/spending-round-2013-complete.pdf

Other information

2.73 Information on environmental, social and community issues, and commentary on the principal risks and uncertainties faced by the Group are included in the annexed Data Tables and the Governance Statement (respectively), and is therefore not replicated in the Strategic Report.

Chris Wormald
Accounting Officer

13 January 2015

3 Directors' report

Directors in 2013-14

3.1 The Group's directors for 2013-14 were:

Ministers

Rt. Hon. Michael Gove MP	Secretary of State for Education
Rt. Hon. David Laws MP	Minister of State for Schools
Elizabeth Truss MP	Parliamentary Under Secretary of State for Education and Childcare
Edward Timpson MP	Parliamentary Under Secretary of State for Children and Families
Matthew Hancock MP	Minster of State for Skills and Enterprise (jointly with the Department for Business, Innovation and Skills)
Lord Nash	Parliamentary Under Secretary of State for Schools

Executive board members

Chris Wormald	Permanent Secretary
Tom Jeffrey	Director-General, CSDSD
Andrew McCully	Director-General, IFD
Stephen Meek (to 30 September 2013)	Director-General, ESD
Shona Dunn (from 1 August 2013)	Director-General, ESD
Simon Judge	Director, Finance & Commercial Group
Janette Durbin	Director of HR
Hilary Spencer (to 30 November 2013)	Director, Strategy, Performance & Private Office
Tom Shinner (from 1 December 2013)	Director, Strategy, Performance and Implementation Group
Peter Lauener	Chief Executive, EFA

Non-executive board members

Paul Marshall	Lead Non-executive Board Member
Theodore Agnew	Non-executive Board Member
Dame Sue John	Non-executive Board Member
David Meller (from 1 June 2013)	Non-executive Board Member
Jim O'Neill (from 1 June 2013)	Non-executive Board Member

Treatment of pension liabilities

3.2 Details of the Group's pension arrangements are covered in detail both in the Remuneration Report (paragraph 6.22 for ministerial pensions and paragraph 6.29 for civil service pensions) and Note 19 to the accounts.

Sickness absence

3.3 Figures at 31 March 2014 showed that average working days lost through sickness absence were 4.7; a 0.3 day increase from the figures for the year ended March 2013.

Register of interests

3.4 The Group maintains a register of interests which contains details of company directorships and other significant interests held by executive and non-executive board members. The register is open for inspection by appointment at any of the Group offices. Anyone wishing to view the register can contact the Group as follows:

- Electronically, via https://www.education.gov.uk/contactus/dfe ;
- By telephone: 0161 600 1278 ; and

- By writing to: Sean Clayton, Corporate Finance, Department for Education, First Floor, Piccadilly Gate, Store Street, Manchester, M1 2WD.

3.5 Details of directorships and other significant interests held by Ministers are set out in the Register of Members' Interests for MPs, and the Register of Lords' Interests. Both registers can be found on the UK Parliament website:
http://www.parliament.uk/mps-lords-and-offices/standards-and-interests

Remuneration paid to auditors for non-audit work

3.6 The audit of the Group and its component entities, with the exception of ATs, was undertaken by the Comptroller and Auditor General for 2013-14; no remuneration was paid to the Comptroller and Auditor General for non-audit work.

3.7 Statutory audit of ATs was self-commissioned and undertaken by a large number of audit and accounting practices. Remuneration of £10.6 million (2012-13: £5.2m) was paid by ATs to auditors for non-audit work: this work included accounts preparation, budget management and monitoring and financial consultancy.

Data management

3.8 There were no significant personal data incidents in 2013-14. Further detail on data security and compliance is held within Annex C (paragraphs C4-C8).

Cost allocation and charges

3.9 As a public sector information holder, the Group was compliant with HM Treasury's issued guidance on cost allocation and charging for 2013-14.

Political donations and expenditure

3.10 The Group has not made any political donations, or committed any expenditure for political purposes, during 2013-14.

Financial instruments and exposure to risk

3.11 As the cash requirements of the Group are met through the Estimate process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the Group's expected purchase and usage requirements and the Group is therefore exposed to little credit, liquidity or market risk. Further detail of the Group's treatment of financial instruments and risk is held in Note 9 to the Accounts.

Developments since the balance sheet date

3.12 There have not been any post reporting period events that have required adjustment to the accounts.

3.13 Further details of our financial strategy and expectations are detailed in 'Spending Review 2013 and Beyond' (paragraph 2.64).

Research and development activity

3.14 The Group spent £12.4 million on research and development costs. Key research strands for 2013-14 include International Evidence, Study of Early Education and Development (SEED), Longitudinal Study of Young People in England (LSYPE2) and approximately 40 other research projects. Further details of these research strands are available at:
https://www.gov.uk/government/organisations/department-for-education/about/research

Branches outside the United Kingdom

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

Engagement with employees

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

3.17 The core Department conducts a full people survey annually: the 2014 survey results were published in December 2014. We achieved a 95% response rate, an increase on the 91% response rate for 2012-13. Our engagement index was 58% which represents an increase on last year's index score of 51%. The information from the survey is being used to support development of the Department's strategies and continually improve the way we manage our people.

Directors' declaration

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

Chris Wormald
Accounting Officer

13 January 2015

4 Statement of accounting officer's responsibilities

4.1 Under the *Government Resources and Accounts Act 2000* (GRAA), HMT has directed the Department for Education to prepare, for each financial year, consolidated resource accounts detailing the resources acquired, held or disposed of, and the use of resources during the year by the Group. The bodies to be consolidated are designated by order made under the GRAA (by Statutory Instruments 2014/531). The consolidating body will be known as the 'Departmental Consolidated Group', consisting of the Department and sponsored bodies listed at Note 24 to the Accounts.

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

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

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

4.4 HMT has appointed the Permanent Secretary as Accounting Officer for the Group. The Accounting Officer is responsible for ensuring that appropriate systems and controls are in place to ensure that any grants that are made to its sponsored bodies are applied for the purposes intended and that such expenditure and the other income and expenditure of the sponsored bodies are properly accounted for. In turn, the Accounting Officer has appointed the Chief Executives (or equivalents) of its EAs and sponsored NDPBs as Accounting Officers of those bodies, including ATs.

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

4.6 The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the Department and its NDPBs are set out in *Managing Public Money* published by HMT:
https://www.gov.uk/government/publications/managing-public-money

4.7 The specific accountability system for education and children's services has also been published:
https://www.gov.uk/government/publications/accountability-system-statement-for-education-and-childrens-services

4.8 For ATs' Accounting Officers, guidance and responsibilities are captured in the *Academies Financial Handbook*:
https://www.gov.uk/government/publications/academies-financial-handbook

5 Governance statement

Scope of responsibility

5.1 As the Permanent Secretary and Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Departmental policies, aims and objectives, whilst safeguarding the public funds and Departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*.

5.2 The Chief Executives of those NDPBs sponsored by the Department and the Department's Executive Agencies are responsible for the maintenance and operation of the system of internal control in their area as set out in each letter of delegated accountability. In all cases where statutory accounts are produced by sponsored bodies, the Chief Executive Officers have signed a governance statement outlining their internal control systems.

The Board structure

5.3 The Departmental Board met four times in 2013-14. It provides strategic and operational leadership of the Department by bringing together Ministerial and official leaders with Non-executive Members from outside government. The Board is chaired by the Secretary of State and its membership includes the Ministers, the Permanent Secretary, all Directors General, the Director of Finance and Commercial Group, the Director of Strategy, the Director of HR, the Chief Executive of the EFA and the Non-executive Board Members (NEBMs).

5.4 The Departmental Board is supported by three sub-committees: the Performance Committee which scrutinises progress against the performance and delivery of Departmental objectives; the Management Committee which focuses on the Department's capacity and capability to achieve its strategic aims and objectives; and the Audit and Risk Committee which covers audit, risk and control issues. The Committees are attended by non-Ministerial members of the Board and are chaired by the Permanent Secretary (Management Committee), or one of the Department's non-executive board members (Audit and Risk Committee and Performance Committee).

Structure of Board and committees

Main Board

Provides strategic and operational leadership of the Department

Performance Committee

Meets monthly and provides detailed challenge and scrutiny of the Department's performance against reform priorities.

Membership is:

- Lead Non-executive Board Member (Chair);
- Non-executive Board Members;
- Permanent Secretary;
- Director General (CSDSD);
- Director General, (IFD);
- Director General, (ESD);
- Director, (FCG);
- Director, (Strategy and Performance);
- Director, (HR);
- Chief Executive, (EFA);
- Independent Financial Specialist.

Audit and Risk Committee

Meets at least four times per year and provides assurance to the Board and Accounting Officer on audit, risk and control issues.

Membership is:

- Lead Non-executive Board Member (Chair);
- Two Independent Financial Specialists;
- Chair, EFA Audit Committee.

Regular attendees are:

- Permanent Secretary
- Director (FCG)
- Head of Internal Audit;
- Chief Executive, (EFA);
- National Audit Office

Management Committee

Meets monthly and focuses on the Department's capacity and capability to achieve against its strategic aims and objectives

Membership is:

- Permanent Secretary (Chair);
- Non-executive Board Members;
- Director General, (CSDSD);
- Director General, (IFD);
- Director General, (ESD);
- Director, (FCG);
- Director (Strategy and Performance);
- Director, (HR):
- Chief Executive, (EFA).

5.5 Attendance data for members of the Board and its various Committees can be found at Annex A.

Compliance with Corporate Governance in Central Government Departments: Code of Good Practice

5.6 The Board and its Committees are compliant with the Code. As detailed in the Annual Report and Accounts for 2012-13, changes were made to the working arrangements of the Board and Committees which are now well established and working effectively.

5.7 The main areas where the Department has complied with the Code in a different way to the specified approach, are outlined and explained below:

- The Code recommends that a Nominations and Governance Committee should review leadership and talent management, incentive structures and governance arrangements. These responsibilities are carried out by the Management Committee, which I chair. This is to ensure a clear set of roles and responsibilities for the Department's three committees which are streamlined and easily understood by members of the Department. Governance arrangements are in place for identifying and developing leadership and high potential, scrutinising the incentive structure, and scrutinising plans for succession planning for the Board. The Management Committee discusses HR issues on a monthly basis and talent and succession planning on a regular basis. No executives are involved in these discussions and the lead non-executive chairs meetings which deal with rewards and incentives for executive board members and senior officials.

- Whilst the Code does not specify the recommended number of NEBMs, it does recommend that they should represent a broad range of experience in managing complex organisations and that membership of the Board should be roughly balanced between ministers, executive members and NEBMs. Between March and June 2013, there were three NEBMs. Two new NEBMs were appointed in June 2013 so, for the majority of the year, there were five NEBMs.
- More work has been done to establish a clear role for the Board itself, which is separate from the work of the sub-committees. Over the year, the Board considered a wide range of issues from across the Department but more is being done to standardise Board agendas and develop standing items which regularly and strategically address issues such as risk.
- The Audit and Risk Committee is chaired by the lead NEBM; it has not been possible to have a second NEBM attending on a regular basis, as recommended by the Code. We have therefore appointed two independent financial experts (the second joined the Committee in January 2014), plus the independent chair of the EFA Audit Committee. In addition, the capacity of the Audit and Risk Committee to review the comprehensiveness of financial statements has been increased by the creation of an Audit and Risk sub-committee, chaired by one of the independent financial experts. Risk has been addressed through the Audit and Risk Committee and Management Committee, and work is being undertaken to ensure that these processes align in the most strategic way, capture risk and assure the Audit and Risk Committee that risk is being managed effectively across the whole Department, and is scrutinised by the Board.
- Due to the high turnover of NEBMs, and significant changes to the Board infrastructure in 2012, a Board Effectiveness Evaluation was not carried out in 2013-14, to give time for the new arrangements to become established. An evaluation has been carried out in mid-2014 and is due to be finalised in early 2015.

The control regime

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

5.9 This supplements the regular reporting to the Board on the stewardship of risks and budget managers' assurances that the budgets under their control were spent for the purposes voted by Parliament, within the rules of financial propriety and regularity, and with due regard for value for money.

5.10 Governance statements from Directors General encompass those received from the NDPBs and EAs they oversee. These statements are reviewed and consolidated by FCG on my behalf; the main findings are summarised within this statement.

5.11 The Audit and Risk Committee has provided me with advice and guidance on matters of risk and assurance and makes recommendations on where improvements can be made. During 2013-14, the Audit and Risk Committee discussed consolidation of the Group accounts, recommended sign off of the accounts of the Group's Executive Agencies, discussed the findings of the Group's Internal Audit and external audit, and reviewed capability within core functions of the Department. In addition, the Audit and Risk Committee received updates from the Strategic Quarterly Performance Reviews of STA and NCTL, and the EFA Audit Committee, including the consideration of risk.

5.12 I will continue to address the risks associated with the consolidation of the academies and the Group will endeavour to make improvements to the consolidation system and process, in terms of both accuracy and timeliness. Further commentary on these risks, their management and anticipated improvements are detailed within this statement from paragraph 5.67 onwards, and within Annex F regarding our consolidation methodology.

5.13 Other sources of assurance are local authority Chief Finance Officers (through the submissions of a Section 151), individual AT Accounting Officers, Ofsted, and the Accounting Officers of our NDPBs and EAs. These Accounting Officers report either directly to me or to me via the EFA on the probity and appropriateness of the use of Group funding allocated to them. Where ALBs of other government departments are in receipt of Group funding, I also look to their parent department to provide me with assurance around the proper use of that money.

5.14 The assurance received from these sources is now well established in normal business practices. I also recognise the need to ensure that all funding receives a proper level of scrutiny; to that end, my officials have reviewed the efficiency and effectiveness of the current assurance-gathering process. We have improved both our understanding of delivery and financial risks in the academy sector and also indicators and systems to identify and manage these risks.

5.15 The Department's accountability statement, describing the main systems of accountability for education and children's services, was first published on the website in September 2012 and has been periodically reviewed to maintain its currency. The January 2015 statement can be found on the Department's website by following the following link: https://www.gov.uk/government/publications/accountability-system-statement-for-education-and-childrens-services

Further sources of assurance

5.16 The Department's Head of Internal Audit, acting for Government Internal Audit Service (GIAS), has provided me with his annual report, which incorporates his opinion on the Group's system of governance, risk management and internal control. His opinion has been informed by the internal audit work completed during the year, in line with the internal audit plan agreed by management and the ARC.

5.17 Of the four possible opinion ratings, the rating given by GIAS for 2013-14 is Moderate. A Moderate rating states that some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

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

5.19 During the year to 31 March 2014, no Ministerial Directions were issued. These would arise if I concluded that a Ministerial decision was not compatible with my duties as Accounting Officer.

5.20 The NAO published two Value for Money reports relating to the Department in 2013-14. The studies were:

- *Establishing free schools* - http://www.nao.org.uk/report/establishing-free-schools/
- *Performance and capability of the Education Funding Agency* - http://www.nao.org.uk/report/performance-capability-education-funding-agency/

5.21 In *Establishing free schools*, the NAO concluded that the Group has made clear progress in implementing its Free Schools programme by opening 174 such schools since 2010. However, they also commented that the Group will need to exert more control to contain rising costs and systematically learn lessons from performance issues in open Free Schools. The full report can be viewed via the link above.

5.22 The NAO published the *Performance and capability of the Education Funding Agency* report in January 2014. The report found that the EFA, responsible for distributing some £51 billion a year to fund the education of over 10 million learners and the building and maintenance of school and sixth form colleges, has fulfilled most of its day-to-day funding and assurance responsibilities, but that it faces growing demand for its services and increasing expectations. The report queried how the Group assesses the Agency's capability and capacity to take on new responsibilities, such as implementing the Youth Contract for 16-17-year-olds. The full report can be viewed via the link above.

5.23 The NAO also published Value for Money reports, relating to the Department, on *16-18 year old participation in education and training* in September 2014, *Academies and maintained schools: oversight and intervention* in October 2014 and on *Children in Care* in November 2014. We are currently reviewing the findings of these reports and implementing an appropriate response.

5.24 I have also received assurance from a range of external sources, such as the Department for Communities and Local Government's (DCLG) Accounting Officer System Statement. DCLG provides the systems via which the Group's grant payments are paid to local authorities and maintained schools and I rely on them to maintain the capability and effectiveness of the system.

The risk management framework

5.25 Successful management of the children's services and education system is vital to the long term future of the country. We have developed a rigorous approach to risk management based on a 'three lines of defence' model that considers three types of risk:

- **Systemic risks** to the building blocks of our education system[1], that are permanent risks in the system and require ongoing Management Committee oversight because of the severity of their impact if realised;
- **Delivery risks** to the specific current policy and reform programmes; and
- **Corporate risks** to the effective running of the Department.

5.26 The first line of defence for each type of risk is an effective system of Senior Responsible Officers and programme boards that monitor and manage risks, locally. The level of scrutiny is proportionate to the risk; for example, internally budgets are classified according to the level of risk and the level of scrutiny tailored accordingly.

5.27 The second line of defence is a cross-Department reporting system, where:

- Regular delivery reports on the main delivery – and escalated – risks are considered by the Performance Committee, following independent scrutiny and challenge from the Department's Performance Unit and Strategic Analysts;
- More detailed reports on systemic, 'building block' risks are scrutinised by the Department's Management Committee at least twice a year, at key points – such as when new data becomes available or significant decisions need to be made;
- Focused reporting on areas or at periods of particular delivery risk operate more frequently, as required; and
- Corporate – and escalated delivery or systemic – risks are considered, monthly, by the Department's Management Committee.

5.28 The third line of defence is the Department's Internal Audit function and Audit and Risk Committee (ARC), which operate and oversee a comprehensive audit and assurance programme. Non-executive Board Members sit on the Department's Management, Performance and Audit and Risk Committees – and chair the latter two. Independent members attend the Performance and Audit and Risk Committees to provide independent challenge and scrutiny. The ARC remains the forum that provides the assurance I need on the effectiveness of the arrangements in place. A key part of this role is to review the management of the key financial propriety risks and receive reports on the management of fraud risks.

Risks to programme delivery and the Group's operational effectiveness

Key Issues regarding risk for 2013-14

5.29 The EFA's use of their own, separate finance system represents a key risk as the majority of the Group's expenditure is managed through EFA. Whilst this is adequately managed between the Department's finance business partners and EFA central finance team, it does take a significant amount of resource to ensure accurate data and reporting. A project is in place to improve our systems and enable greater efficiency: this includes the roll-out of a revised EFA accounting system from April 2015 with improved mapping to core Department systems for both consolidated financial reporting and also Whole of Government Accounts reporting.

[1] There are seven 'building block' risks: that there are not enough school places for all children; that there are not enough good quality early years (education, childcare and children's centre) places for young children; that the primary school testing system does not work; that the secondary school examinations system fails; that the children's social care system fails; that the allocation and distribution of funding to schools and post-16 institutions is not accurate or timely; and that there are not enough teachers of sufficient quality.

5.30 Within the Group's ESD directorate, there were specific issues with the management of the primary school sport premium this year. These included: errors in the use of data to calculate school allocations, which was compounded by weaknesses in management oversight. This resulted in an unforeseen pressure in the last financial year, which was met from Departmental underspends and, for future years, has been addressed through the business planning process. The Director has taken on the Senior Responsible Officer (SRO) role for this budget and regular finance reviews are undertaken, involving finance business partners, in order to manage effectively the risk of misallocation of funds.

Key issues involving school governance and financial risk

Birmingham school governance

5.31 During 2014, government Ministers have intervened at Birmingham City Council on both education and social care issues, the first following a report on alleged Islamic extremist attempts to take over some school governing bodies and the second following persistent failure to improve inadequate children's social care provision. Commissioners for Education and for Children's Social Care have been appointed and the Department for Communities and Local Government's permanent secretary Sir Bob Kerslake – a former chief executive of Sheffield City Council – will review Birmingham's governance. The extremism claims first surfaced in winter 2013 in an anonymous letter known as the Trojan Horse.

5.32 The former Secretary of State for Education (in post to July 2014) appointed Peter Clark, a former police national co-ordinator for counter terrorism, to investigate. The current Secretary of State (appointed in July 2014) told Parliament that the report found "compelling evidence of a determined effort by people with a shared ideology to gain control of the governing bodies of a small number of schools in Birmingham".

5.33 The former Secretary of State also commissioned me to undertake a review into whether or not the Department or its predecessors had received warnings relating to extremism in Birmingham schools, and how any such warnings had been dealt with. This is due to be published in January 2015.

Counter-extremism measures within the academy sector

5.34 To address the possible future risk of extremism within the academy sector, the Group has introduced a series of measures in late 2014, including:

- incorporating checks of changes in governance into first term visits to new free schools;
- communicating expectations that academies will inform the Group of changes in governance;
- recording changes in governance roles via the annual reporting process; and
- developing additional periodic checks of academy standing data for key governance roles.

The Group will review the effectiveness of these measures once fully implemented.

5.35 Since January 2013 the Independent School Standards (ISS), which also apply to academies and free schools, require schools to respect fundamental British values. From 29 September, the ISS will require schools, academies and free schools to "actively promote" principles which encourage students to demonstrate the fundamental British values: democracy, the rule of law, individual liberty, and mutual respect and tolerance of those with different faiths and beliefs. This will be followed by statutory guidance next month. The new model Funding Agreement now also requires all academies and free schools set up since September 2014 as a contractual requirement to actively promote these core values. We plan to publish in February 2015 non-statutory Departmental advice to make clear our expectations on all maintained schools.

Concerns over financial management within specific ATs

5.36 The Department had concerns regarding the financial management and governance arrangements at a school in Bradford. The Secretary of State issued a Warning Notice in May 2013 and has recovered affected funds.

5.37 The Department found a number of weaknesses in E-ACT AT's financial management. The trust is currently the second biggest sponsor of academies, managing primary and secondary schools across the South East, South West, Midlands, North West and Yorkshire. The sponsor handed back control of 10 of its 34 academies following a number of Ofsted inspections that raised concerns about educational standards. The Group will continue to address this risk area, following the issue of a revised Financial Notice to Improve in September 2014, which sets out the areas of weakness that the trust is expected to address. The Group received an action plan in response to raised weaknesses in October 2014, against which the trust's progress will continue to be monitored.

Local authority intervention

5.38 The Department continues to play a strong role where local authorities are judged 'inadequate', and will intervene to secure improvement. Fourteen improvement notices are in place and are very directly aimed at local authority-led improvement. In cases of longstanding or deep-rooted failure, Ministers have increasingly taken a tougher approach and used their powers – under s 497A of the *Education Act 1996* – to direct whatever action they deem necessary to secure the required improvements.

5.39 In August 2014, Rotherham Metropolitan Borough Council published an independent inquiry it had commissioned into child sexual exploitation in the area, which suggested that around 1,400 children had been sexually exploited between 1997 and 2013. We are working closely with the Home Office and other government departments on the wider issues arising from this inquiry, as a member of the cross-government group, led by the Home Secretary, set up to address systemic issues around the prevention of child sexual exploitation. Her Majesty's Chief Inspector agreed that Rotherham local authority should receive an early inspection of its child protection services, and this inspection commenced on 16 October 2014. A Commissioner has been appointed to lead improvement in Rotherham.

5.40 Ministers have also directed the setting up of new governance structures, including partnering with another local authority (Isle of Wight), appointing a commissioner for children's social care (Birmingham, Rotherham) or establishing a trust (Doncaster). The Doncaster Children's Services Trust became fully operational on 30 September 2014; it presents an opportunity to deliver a key public service in a radically different way, and will help inform the Department's approach to the future of interventions.

5.41 In total, the Department is currently intervening in 21 local authorities: 14 are under an improvement notice; the seven most serious are directed using statutory powers.

Risks around shared service provision

5.42 The Department's HR, payroll, payments and accounting functions are provided under a shared service arrangement. The services were formerly provided by the Department for Work and Pensions (DWP) which, as part of the Next Generation Shared Services programme, transferred to the Cabinet Office on 1 April 2013.

5.43 On 1 November 2013 a joint venture between government and Steria Ltd created Shared Services Connected Limited (SSCL) to deliver shared services to government departments and agencies who were clients of the former shared service centres of DWP, DEFRA and Environment Agency. The commercial contract between SSCL and departments is managed by a Crown Oversight Function within the Cabinet Office. The Cabinet Office's Accounting Officer provided a letter of assurance for the service delivered throughout the whole financial year.

5.44 Currently, SSCL is operating all the systems that were utilised by the three former shared services centres so there has not been any material change to the service delivered to the Group. There have not been any significant operating problems this year, and the Cabinet Office has reported that reasonable assurance can be taken on the effectiveness of controls and management over processes operated by SSCL for the Group.

5.45 To improve efficiency and deliver improved services to its clients, SSCL has started a challenging programme to replace the various systems and services it inherited, with a standard offer. The programme also includes SSCL closing some of its operating sites. We are engaging with SSCL and Cabinet Office on the programme to represent the needs of the department and to understand any risks that may arise.

IT governance

5.46 There were a number of issues around the Department delivering effective information technology with key contributors being acknowledged as a lack of structured IT governance (including a lack of clarity around resource capability), infrastructure stability, IT project appraisal, approval and delivery routes, return on IT investment and the resilience of business critical systems.

5.47 In August 2014, the Management Committee appointed the EFA Chief Information Officer (CIO) to drive forward a strategic change programme for IT Group on behalf of the wider Department. The senior leadership team has been strengthened with permanent senior management resource as well as specialist skills to support IT strategy development. The EFA and IT group functions merged under the CIO's leadership in November 2014 and the group will have completed a restructure of the wider leadership and management by the end of 2014. A new governance framework has been established, with the EFA Chief Executive providing a direct line of sight of IT Group operations to Management Committee in addition to chairing a new IT Steering Group.

Internal audit

5.48 The GIAS Annual Assurance Report to the Accounting Officer drew attention to the following issues within the Department and Executive Agencies, around the following themes:

- Improving the management of financial and governance risk;
- Delivering IT systems and business process transformation;
- Responding to expanding roles and responsibilities;
- Obtaining robust assurance over the regularity of grant payments;
- Improving the accuracy of financing forecasting;
- Improving agency governance;
- Delivery of skills tests and statutory assessments; and
- Improving compliance with employee expenses policies and procedures.

Business continuity, information management and security risk

5.49 The BCM Policy is owned by the Group Security Officer, subject to my approval. It is reviewed by the Group Security Unit annually. In 2013-2014 the BCM Policy was subject to a more substantial update and a revised and approved BC Policy was published on the Department's intranet in March 2014.

5.50 The EFA published its own Business Continuity plan in August 2013. The plan addresses any incident that disrupts the EFA's capacity to deliver its operational services to learners and providers, whether this is the result of a whole or partial denial of access to an EFA site(s), the loss of an EFA IT system, the failure of an EFA payments system, the unavailability of staff, or disruptions at a third party supplier, which may impact the services they provide to EFA.

5.51 Information Assurance (encompassing data security) remains a priority area for the Department. Information Asset Registers and the Information Asset Owner (IAO) community are supported by the Chief Information Officer's Group; all IAOs have access to online training provided by Civil Service Learning and are required to undergo training - Responsible for Information (IAO). This online training is supplemented by written guidance, regular newsletters and face to face support.

5.52 There were no significant personal data incidents during 2013-14.

5.53 The Group's 2013-14 annual report on the management of security was submitted to the Cabinet Office in June 2014. It described the risk-based approach the Group takes in complying with the mandatory policies and standards applying to protective security and information risk management.

Fraud awareness, prevention and investigations

5.54 The Department has completed the mandated Capability Assessment and Action Plan for Fraud, Error and Debt (FED). Activities identified in the plan have been actioned and progress towards completion verified by both Cabinet Office and GIAS review. The Department has met all Cabinet Office mandates regarding Fraud, Error and Debt (FED) this year. A summary dashboard is prepared for the Audit and Risk Committee on a 6 monthly basis.

5.55 In 2013-14 there was a single incident of attempted fraud identified and reported to Action Fraud by the core Department this year (the attempt concerned a fraudulent invoice submitted for payment). It was identified, investigated and reported in line with Department processes. The Department remains committed to a proactive approach to fraud prevention and worked closely with EFA and GIAS colleagues to review, strengthen and, where appropriate, revise FED reporting, guidance and processes.

5.56 EFA operates its own Anti-Fraud Committee (AFC) with Departmental representation. It focuses on potential and actual fraud issues in ATs and the wider education sector, and is responsible for minimising the risk of fraud related to grant payments to local authorities and academies.

5.57 Whilst any exceptional cases identified can be raised with Cabinet Office immediately, it is usual for cases of fraud or attempted fraud to be reported to Cabinet Office on a quarterly basis within the specific FED Return. Both the Department and EFA share information on fraud with the NAO, GIAS and Cabinet Office as a matter of routine.

Fraud risk and investigations

5.58 The Internal Audit Investigation Team (IAIT) undertakes external fraud investigations for the Group on request.

5.59 In 2013-14 all the external investigations were directed towards academies or Free Schools on behalf of the EFA.

Management of fraud risk

5.60 The cross-government initiative on raising the awareness of fraud meant that all staff are required to undertake on-line training and testing on fraud risk. 93% of Departmental staff successfully undertook the required training and testing in 2013-14.

5.61 During 2013-14 two payments were made by EFA as a result of fraudulent and misleading information submitted as part of childcare providers' application for funds, leading to losses totalling c. £47,000. EFA identified where improvements could be made, including a potential online application process which may include electronic signatures in future, strengthening the wording in the declaration and including legal remedies to aid future recovery action.

5.62 GIAS are undertaking two additional random sampling exercises this year in the Department to provide additional assurance, improve our loss estimates and test the sufficiency of our control frameworks in higher risk areas.

5.63 The assurance derived from the work of EFA's AFC remains strong and lessons can be learned from their work to improve the way fraud risks are managed elsewhere across the Group.

Quality assurance framework

5.64 In line with the Macpherson Review recommendation, the Department has developed an appropriate quality assurance framework which is actively used for all business critical models. It can be seen at: https://www.gov.uk/government/publications/review-of-quality-assurance-of-government-models

Progress on the DFE Review

5.65 The Group published a review of its structure and operations in November 2012, entitled "The DfE Review". This document recommended a series of changes and re-organisations in order to improve the Group's efficiency and responsiveness to Ministerial priorities.

5.66 Good progress has been made on implementing the recommendations: all internal reorganisations have reflected the need to maintain the focus on the Academy and Free School programmes. As part of our ongoing commitment to reducing costs and securing value for money, we have:

- achieved increased efficiency and significantly reduced our administrative spend;
- introduced flexible deployment as a means of assigning staff to areas of greatest priority;
- established a culture of Continuous Improvement (CI);
- improved IT facilities such as video conferencing and Wi-Fi to improve cross site working and flexible working;
- increased focus on learning and development using capability planning, learning months and the 'Five a Year' training days offer to improve our skills and capability;
- reviewed our Estates strategy, leading to a number of changes:

- we vacated the Ruddington site in January 2014. All Nottingham-based staff (including EFA and wider Departmental staff) are now based at the Triumph Road site;
- we will relocate from Mowden Hall in Darlington to a building leased from Darlington Borough Council by the end of February 2015. It will see 470 staff move from an outdated freehold building, to a modern, flexible workspace with a 7:10 desk ratio; and
- we will vacate the current London site at Sanctuary Buildings in 2017 and relocate to the Old Admiralty Building, an existing part of the government estate.

Management commentary on consolidating at expenditure into the Group

5.67 This is the second year that the Department has included AT results within the group accounts. AT results have been consolidated into the Group to comply with *Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2013* and reflects the classification of Academies as central government public bodies by the Office of National Statistics (ONS).

5.68 The *Academies Act 2010* led to a significant expansion in the number of academies in England and Wales. The policy intention was that Academies should be autonomous charitable institutions with fully devolved responsibility for operational decisions. This has led to many ATs choosing a financial year end of 31 August, to align with their academic calendar.

5.69 Followings discussion with Ministers, the Group has chosen not to compel ATs to adopt its 31 March financial year end, both to avoid misalignment of ATs' financial and academic years, and on the principle of giving ATs as much operational independence as reasonably possible. This allows synchronisation of both their business and financial decision making: alignment of an AT financial year to the academic year enables the accounts to be more useful at a local level, as factors such as budgeting, recruiting and funding are usually based on the academic year.

5.70 This decision makes operational sense for ATs but it means that the Group accounts now have to be constructed through the application of a number of significant and material adjustments. This is to cope with problems that arise from having different financial year ends within the Group, and from ATs and the rest of the Group preparing financial statements using different accounting standards. As the number of Academies increase, there is a growing risk that this will give rise to material error or uncertainty within the financial statements. This risk has been realised for both the Group's 2012-13 and 2013-14 accounts, as set out in the C&AG's audit certificates and reports, which issued a qualified audit opinion for 2012-13 and an adverse audit opinion for 2013-14.

Our approach

5.71 The process to deliver the 2013-14 Group accounts is both costly and lengthy, and delivers accounts constructed from a number of constituent parts. The first stage was to collect ATs' audited accounts and returns for the period ending 31 August 2013. For those academies that opened in 2013-14, and therefore did not publish accounts, we requested an unaudited accounts return for the period to 31 March 2014. All accounts returns were then subject to a consolidation and data cleansing exercise. Building on last year's experience, we have improved the quality, accuracy and completeness of the individual returns, despite increasing the number of academies to 3,905. That now makes this exercise one of the largest consolidation exercises in the world.

5.72 At the same time, we also produced accounts for the core Department and its agencies. Each stage of the process was subject to external review and scrutiny by the NAO.

5.73 Once we were satisfied that the constituent parts were in place, we made a number of adjustments to AT data (Annex F details our methodology). This reflected the inconsistencies created through having data drawn from different accounting periods, and differing accounting standards used within the Group (Charities Statement of Recommended Practice for ATs, and the Financial Reporting Manual and International Financial Reporting Standards for the non-AT components of the Group).

5.74 We are satisfied that there has been suitable rigour in respect of the 2013-14 financial statements for the individual components of the Group. We consider that the material errors identified within the financial statements result from the adjustments required by the novel consolidation approach.

5.75 The C&AG made four qualifications to the audit opinion on the Group's 2012-13 accounts. These qualifications recognised the difficulty of preparing accurate accounts for so many organisations, many new to formal financial reporting, in a way that met stringent central government reporting requirements:

- **Regularity of expenditure:** The audit opinion for 2012-13 found that the EFA's assurance system to control AT spending was not sufficiently well designed to identify whether ATs had complied with all aspects of HMT's *Managing Public Money* regulations;
- **Opening balances:** The 2012-13 audit opinion included a limitation of scope regarding the accuracy of the consolidated AT opening balances. This was because the balances could not be reconciled to earlier Whole of Government Accounts data;
- **Land and Buildings recognition:** The 2012-13 audit opinion included a limitation of scope concerning the recognition of £25.1 billion of land and buildings assets in the Group's financial statements; these were not fully evidenced as meeting recognition criteria; and
- **Overall error and uncertainty:** The C&AG considered that the use of a number of data sources, spanning different time frames, led to a material level of uncertainty and misstatement within the 2012-13 financial statements.

Progress since 2012-13

5.76 For 2013-14, we sought to address the qualifications on the opening balances and regularity by adjusting the approach and the requirements placed upon ATs. On cumulative errors and uncertainties, the detailed feedback from the NAO was used to adjust our approach to 2013-14. As a further issue related to the valuations of pensions, the commission to the valuers, together with the interpretation of the valuations received, has been amended. We believe that we have made significant progress on the following areas highlighted by the C&AG:

- **Regularity of expenditure:**
  For 2014-15, the *Academies Financial Handbook* has been revised and reissued. The controls and guidance have been strengthened; workshops and training delivered to ATs and their auditors have increased their awareness and understanding of financial controls. This qualification has been removed from the C&AG's audit opinion on the 2013-14 Group accounts.

Areas where further progress is required

5.77 There has been limited but insufficient progress in the following areas

- **Land and Buildings recognition:**
  The basis of this qualification was that we did not possess sufficient information on legal ownership to determine the appropriate accounting treatment for some academies' assets, particularly faith schools. Determining the legal ownership of land and buildings used by schools has been complex for a significant proportion, particularly for cases where local authorities have not maintained ownership records and for academies converting from Voluntary Aided status. We estimate that acquiring full detail of all academies' land and buildings could cost a significant amount, both up front and in annual data maintenance (£20-40 million initially, and £5-£10 million annually thereafter). We have taken the view that this is not the best use of taxpayer funds for the academy sector as a whole, instead choosing to undertake such an exercise if and when a particular asset is being considered for sale.

  As a partial solution for 2013-14, the information requested from ATs was expanded to include information on the type of ownership or leasing arrangement for their land and buildings. This approach should increase our understanding of the scale of any incorrect recognition within our accounts. We are also working with local government and HMT on a cross-government solution for recognition, covering local authority maintained schools.

- **Opening balances:**
  Whilst some of the factors behind this specific qualification in 2012-13 were due to the consolidation of ATs for the first time, the C&AG has also qualified his opinion regarding opening balances for the

2013-14 Group accounts due to issues regarding both the inclusion of unaudited 1 April 2013 opening balances and also due to significant rounding adjustments made to opening balances for this period.

- **Timeliness of management data:**
  Although this issue did not lead to a limitation within the 2012-13 accounts, it remains an issue to be addressed. It is not helpful to our strategic planning to wait so long after the year end to publish the accounts and the delays have repercussions on other reporting requirements such as WGA, in addition to hindering the Group's accountability to Parliament via scrutiny of the Annual Report and Accounts. Without a fundamental change in approach and major investment in an IT infrastructure, timeliness is not likely to improve significantly.

5.78 A number of procedural improvements were developed in 2013-14 although most of the time saved has been reinvested to process the increased workload, and analysis of the increasingly complicated processes.

Areas that have deteriorated since 2012-13

- **Overall error and uncertainty:**
  Progress has been made in ensuring that ATs submit their returns on a timely basis; this has allowed more time to identify and correct potential errors. However, residual misstatements and uncertainties will occur whilst the consolidation includes components with a different year-end to the Group. Another emerging finding from our analysis shows that a key assumption, that the 2012-13 returns for ATs which did not produce audited accounts would be materially accurate, has not proven to be valid, based on the fully audited 2013-14 returns.

  We have identified greater uncertainty around our opening balances for this portion of the academy sector. The 'CB2' population for 2013-14 (i.e. ATs which did not produce accounts to August 2013) is likely to have a similarly large error within their initial returns. However, there is evidence that established ATs are improving their reporting and forecasting; this would indicate that these are transitional errors that exist through the period of change.

  The uncertainty created within the consolidation approach is demonstrated within a number of key balances, arising both because funding periods and expenditure do not match and further exacerbated by the effect of the "carve out adjustment". Evidence from the comparison study indicates that ATs are likely to increase their cash balances between these dates, with the majority of the increase coming from much higher than forecast income. Details of the methodology and its impact across the accounts can be seen at Annex F.

New qualification for 2013-14

- **Breach of AME control total (£166 million):**
  There were no control total breaches in 2012-13 but I have to report a technical breach of the AME control total for 2013-14. The primary driver of this breach of the £166 million breach is the inclusion of the Local Government Pension Scheme (LGPS) balances within our Group accounts. This is a technical non-cash breach due mainly to an increase in liabilities within the accounts of a large number of ATs accounting for £96 million with an equivalent increase in LGPS movements for CAFCASS (£8 million). This breach arises primarily because we underestimated the size of the movement relating to the unfunded liabilities element of the LGPS schemes. The LGPS schemes, unlike central government pension schemes, are funded schemes. For 2012-13, the LGPS liability was £2.1 billion; this has now moved to £2.4 billion (an increase of 17%).

  The remaining £62 million element of this overspend relates to lower-than-anticipated utilisation of provisions within Academies, the core Department and Executive Agencies (a net £12 million) and Academies' impairment and depreciation of £50 million.

Statement of Parliamentary Supply and future developments

5.79 The Statement of Parliamentary Supply (SoPS) sets out the grant funding and resource expenditure of the Department against funding control totals set by Parliament. The creation of Academies has had a fundamental change on the Department's accounting and reporting boundary. The norm is that schools are grant funded but Academies are now considered, for accounting boundary issues, to be part of the Group. However, the Department does not manage the resource consumption of ATs; rather, the Department recognises that schools should be subject to local management and decision making and the Department only manages the cash allocations made to this part of the Group. An added complication is that an Academy performance year is an academic year and they develop both budget plans and accounting returns to reflect this. This means that that the Department now has to produce an estimation of resource expenditure based on accounts that are produced for a different reporting period.

5.80 In addition to the breach of the AME control total, the Group has incurred a significant underspend against its DEL control totals (£856 million for Resource DEL and £377 million for Capital DEL). Comparisons of control totals against outturn are detailed in Annex E – Table 2, whilst the key drivers of these variances are analysed within the Strategic Report's Financial Commentary at paragraph 2.21.

5.81 ATs must adhere to the regulatory guidance set out within their *Academy Financial Handbook*, but gain freedoms given to them on incorporation which allow them to retain unspent funds to spend in future financial years and raise their own income. These freedoms, combined with ATs' ability to move certain types of expenditure between resource and capital sub-totals, significantly complicates the task of forecasting AT net expenditure within the Group's financial year in time to adjust agreed control totals and then report via the SoPS.

5.82 It is our view that the approximations we use to mimic the appropriate 12 months of AT expenditure will inevitably include the potential for error; as the sector increases in size, the materiality of the error will continue to increase. The size of the sector now means that the transparency sought through the adoption of HMT's Clear line of Sight initiative (aimed at improving the readability of financial statements) is now in danger of being lost for the academy sector with read-across impacts on the Department's own reporting. The level of error and uncertainty reported within the financial statements also impacts on the potential interpretations of outturns reported against Parliamentary control totals, and variances between these.

5.83 We have therefore been engaging with HM Treasury over the last 18 months, in line with the C&AG's recommendation from his 2012-13 audit, to discuss how best to tackle this systemic problem. We believe that collating ATs' August accounts to produce an academy sector account would provide better transparency without reducing accountability. However, we recognise the inevitable tension between these aims and the Department's contribution to a governmental system of embedded in-year control of resource consumption.

5.84 Discussions were put on hold whilst the 2013-14 accounts were prepared. It was felt that it would not be appropriate to make decisions on the future of the consolidation until we had a second year's data to provide the evidence necessary to support changing the approach. The additional year's accounts have now provided sufficient evidence for the Department to say that the current consolidation methodology is unsustainable; too many systemic errors and uncertainties are built in simply by virtue of the approach taken. These systemic problems then flow through the accounts into the SoPS, which is the statement through which we report, and are accountable, to Parliament.

5.85 Our proposal of a revised approach, consolidating ATs in a sector report separate from the remainder of the Group, and preparing an Annual Report and Accounts for the Group excluding ATs, has been endorsed by the Department's Audit and Risk Committee. We are continuing to engage with HM Treasury in order to agree a new approach to consolidating ATs whist preparing accurate, timely accounts which are transparent, consistent with Clear Line of Sight principles and meaningful to their users.

5.86 The difficulties (set out above) in forecasting and explaining expenditure by a sector whose activities we can neither manage nor control are clear. When taken together with the impact of material errors and uncertainties in the financial statements, the impact on the Department's ability to report against individual control totals or indeed simply to interpret the outturn against each is significant.

5.87 Whilst these discussions work through, it remains a priority of the Group to develop robust systems to monitor and forecast AT spend accurately. To this end, the Group is liaising with ATs extensively to develop robust, proportionate reporting tools to enable us to monitor and predict AT spending and capital renewal plans for current and future financial years.

Chris Wormald
Accounting Officer

13 January 2015

6 Remuneration report

Part A: Unaudited

Ministers' and other Board members' remuneration policy

6.1 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*.

6.2 The Permanent Secretary's pay is set by the Prime Minister on the recommendation of the Permanent Secretaries Remuneration Committee, a sub-committee of the Senior Salaries Review Body (SSRB).

6.3 The pay of Senior Civil Servants (SCS) in the Department is decided by the SCS Pay Committee, chaired by the Permanent Secretary, and comprising members of the Management Committee. 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. The Permanent Secretary meets separately with a non-executive member to determine the pay of executive Board members

6.4 Performance management and reward policy for members of the Senior Civil Service is managed within the central framework set by the Cabinet Office. It allows for annual performance related base pay and non-consolidated performance awards, agreed centrally each year following SSRB recommendations. The Senior Civil Service Performance Management and Reward principles for 2013-14, which include explanations of how base pay and performance awards levels are determined and their relative value, can be found at: http://www.civilservice.gov.uk/wp-content/uploads/2011/07/Performance-Management-Arrangements-for-SCS-2013-14-HR-Practitioners-Guide-1.pdf. The SCS performance awards are allocated from a central salary 'pot' expressed as a percentage of the Department's SCS salary bill, which is agreed centrally each year following the SSRB recommendations. In 2013-14 this 'pot' was limited by the Cabinet Office to 3.3% (2012-13: 5%) of the total SCS salary bill from which individuals were awarded varying amounts, dependent on performance.

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

6.5 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.

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

6.7 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: https://www.gov.uk/government/publications/civil-servants-terms-and-conditions.

Service contracts

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

6.9 Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org.uk.

Part B: Audited

Remuneration (including salary) and pension entitlements

6.10 The following paragraphs provide details of the remuneration and pension interests of the Ministers and senior management (i.e. executive and non-executive Board members – of the Department.

Salary and benefits-in-kind

6.11 In the tables below benefits in kind have been rounded to the nearest £100. For those Ministers and officials who served part of the year the full year equivalent is presented in italicised brackets below the actual cost.

Ministers

	2013-14				2012-13			
	Salary £	Benefits -in-kind £	Pension benefits[2] £	Total £	Salary £	Benefits -in-kind £	Pension benefits[1] £	Total £
Secretary of State Rt. Hon. Michael Gove MP	68,169	-	25,000	93,000	68,827	-	25,000	94,000
Minister of State Rt. Hon. David Laws MP (from 5 September 2012)	32,344	-	12,000	45,000	18,885 *(33,002)*	-	7,000	26,000
Parliamentary Under Secretaries of State Elizabeth Truss MP (from 5 September 2012)	23,040	- -	9,000	32,000	13,560 *(23,697)*	-	5,000	19,000
Edward Timpson MP (from 5 September 2012)	23,040	- -	9,000	32,000	13,560 *(23,697)*	-	5,000	19,000
Matthew Hancock MP (from 5 September 2012)	-	-	-	-	-	-	-	-
Lord Nash (from 10 January 2013)	-	-	-	-	-	-	-	-

Matthew Hancock MP served in a joint post as a Minister of State with the Department for Business, Innovation and Skills (BIS). His Ministerial salary was paid by that department and is disclosed by them.

Lord Nash became Parliamentary Under Secretary of State on 10 January 2013, having previously been a non-executive director. No remuneration was taken.

[2] The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

Former Ministers

	2013-14			2012-13		
	Salary £	**Benefits -in-kind £**	**Total £**	**Salary £**	**Benefits -in-kind £**	**Total £**
Former Ministers of State						
Nick Gibb MP	-	-	-	14,118	-	14,118
(to 4 September 2012)	-	-	-	*(33,002)*		*(33,002)*
Sarah Teather MP	-	-	-	14,118	-	14,118
(to 4 September 2012)	-	-	-	*(33,002)*		*(33,002)*
Former Parliamentary Under Secretaries of State						
Lord Hill of Oareford CBE	-	-	-	87,563	-	87,563
(to 31 January 2013)	-	-	-	*(105,076)*	-	*(105,076)*
Tim Loughton MP	-	-	-	10,137	-	10,137
(to 4 September 2012)	-	-	-	*(23,697)*	-	*(23,697)*

Officials

	2013-14					2012-13				
	Salary £000	Bonus £000	Benefits -in-kind £000	Pension benefits[3] £000	Total £000	Salary £000	Bonus £000	Benefits -in-kind £000	Pension benefits £000	Total £000
Permanent Secretary Chris Wormald	160-165	-	-	30-35	195-200	160-165	10-15	-	85-90	260-265
Directors General Tom Jeffery	140-145	-	-	10-15	150-155	140-145	5-10	-	5-10	155-160
Andrew McCully	120-125	-	-	100-105	225-230	115-120	5-10	-	55-60	180-185
Stephen Meek (to 30 September 2013)	55-60 *(115-120)*	-	-	(5)-0	55-60	115-120	5-10	-	55-60	185-190
Shona Dunn (from 1 August 2013)	65-70 *(115-120)*	-	-	105-110	175-180	-	-	-	-	-
Finance Director Simon Judge (from 16 July 2012)	95-100	-	-	5-10	105-110	60-65 *(95-100)*	-	-	5-10	65-70
Simon Parkes (from 1 August 2011 to 15 July 2012)	-	-	-	-	-	35-40 *(145-150)*	- *(-)*	7,600 *(26,100)*	- *(-)*	40-50 *(175-180)*
Directors Hilary Spencer (from 1 July 2012 to 30 November 2013)	55-60 *(85-90)*	-	-	20-25	80-85	65-70 *(85-90)*	5-10	-	25-30	105-110
Janette Durbin (from 1 September 2012)	85-90	10-15	-	5-10	110-115	50-55 *(85-90)*	-	-	(5)-0	50-55
Lucy Smith (to 28 June 2012)	-	-	-	-	-	20-25 *(85-90)*	-	-	-	20-25

[3] The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

Officials

					2013-14					2012-13
	Salary £000	Bonus £000	Benefits -in-kind £000	Pension benefits[3] £000	Total £000	Salary £000	Bonus £000	Benefits -in-kind £000	Pension benefits £000	Total £000
Tom Shinner (from 1 December 2013)	35-40 *(125-130)*	-	-	(5)-0	30-35	-	-	-	-	-
Chief Executive of the Education Funding Agency										
Peter Lauener (from 1 September 2012)	140-145	-	-	(5)-0	135-40	80-85 *(140-145)*	-	-	0-5	80-85

Salary

6.12 'Salary' includes gross salary; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Department and thus recorded in these accounts. In respect of Ministers in the House of Commons, departments bear only the cost of the additional Ministerial remuneration; the salary for their services as an MP (£65,738 from 1 April 2010, £66,396 from 1 April 2013), and various allowances to which they are entitled are borne by the Parliamentary budget. 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.

6.13 Two of the non-executive Board members received remuneration from the Department. Dame Sue John received £15,000 (2012-13: £15,000) and David Meller received £11,708 (2012-13: nil) remuneration from the Department.

Benefits-in-kind

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

6.15 During the year none of the Board members received benefits-in-kind.

Bonuses

6.16 Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2013-14 relate to the performance in 2012-13 and the comparative bonuses reported for 2012-13 relate to the performance in 2011-12.

Review of fair pay

6.17 Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid employee in their organisation and the median remuneration of the organisation's workforce (employees of arms-length bodies, including ATs, are excluded from this calculation, in line with HM Treasury guidance). Details are summarised in the table below:

	2013-14	2012-13
Band of highest-paid employee's total remuneration (£000)	160-165	175-180
Median total remuneration	35,569	34,181
Ratio	4.5	5.2

6.18 In both 2013-14 and 2012-13, no employees received remuneration in excess of the highest-paid employee.

6.19 Total remuneration for the highest-paid employee includes salary, non-consolidated performance-related pay, and benefits-in-kind. It does not include severance payment, employer pension contributions and the cash equivalent transfer value of pensions.

6.20 The reduction in the ratio of the highest-paid employee and the median remuneration of the workforce from 5.2 (2012-13) to 4.5 (2013-14) has been caused by two factors: the reduction in the remuneration of the highest-paid directors and the increase in median workforce pay.

Pension benefits

Ministers

	Accrued pension at age 65 as at 31/3/14 £000	Real increase in pension at age 65 £000	CETV at 31/3/14 £000	CETV at 31/3/13 £000	Real increase in CETV £000
Secretary of State Rt. Hon. Michael Gove MP	5-10	0-2.5	74	52	11
Ministers of State Rt. Hon. David Laws MP (from 5 September 2012)	0-5	0-2.5	17	7	6
Parliamentary Under Secretary of State Elizabeth Truss MP (from 5 September 2012)	0-5	0-2.5	8	3	2
Edward Timpson MP (from 5 September 2012)	0-5	0-2.5	9	3	3
Matthew Hancock MP (from 5 September 2012)	-	-	-	-	-
Lord Nash (from 10 January 2013)	-	-	-	-	-

6.21 CETV figures are stated for the full year, or for that part of the year in which a ministerial post was held.

Matthew Hancock MP served in a joint post with the Department of Business, Innovation and Skills as Minister of State; his remuneration is disclosed by them.

When Lord Nash became Parliamentary Under Secretary of State he did not become a member of the PCPF Ministerial Pension scheme.

Ministerial pensions

6.22 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).

6.23 Those Ministers who are Members of Parliament may also accrue a MPs' pension under the PCPF (details of which are not included in this report). 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 member contribution. An additional 1/60th accrual rate option (backdated to 1 April 2008) was introduced from 1 January 2010.

6.24 Benefits for Ministers are payable at the same time as MPs' benefits become payable under the PCPF or, for those who are not MPs, on retirement from Ministerial office from age 65. Pensions are re-valued annually in line with the Pensions Increase legislation. From 1 April 2013 members pay contributions of 7.9% and 16.7% depending on their seniority and chosen accrual rate. The contribution rates increased in April 2014.

6.25 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.

6.26 In line with reforms to other public service pension scheme, it is intended to reform the Ministerial Pension Scheme in 2015.

Cash equivalent transfer value

6.27 A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total Ministerial service, not just their current appointment as a Minister. CETVs are calculated in accordance with *The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008* and do not take account of any potential reduction to benefits resulting from lifetime allowance tax which may be due when pension benefits are taken.

The real increase in the value of the CETV

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

	Accrued pension at pension age as at 31/03/14 and (related lump sum)	Real increase in pension and related lump sum at pension age	CETV at 31/03/14	CETV at 31/03/13	Real increase in CETV	Employer contribu'n to Partner'p pension account
	£000	£000	£000	£000	£000	£000
Permanent Secretary Chris Wormald	50-55 (0-5)	0-2.5 (0-2.5)	654	592	18	-
Directors General Tom Jeffery	60-65 (180-185)	0-2.5 (2.5-5)	1380	1,346	11	-
Andrew McCully	45-50 (70-75)	5-7.5 (5-7.5)	754	638	70	-
Stephen Meek (from 1 January 2012)	30-35 (90-95)	0-2.5 (0-2.5)	499	472	4	-
Shona Dunn (from 1 August 2013)	20-25 (70-75)	5-7.5 (15-17.5)	347	262	67	-
Finance Director Simon Judge (from 16 July 2012)	35-40 (115-120)	0-2.5 (2.5-5)	747	691	5	-
Simon Parkes (from 1 August 2011 to 15 July 2012)	-	-	-	233	-	-
Directors Hilary Spencer (from 1 July 2012)	15-20 (0-5)	0-2.5 (0-2.5)	165	144	11	-
Janette Durbin (from 1 September 2012)	30-35 (95-100)	0-2.5 (0-2.5)	611	566	6	-
Lucy Smith (to 28 June 2012)	-	-	-	112	-	-
Tom Shinner (from 1 December 2013)	0-5 (0-5)	0-2.5 (0-2.5)	16	16	-3	-

	Accrued pension at pension age as at 31/03/14 and (related lump sum)	Real increase in pension and related lump sum at pension age	CETV at 31/03/14	CETV at 31/03/13	Real increase in CETV	Employer contribu'n to Partner'p pension account
	£000	£000	£000	£000	£000	£000
Chief Executive of the Education Funding Agency						
Peter Lauener (from 1 September 2012) (cost borne by the EFA; included in their ARA)	65-70 (200-205)	0-2.5 (0-2.5)	1,524	1,435	-3	-

As advised by the civil service pensions scheme administrator, CETV at 31/03/13 has been restated for Tom Jeffery, Andrew McCully and Janette Durbin.

Civil service pensions

6.29 Pension benefits are provided through the civil service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (classic, premium or classic plus); or a 'whole career' scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under each scheme are increased annually in line with pensions increase legislation. Members joining from October 2002 may also opt for a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

6.30 Employee contributions are salary–related and range between 1.5% and 6.25% of pensionable earnings for classic and 3.5% and 8.25% for premium, classic plus and nuvos. Employee contributions increased further from 1 April 2014. Further details about the civil service pension arrangements can be found at the website http://www.civilservice.gov.uk/pensions.

6.31 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).

6.32 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.

Cash equivalent transfer value

6.33 A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer 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 capacity to which disclosure applies.

6.34 The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the civil service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with *The Occupational Pension Scheme (Transfer Values) (Amendment) Regulation 2008* and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in CETV

6.35 This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Chris Wormald 13 January 2015
Accounting Officer

Annex A – Attendance data

A1. The Department attendance at Board and committee meetings during the year is listed in the following table.

Attendance at meetings	Departmental Board	Management Committee	Performance Committee	Audit and Risk Committee
Total number of meetings	**Meetings attended/Out of possible**	**Meetings attended/Out of possible**	**Meetings attended/Out of possible**	**Meetings attended/Out of possible**
Ministers				
Rt.Hon. Michael Gove MP	4/4	n/a	n/a	n/a
Rt. Hon. David Laws MP	3/4	n/a	n/a	n/a
Elizabeth Truss MP	3/4	n/a	n/a	n/a
Edward Timpson MP	4/4	n/a	n/a	n/a
Matthew Hancock MP	2/4	n/a	n/a	n/a
Lord Nash	4/4	n/a	n/a	n/a
Non-executive Board				
Jim O'Neill	2/2	n/a	n/a	n/a
David Meller	3/3	n/a	5/9	n/a
Paul Marshall	4/4	n/a	3/3	5/5
Theodore Agnew	4/4	11/11	11/11	n/a
Dame Sue John	4/4	n/a	7/11	n/a
Officials				
Chris Wormald	4/4	11/11	11/11	5/5
Tom Jeffery	4/4	9/11	8/11	n/a
Andrew McCully	4/4	11/11	9/11	n/a
Stephen Meek	2/2	2/3	3/3	n/a
Shona Dunn	2/2	7/7	7/7	n/a
Simon Judge	4/4	11/11	9/11	5/5
Simon Parkes	n/a	n/a	n/a	2/2
Tom Shinner	1/1	4/5	3/4	n/a
Hilary Spencer	3/3	6/6	7/7	n/a
Janette Durbin	4/4	10/11	n/a	n/a
Peter Lauener	3/4	10/11	11/11	5/5
Independent member				
Janet Eilbeck (Independent Financial Expert)	n/a	n/a	11/11	5/5
Mark Sanders (Chair of EFA Audit Committee)	n/a	n/a	n/a	3/5
Christopher Baker MBE	n/a	n/a	n/a	1/1

Annex B – Our people and culture

B1. The following paragraphs are a summary of the Department's activities during 2013-14, reported against key themes: Delivery; Culture and People.

Our delivery

B2. The Department has worked with other government departments, its EAs, NDPBs and other partners (e.g. local authorities and third sector organisations) to achieve the priorities set out in its Business Plan.

Our people

Recruitment practice

B3. Recruitment is carried out in accordance with the Civil Service Commissioners' Recruitment Principles. The Department's approach to recruitment reflects its commitment to equal and fair opportunity for all. All recruitment processes comply with the *Equality Act 2010*.

B4. The Department's recruitment policy takes account of the current spending controls placed on government departments. It ensures that the Department's approach to filling vacancies is compliant with the Cabinet Office protocols for managing surplus staff and the Civil Service in the English Regions (CSER) Vacancy Filling Scheme which opens posts up to all civil servants in their substantive grade and on promotion.

B5. To support the Cabinet Office protocols for managing surplus staff, priority movers are considered for internal vacancies in isolation and advance of other individuals, as set out in the Department's Vacancy Filling guidance. They also have access to vacancies in other government departments in order to maximise their chances of redeployment.

B6. The Department has a duty to ensure it is fully compliant with the Civil Service Commissioners' recruitment principles. As a department, we always give priority to surplus staff, except in cases where the skills we need cannot be found in the civil service, or the demand cannot be met in full from the civil service. On those occasions, we may advertise externally at stage 4, but only where there is a robust business case which is signed off by a Director-General or Chief Executive.

Exceptions to fair and open competition

B7. A number of people were recruited without full, fair and open competition, in accordance with the exceptions permitted by the Office of the Civil Service Commissioners, for example, where it was necessary to secure very specific skills and to deliver specific tasks.

Inward and outward secondments

B8. Inward and outward secondments bring greater diversity to the Department's policy making and services. They encourage an exchange of skills between the civil service and external organisations, with the aim of building business capability across the civil service. The Department adopted the central Civil Service Employee Policy (CSEP) policy and guidance from 1 February 2014, helping to ensure a consistent approach to the use of secondments and loans across the civil service. New inward secondments are subject to rigorous internal approvals in line with the recruitment controls and have been used to broaden the Department's approach to vacancy filling. The Department has also begun to use a more targeted approach to outward secondments including marketing to talent groups at Grade 6 and Grade 7 who have been identified as having high potential.

Our culture

B9. 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 discrimination.

B10. The Department is committed to expanding the awareness of the equality duties in the Department and as part of the DfE Review, we produce regular equality analyses. We actively seek to reduce barriers to progression through identification of skills gaps; access to targeted learning and development opportunities; raising awareness of unconscious bias with line and recruiting managers and through regular use of equalities data to highlight risks and issues.

B11. The Department has refreshed its diversity delivery plan to align with the organisational changes and priorities resulting from the DfE Review and the wider civil service agenda.

B12. The plan focuses on three key objectives:

- Increasing diversity declaration rates;
- Improving line manager capability to manage diverse teams; and
- Fostering self-directed networks with visible, top-level leadership.

B13. Despite recent organisational changes our representation rates have remained relatively stable. The table below shows the % change since we began implementing the DfE Review:

		Dec-12	Mar-14	% change
Workforce	Black and minority ethnic	16.5%	16.6%	+0.1%
	Women	59.5%	58.1%	-1.4%
	Disabled	11.0%	11.9%	+0.9%
	LGBT	2.0%	3.7%	+1.7%
SCS	Black and minority ethnic	4.3%	5.7%	+1.4%
	Women	48.8%	43.7%	-5.1%
	Women (director and above)	44.8%	41.2%	-3.6%
	Disabled	4.2%	5.9%	+1.7%
	LGBT	3.5%	7.4%	+3.9%

B14. Our representation rates at SCS compare well to civil service 2013 targets:

	Female		BME		Disabled	
	DfE	CS target	DfE	CS target	DfE	CS target
SCS	44.4%	39%	5.6%	5%	5.7%	5%
Director and above	42.4%	34%				

Progress towards the 2013 Department's equality and diversity targets

B15. The numbers in the table below are based on actual headcount at the specified dates. They will not align exactly with headcount data in the accounts, as these are based on full time equivalents (FTEs).

	Dept target		31-Mar-13		31-Mar-12		31-Mar-11		31-Mar-10	
	%	No.	%	No:	%	No:	%	No:	%	No:
Women in Senior Civil Service (SCS)	50	65	49	81	54	70	55	66	55	**65**
Women in Top Management Positions (TMP)	50	15	43	12	40	10	54	15	55	**15**
Black and Minority Ethnic (BME) in SCS	8	10	4	<5	4	5	4	5	<4	**<5**
Disabled in SCS	6	10	5	5	<4	<5	<4	<5	<4	**<5**
Lesbian, Gay, Bisexual and Transgender in SCS (LGBT)	6	10	7	6	4	5	<4	<5	<4	**<5**
Women in feeder grades	50	360	53	632	55	460	54	395	55	**395**
BME in feeder grades	10	70	11	96	8	65	8	55	8	**55**
Disabled staff in feeder grades	8	60	10	66	6	50	7	50	7	**50**
LGBT in feeder grades	**6**	**45**	**5**	**31**	**4**	**30**	**4**	**30**	**3**	**25**

B16. The Department's approach to recruitment and promotion reflects its commitment to equal and fair opportunity for all. All recruitment processes comply with the *Equality Act 2010*. The Department uses the 'two ticks' Disability Symbol, showing it is an employer which has a positive attitude towards applications from disabled people. The Department also offers a Guaranteed Interview Scheme for all disabled applicants who meet the minimum criteria at sift/test stages. The Department actively supports the use of reasonable adjustments for all stages of the recruitment process as well as for objective setting and managing performance. We monitor declaration rates and actively promote declaration as a means to reducing barriers.

Consultancy and temporary staff

B17. Consultants are hired to work on projects in a number of specific situations: where the Department does not have the skills set required; where the particular requirement falls outside the core business of civil servants, or where an external, independent perspective is required. When used appropriately, consultancy can be a cost effective and efficient way of getting the temporary and skilled external input that the Department needs.

B18. Cabinet Office introduced controls on departments' spending in 2010 including spend on consultancy. The Department is fully committed to applying those controls consistently and robustly.

B19. All Departmental spend on consultancy requires completion of a business case which is signed off by a senior civil servant. Consultancy engagements below £10,000 are cleared by the Deputy Director with budget/delivery responsibility. Engagements between £10,000 and £20,000 are scrutinised and cleared by the Head of Procurement. For engagements over £20,000, the implications for Finance and HR must also be considered and approved, then signed off by the lead Efficiency Controls Minister. If these cases are also expected to last in excess of 9 months, or are for procurement related consultancy they are additionally scrutinised by Cabinet Office.

B20. The Department's outturn for consultancy expenditure in 2013-14 was £1.5 million, including ALB costs of £3,000 (2012-13: £1.5 million, including £12,000 NDPB costs). This expertise was mainly used to support the Academies and Free Schools programmes.

B21. The Department has contracts for the engagement of staff and specialist contractors' to cover short term requirements. Situations when resource may be hired include: to cover unexpected absences; short term peaks in workload; short term projects; or a permanent vacancy until the vacancy can be filled. As a result of the spending controls on recruitment introduced in May 2010, any use of contingent labour is subject to the efficiency controls process and requires Ministerial approval for recruitment to SCS equivalent grades, and Director General approval for grades below this. In 2013-14, the Department's outturn, excluding ATs, was £30.4 million (2012-13 £24.7 million).

Review of tax arrangements of public sector appointees

B22. As part of the *Review of Tax Arrangements of Public Sector Appointees* published by the Chief Secretary to the Treasury on 23 May 2012, departments were directed to publish:

- Information pertaining to the number of off-payroll engagements, at a cost of over £58,200 that were in place on, or after, 31 January 2012; and
- Any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2013 and 31 March 2014.

B23. The tables on the following pages set out this information.

Table 1: For all off-payroll engagements as of 31 March 2014, for more than £220 per day and that last for longer than six months

	Core Department	CAFCASS	OCC
No. of existing engagements as of 31 March 2014	**438**	**1**	**1**
Of which:			
No. that have existed for less than one year at time of reporting.	199	0	0
No. that have existed for between one and two years at time of reporting.	159	0	0
No. that have existed for between two and three years at time of reporting.	75	1	1
No. that have existed for between three and four years at time of reporting.	2	0	0
No. that have existed for four or more years at time of reporting.	3	0	0

B24. The table above should be read in conjunction with the following notes:

B25. The Department can confirm that all existing off-payroll engagements, outlined above, have, at some point, been subject to a risk-based assessment as to whether assurance is required that the individual is paying the right amount of tax and, where necessary, that assurance has been sought. However, 3 individuals in NCTL are currently having their tax status reviewed by HMRC, so are unable to provide assurance whilst that review is ongoing.

Table 2: For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2013 and 31 March 2014, for more than £220 per day and that last for longer than six months - excluding Academy Trusts:

	Core Department	CAFCASS	OCC
No. of new engagements, or those that reached six months in duration, between 1 April 2013 and 31 March 2014	**182**	**0**	**1**
No. of the above which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations	**182**	**0**	**1**
No. for whom assurance has been requested	**127**	**0**	**1**
Of which:			
No. for whom assurance has been received	**80**	**0**	**1**
No. for whom assurance has not been received	**47**	**0**	**1**
No. that have been terminated as a result of assurance not being received.	**0**	**0**	**0**

B26. The table above should be read in conjunction with the following notes:

B27. There have been no instances where the Department has engaged without including contractual clauses allowing it to seek assurance as to the tax obligations of its off-payroll engagements.

B28. Assurance had not been requested, as at July 2014, from:

- 2 individuals in ESD who worked for 8 days in the Department; both were assessed as being low risk;
- 4 individuals in EFA who left before the 6 month point in their contracts;
- 2 individuals in EFA who left before assurance was sought; and
- 42 individuals in EFA for whom assurance was to be sought in late 2014.

B29. Assurance had not been received, as at July 2014, from:

- 24 individuals engaged by NCTL; responses are currently being pursued - contracts for non-respondents will be terminated and those individuals referred to HMRC. However, three of those 24 are currently having their tax status reviewed by HMRC, and are unable to provide assurance until that review has been completed; and
- 20 individuals in EFA, for which responses were not yet due.

Table 3: For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2013 and 31 March 2014

	Core Department	CAFCASS	OCC
No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	**0**	**0**	**0**
No. of individuals that have been deemed "board members, and/or, senior officials with significant financial responsibility", during the financial year. This figure should include both off-payroll and on-payroll engagements.	**0**	**0**	**0**

Quarterly Data Summary

B30. The Quarterly Data Summary (QDS) is produced in support of the government's transparency agenda and is intended to make departmental management information held by the government available to the public on a regular basis. For the financial year 2013-14, the QDS has been revised and improved to provide a common set of data to enable comparisons of operational performance across government. The QDS breaks down the total spend of departments in three ways: by budget, by internal operation and by transaction.

B31. The information provided is not audited and cannot be easily reconciled to the figures in the Annual Return and Accounts, due to differences in definitions. The information is published regularly. An online tool to enable members of the public to interact with departmental accounting data, including data sourced from the QDS returns has been available since June 2013 using the Government Interrogating Spend Tool (GIST). GIST can be found at:
http://www.gist.cabinetoffice.gov.uk/oscar/2013-14/department-for-education

Annex C – Departmental statistics

Fire, health and safety

C1. The Department is committed to operating a best practice yet proportionate fire, health and safety (FHS) management system, recognising its importance for enabling an efficient organisation, by minimising unnecessary losses and liabilities.

C2. During 2013-14, the Department has:

- Strengthened its statutory compliance and Occupational Health and Safety management reporting tools enabling even more robust management of high risk areas;
- Delivered a consistent best practice Incident Control Procedure for the entire estate including retraining all Incident Control Teams and fire wardens;
- Introduced a new online accident reporting system and delivered an awareness campaign which has improved staff reporting of accidents and near misses;
- Acted as a key stakeholder for Civil Service Learning assisting the whole civil service in areas including Fire Safety, Risk Assessment Manual Handling and First Aid;
- Continued to reduce fire, health and safety risks associated with Departmental business activities; and
- Continued consultation on fire, health and safety issues with the Departmental Trade Union Side.

C3. The Department's reportable accident rate was 30 per 100,000 employees, which remains significantly lower than the Public Service average for 2012/2013 (latest available figures).

Personal data security

C4. 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.

C5. A 'personal data related incident' is defined as a loss, unauthorised disclosure or insecure disposal of protected personal data. 'Protected personal data' is data which the Department or its delivery partner hold whose release or loss could cause harm or distress to individuals, including as a minimum:

- information that links one or more identifiable living person with information about them whose release would put them at significant risk of harm or distress; and
- any source of information about 1,000 or more identifiable individuals, other than information sourced from the public domain.

C6. There were a number of protected personal data related incidents in 2013-14. None of these were judged to be significant enough to meet the criteria for formal reporting to the Information Commissioner's Office.

C7. The Department decided to inform the Information Commissioner's Office about one incident, which did not fall within the criteria for formal reporting.

C8. Protected personal data related incidents reported in 2013-14 are summarised in the table below. Incidents which do not fall within the criteria for reporting to the Information Commissioner's Office, but recorded centrally within the Department, are included. Smaller, localised incidents are not included.

Category	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured government premises	2
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured government premises	2
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	None
IV	Unauthorised disclosure	None
V	Other	1

The information contained in the table above only relates to personal data security for the Department and its executive agencies. We note that all incidents reported above related to the Department's executive agencies. The Department's NDPBs and other ALBs report personal data related incidents in their own statutory accounts.

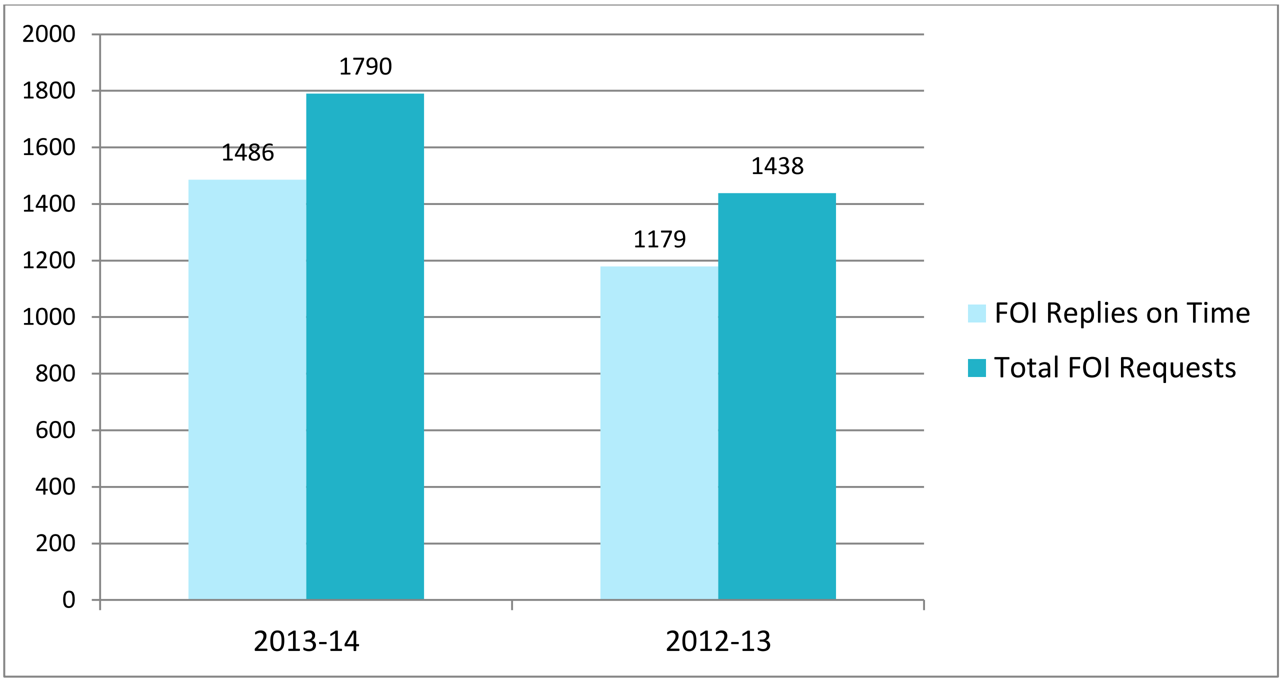
Departmental correspondence

C9. All government departments and agencies have published targets for answering correspondence. The Cabinet Office minimum target is for departments to reply to 95% of all correspondence within 20 working days. The Department has itself the more challenging target of replying to 95% of all correspondence within 15 working days

C10. In 2013-14, 84% of replies were sent within the 15 working day deadline. This is three percentage points lower than our performance in 2012-13. It was made up of: 14,052 Ministerial replies of which 9,076 (65%) were sent within the Departmental target; and 37,820 'Treat Officially' replies, sent by officials rather than Ministers, of which 34,321 (91%) were within the Departmental target.

C11. A programme of work to improve in all Department of State functions, including correspondence, is underway. We hope that this will result in year-on-year improvements from 2014-15.

C12. For Freedom of Information requests (FOIs), where the deadline is 20 working days:



83% of 1,790 FOIs were answered within deadline, compared with 82% of 1,438 FOIs in 2012-13. Overall, there was a 29% increase in FOIs between 2013-14 and 2012-13.

Communications, publicity and advertising

C13. DfE Communications Group continues to provide an efficient, effective and professional service focused on the Department's priorities. We have improved our digital and evaluation expertise during the year, and made changes to ensure that press office, campaigns and engagement teams are better integrated in support of the Department and, where appropriate, our executive agencies. During the year we have grown our Twitter presence (@educationgovuk) to attract more than 110,000 followers. Our internally produced films have also been well received, including our Amazing People YouTube series which highlights excellent practice in schools and children's services.

C14. We had 43.3 full-time equivalent staff in Communications Group on 31 March 2014, and we have made substantial savings overall by delivering work in-house, using low-cost social media channels and publishing digitally by default. Our external expenditure in 2013-14 was down to just over £500,000, as compared to central communications costs of around £1 million in 2012-13 and £12 million in 2011-12.

Payments policy

C15. The Department is legally required to pay correctly submitted invoices within 30 days of receipt from the day of physical or electronic arrival at the nominated address of the Department. In addition, it is practice for the Department to pay all correctly submitted invoices within 10 calendar days.

C16. During 2013-14, for the core Department and Executive Agencies, of all valid invoices received from suppliers*:

- 98.4% (2012-13: 99.1%) were paid within 30 calendar days of receipt; and
- 94.0% (2012-13: 95.8%) were paid within 10 calendar days of receipt.

* EFA figures do not differentiate between valid and invalid invoices; all received invoices are included in the statistics.

C17. The aggregate amount owed to trade creditors at 31 March 2014 compared with the total annual expenditure of the core Department and Executive Agencies (excluding staff costs), expressed as the number of days in proportion to the total number of days in the financial year, is 0.09 days (2012-13: 0.14 days).

C18. For the core Department, the proportion of valid invoices paid within 5 calendar days was 86.2%.

Complaints policy

C19. The Department's complaint policy and guidance on how to make a complaint can be found at: https://www.gov.uk/government/organisations/department-for-education/about/complaints-procedure

Guidance on how to complain about a maintained school, Academy or Free School and how the Department will consider your complaint can be found at:
https://www.gov.uk/complain-about-school

Complaints to the Parliamentary Ombudsman

C20. The Parliamentary and Health Service Ombudsman can look into complaints about a service provided by the NHS or a government department, agency or other organisation acting on their behalf providing that the body falls within its jurisdiction and that it has been referred to the Ombudsman by a Member of Parliament.

C21. The Department, its EAs and its NDPBs are included within the Ombudsman's jurisdiction, but few cases arise and few are taken to a full investigation. Partly, this is because cases which relate to local authorities and schools (where most of the services are delivered to the public) are outside the jurisdiction of the Parliamentary and Health Service Ombudsman.

Annex D – Environmental, social and community issues

Better regulation

D1. In line with the government's focus on the principle of reducing the overall burden of regulation a raft of measures has strengthened the deregulatory approach in both public and private sectors. Some key measures in place in the Department are set out below.

'One in, two out'

D2. Between 1 July and 31 December 2013, a period covering the Sixth Statement of New Regulation (in which departments list all new regulations that they have developed), the Department made regulatory changes with Equivalent Annual Net Costs to Business of £0.13 million per annum). These measures were designed to strengthen the adoption system, to streamline the approval process for foster carers, and to simplify the inspection requirements for holiday schemes for disabled children.

Impact assessments

D3. The Department submitted 16 Impact Assessments to the Regulatory Policy Committee (RPC) for an opinion between January and December 2013, of which 50% were rated as being 'fit for purpose' ('green' or 'amber' rating). The majority of the assessments for which the RPC opinion was a 'red' rating (not fit for purpose) were 'triage' assessments seeking approval for Fast Track clearance. The RPC gave a 'green' fit-for-purpose rating for most of these triage assessments when they were resubmitted.

Micro-business moratorium

D4. Of the eight regulatory measures coming into force during the period April 2013 to March 2014, seven were deregulatory and were therefore exempt from the Micro-business Moratorium. Whilst the eighth measure, relating to risk assessments of the safety of the location of children's homes before a new home is opened, may have affected some micro-businesses, the overall net cost to business per annum was estimated at £70,000 across hundreds of private and voluntary sector providers.

Sunsetting regulations

D5. All new regulations that have a significant impact on the business sector must include a clause allowing for their review at five years and/or removal at seven years after coming into force, unless a case is made for their retention. The Department has no regulations in scope at this time.

The Red Tape Challenge (RTC)

D6. The Red Tape Challenge is a cross-government initiative covering the private, voluntary and civil society sectors. Its objective is to minimise the regulatory burden by improving or scrapping as many relevant regulations as possible. Regulations in the Children's Services and Independent Schools theme were published on the RTC website in 2011. Since then, the Department has reviewed these regulations, with the aim of streamlining their requirements to make them less burdensome on the sector, and to make them more easily understood. For example, special educational needs measures will be improved and simplified as a result of reforms included in the *Children and Families Act 2014*. We consulted on new draft SEN regulations between October and December 2013 and revisions were laid in Parliament in summer 2014. The Department is committed to implementing all remaining agreed measures, subject to Parliamentary timescales, by the end of this Parliament.

Alternatives to Regulation

D7. Following the 2012 Analytical Review commissioned by the Secretary of State, the Department has rolled out a range of economics based courses to improve economic awareness in policy teams. They help policy teams to consider the possibility of alternative approaches, tools and methods. These popular courses have had positive feedback and are continuing. In addition, the Department's economists are delivering a version of the course for members of the Senior Civil Service.

Mainstreaming sustainable development

D8. As part of our cross-government commitment to sustainability, the Department continues to make progress in mainstreaming sustainable development, with the aim of strengthening our policy development and implementation. The Department works with the Department for the Environment, Food and Rural Affairs (DEFRA), the Department of Energy and Climate Change (DECC) and the Department for International Development (DfID) to balance its own interests with meeting cross-government, international and legal obligations.

D9. The Department's business plan, covering the period 2012-15, commits it to 'assess and manage environmental, social and economic impacts and opportunities in our policy development and decision making'. The Department remains fully committed to sustainable development and recognises the importance of preparing young people for the future. Research suggests that when schools adopt sustainability principles, it can raise standards and enhance young people's well-being. This is because sustainability engages young people in their learning, improving motivation and behaviour, and also promotes healthy school environments and lifestyles. We continue to believe that schools perform better when they take responsibility for their own improvement, and that schools should make their own judgments on how sustainable development should be reflected in their ethos, day-to-day operations and through education for sustainable development.

D10. The Department makes specific help available on sustainability for schools through the Departmental website. For example, the Top Tips on Sustainability in Schools suggests practical ways for schools to become more sustainable, should they choose to, whilst at the same time saving money. This help complements the work of organisations, including the Sustainable Schools Alliance, to encourage the take up of sustainable development in schools.

D11. School energy bills currently average over £86,000 a year for secondary schools and £13,000 a year for primary schools. The Group has invested £10 million for schools through the Salix Finance energy efficiency loans scheme, which allows public sector bodies to apply for an interest free loan to finance up to 100% of the costs of energy saving projects. This investment has provided loans to over 300 schools for energy efficiency projects, with projected lifetime savings of £23 million. Officials are also working with DECC on a package of energy efficiency measures, such as solar panels, to maximise opportunities across both departments so that schools can play their part in achieving the government's legally binding climate change targets.

Progress on Greening Government Commitments

D12. The Department is fully committed to operating an efficient estate and reducing the environmental impact of its operations and their associated costs. This is the fourth year that the Department has reported non-financial and financial indicators of its sustainability performance in its Annual Report and Accounts, following the HM Treasury guidance, *Public Sector Sustainability Reporting*, published at: https://www.gov.uk/government/publications/government-financial-reporting-manual-2013-to-2014.

The Department is reporting a full data set including its executive agencies and NDPBs. Sustainability data and delivery plans are also reported quarterly to DEFRA and the Cabinet Office.

D13. This section of the report is aligned to the Department's Greening Government Commitments (GGC) reporting. Therefore, since 2012-13, data has been amended from 2009-10 through to 2013-14 to include CAFCASS and Ofsted.

D14. From 2012-13, the Department has also voluntarily reported the impact of its international business travel. This ensures greater transparency and supports the central government requirement to offset emissions from ministerial and official air travel.

Targets and summary of 2013-14 performance

D15. Overall, the Department has continued to make strong progress towards meeting the GGC targets, while also reducing associated financial costs. Performance is set out in the tables on the following pages. Where the Department has already met a GGC target, further efficiencies will be sought if viable.

D16. The Department's sustainable operations delivery plans and targets are fully aligned to the GGC targets. Where the GGC framework has not set quantified targets for a specific area, the Department has defined its own stretching aspirational target, including a total estate water reduction target and a target recycling rate. These are detailed in relevant sections and in the table below.

Non-financial 2013-14 performance against key Greening Government 2015 targets, measured against 2009-10 baseline

	Reduce GHG (scope 1, 2 & 3 gross) Emissions by 25%	Reduce Total Estate Water Consumption by 25%	Reduce Total Waste Generation by 25%	Achieve Recycling Rate of 85%
Performance (2013-14 measured against 2009-10)	(38%)	(43%)	(67%)	71%
Pan-Government performance (2013-14 measured against 2009-10)	(20%)	(9%)	(22%)	N/A

D17. The Group has made considerable financial savings following the reduction in energy, water, UK business travel and waste disposal despite an increase in their real cost. Expenditure has been reduced by £2.7 million in 2013-14 compared to 2009-10 levels, the largest saving from energy consumption and from UK business travel amounting to £1.4 million and £1.2 million respectively.

D18. This financial information is derived from utility bills, waste disposal invoices, and travel costs combine staff travel claims and invoices from the Group's contracted travel service providers.

Direct financial benefits of the Group's Greening Government programme

	Energy	UK Business Travel	Waste Disposal	Water Use	Total £000
2013-14 cost vs. 2009-10	(1,388)	(1,214)	26	(107)	(2,682)

Greenhouse gas emissions

D19. The Group's targets for Greenhouse Gas (GHG) emissions:

- reduce GHG emissions by 25% by 2015 from a 2009-10 baseline from the whole estate and business-related transport; and
- reduce domestic business travel flights by 20% by 2015 from a 2009-10 baseline.

Greenhouse gas emissions summary

Greenhouse Gas Emissions		2009-10	2010-11	2011-12	2012-13	2013-14
Non-financial Indicators (tonnes CO_2e)	Total Gross Emissions for Scopes 1 & 2.	18,945	15,639	14,025	12,189	10,583
	Gross emissions attributable to Scope 3 official UK business travel	3,655	2,740	1,931	3,814	3,360
	Number of domestic air travel flights	727	818	370	507	424
Related Energy Consumption (mWh)	Electricity: Non-Renewable	29,103	25,451	23,360	19,704	5,027
	Electricity: Renewable	0	5	20	16	13,300
	Gas	16,503	11,433	9,281	10,389	8,947
	Steam	2,334	934	402	279	363
Financial Indicators (£000)	Expenditure on Energy	3,594	2,604	2,704	2,492	2,206
	CRC Licence Expenditure (2010 onwards)	n/a	0	0	80	95
	Expenditure on accredited offsets (e.g. GCOF).	0	0	0	0.8	0.1
	Total expenditure on official UK business travel	10,163	7,298	7,137	6,884	8,949
	Expenditure on domestic air travel	21	29	8	19	38

D20. The Department has continued to reduce its total in-scope gross GHG emissions through 2013-14, achieving a total 38% reduction since the 2009-10 baseline year. This is in addition to meeting the previous Administration's Sustainable Operations on the Government Estate (SOGE) carbon targets and exceeding the Prime Minister's target to reduce carbon emissions from offices by 10% over 12 months from May 2010, achieving a 21.5% reduction.

D21. The most significant aspects of the Department's GHG emissions are from electricity use, particularly ICT, and gas boilers, and delivery plans have focussed on these areas.

D22. Emissions reductions from energy use have largely been realised through low and no cost energy efficiency measures, estate rationalisation (by using space more efficiently, sub-letting vacant space and co-locating with other organisations), and by operating our remaining buildings even more efficiently.

D23. The core Department's electricity is purchased via the Government Procurement Service energy framework from renewable sources, and is therefore Climate Change Levy exempt.

D24. Although the Department has met the GGC GHG commitment, the Department is committed to continual improvement and delivery plans are regularly reviewed to identify further opportunities for cost-effective GHG reductions. This helps ensure that the Group's own operational emissions remain on track for meeting the targets set out in the *Climate Change Act 2008*.

D25. The Department strives to be an exemplar across central government and at the forefront of innovation and efficiency across its estate. Consequently, a number of our sites have research arrangements in place with local higher education establishments.

D26. In 2012-13 the Group achieved the Carbon Saver Gold Standard, which provides independent assessment of the Department's commitment to carbon management in order to make year on year carbon reductions, and came third in central government in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme performance league table.

Domestic business travel

	Domestic Travel Mode	2009-10	2010-11	2011-12	2012-13	2013-14
Non-financial Indicators (tonnes CO_2e)	Car	2,873	2,127	1,375	2,609	2,249
	Rail	660	547	493	1,127	1,058
	Taxi	29	25	13	11	13
	Other (Bus, tube, trams)	9	1	0	5	7
	Domestic Flights	84	41	49	61	33
	TOTAL	**3,655**	**2,740**	**1,931**	**3,814**	**3,360**

D27. The Department has worked hard to reduce the amount of business travel journeys and ensuring where travel is necessary this is undertaken by the most sustainable mode of transport. By replacing the need for a journey, utilising ICT solutions for communications and meetings, the Department has been able to demonstrate that good environmental governance also results in cost saving and value for money. The Group will continue to work to further reduce its domestic business travel, ensuring a modal shift to more sustainable modes of transport.

D28. The number of domestic air travel flights has been reduced by 42%, largely due to the Group's NDPBs and Executive Agencies, such as CAFCASS, introducing a requirement for Director-level authorisation before booking any domestic air travel. Tighter spending controls have influenced overall travel behaviour, along with a conscious emphasis onbehaviour change and a focus on technology to support travel avoidance, such as teleconferencing, is assisting in achieving this reduction.

International business travel

International Travel			2009-10	2010-11	2011-12	2012-13	2013-14
Non-financial Indicators (tonnes CO_2e)	International Business Travel	Flights	184	85	139	126	445
		Rail	0.4	0.4	0.8	0.6	0.01
Financial Indicators (£000)	International Business Travel	Flights	64	30	84	129	234
		Rail	5	5	15	11	0.3

D29. From 2012-13, the Group has chosen to publish its GHG emissions from international business travel as part of its transparency commitment. In 2013-14, international travel has increased significantly reasons for this are being investigated. Further awareness campaigns will be run to highlight smarter working practices and better use of ICT solutions.

Waste management

D30. The Group's targets for waste management:

- reduce the amount of waste generated by 25% from a 2009-10 baseline by 2015;
- cut paper use by 10% in 2011-12;

- implement a closed loop[4] recycled paper service;
- ensure that redundant ICT equipment is reused (within government, the public sector or wider society) or responsibly recycled; and
- recycle 85% of waste by 2015 (internal Departmental target).

Waste disposal summary

Waste			2009-10	2010-11	2011-12	2012-13	2013-14
Non-financial Indicators (tonnes)	Total waste [Minimum Requirement]		2,080	2,996	2,109	1,102	689
	Hazardous waste	Total	51	25	40	NK	NK
	Non-hazardous waste*	Landfill	321	211	229	231	169
		Total reused/recycled	1,646	2,697	1,779	627	452
		Composted/ Bio digestion	0	0	0	25	16
	Total ICT waste	Reused				56	20
		Recycled	9	13	19	24	1
	* Report if possible	Incinerated/energy from waste	66	37	27	140	32
		Incinerated without energy recovery	18	13	14	0	0
	Paper Procured	Total Reams	40,404	44,511	27,176	53,356	63,690
Financial Indicators (£000)	Total disposal cost [Minimum Requirement]		149	117	124	211	175
	Non-hazardous waste - Total disposal cost	Landfill	56	28	38	NK	NK
		Reused / Recycled	84	83	81	NK	NK
		Composted	NK	NK	NK	NK	NK
		Incinerated/ energy from waste	7	5	4	NK	NK
	Paper Procured	Total Spend	107	121	78	128	134

D31. Since 2012-13, the Department's waste performance has aligned with the GGC requirement, and the Group is now on course to exceed the commitment, reporting a total waste reduction of 67%. The high historic figures were due to large amount of printed publications becoming obsolete and disposed of due to machinery of government changes. A review of the Group's magazine subscriptions also identified opportunities to cancel unnecessary subscriptions, and to switch to digital versions where possible. The significant reduction is attributable to range of measures including; moving to digital printing by default, introducing multi-functional printers, including printing doubled sided, and undertaking awareness campaigns.

D32. The Department has also achieved a recycling rate of 71%, which includes reused, recycled and composted materials. This is supported by a policy of redeploying equipment where possible instead of disposing, and reusing or recycling all redundant ICT equipment.

D33. The Department has been working with its facilities management contractor to improve waste and recycling services, data accuracy, and consistency in terms of office recycling facilities across our property portfolio. Additional awareness campaigns will run throughout 2014-15 to further reduce waste arising and increase recycling rates.

[4] Closed loop system involves recycling confidential and non-confidential waste paper, and that very same paper having been recycled is supplied back to the department at a lower cost than standard recycled paper supplies.

D34. The Department adopted the cross-government closed loop paper recycling and supply framework in the summer of 2012, signed up to the WRAP/Defra voluntary food waste agreement, and is now developing waste management plans to help maintain high recycling rates and further reduce waste impacts.

Finite resource consumption – water

D35. Water efficiency targets include an internal target to reduce total consumption by 25% by 2015 from a 2009-10 baseline, and to report on office water use against the following GGC benchmarks:

- ≥6 m^3 water consumption per FTE poor practice;
- 4m^3 to 6m^3 per FTE good practice;
- ≤4m^3 per FTE best practice; and
- percentage of Departmental offices meeting the each benchmark.

Water consumption summary

Finite Resource Consumption - Water			2009-10	2010-11	2011-12	2012-13	2013-14
Non-financial Indicators (m^3)	Water Consumptio n	Office Estate	77,928	75,233	61,969	56,967	45,527
		Office Estate per FTE	7.6	7.5	8.2	7.7	5.8
		Whole Estate	91,225	82,469	68,927	63,745	52,218
Financial Indicators (£000)	Water Supply & Sewage Costs		231	249	218	181	124

Percentage of offices meeting benchmarks

	2009-10 Performance	2013-14 Performance
≥6m^3 Water consumption per FTE poor practice	61%	42%
4m^3 to 6m^3 per FTE good practice	28%	25%
≤4m^3 per FTE best practice	11%	33%

D36. Total water consumption has been reduced by 43% since 2009-10, primarily through leak reduction work and adopting more water efficient behaviours, with particular focus on water use in tea points, canteens and toilets, and cooling plant. This year a further 13% reduction has been achieved through reducing cistern flush volumes, installing flow controlling valves to taps, installing waterless urinals and reviewing cleaning practices. The reduction in water consumption is attributable to better management information from our ALBs, with data now based on actuals from invoices rather than benchmarked data.

D37. The Group has also increased the number of offices falling within good and best practice office water benchmarks from 39% to 58% since 2009-10 and is keen to further improve on this. To support this, the Group ran a water efficiency campaign through 2013-14, conducted water audits at all key sites and is currently trialling a number of water efficiency devices, before introducing these across the estate.

Sustainable procurement and progress with small and medium enterprises (SMEs)

D38. The Group has also been working with its suppliers to reduce the emissions of their goods and services, in particular with its facilities management providers. Where appropriate, sustainability clauses are being incorporated into all new contracts to help ensure suppliers are meeting the Government Buying Standards and supporting the Group's efficiency work. The Group has published an Environmental Procurement Policy with the aim of integrating sustainability factors into procurement activities and, in November 2012, a SME Action Plan.

D39. Embedding Sustainable Procurement within the Group, the Business Plan sets out to increase spending with SMEs to contribute to the government's aspiration that, by the end of the current Parliament, 25% of the value of its spend (direct or in supply chains) is spent with SMEs. The Department expects to exceed this target of the overall procurement spend through SMEs.

D40. DfE will be adopting the SID4Gov tool to report on our supply chain impacts. The tool will enable the Group to engage with suppliers, identify hot spots and potential risk areas in our supply chain and put processes in place to begin to address them. This tool supports the on-going work the Department has undertaken with key suppliers to improve and publish data on our supply chain impacts – setting detailed baselines for reducing these impacts.

Transparency commitments

D41. The Group also reports against a number of transparency commitments as part of GGC. Progress is summarised in the table below.

Summary table of transparency commitments

Transparency commitment	Action taken
Climate Change Adaptation (CCA): steps taken to adapt the estate to a changing climate	Sites located within flood risk areas are all registered with the Environment Agency for flood warnings in the event of any risk of flooding
	Sustainable operations policies include considering CCA in decision making – reviewed in response to Greening Government Commitments
	Robust business continuity plans in place to manage occurrences of extreme weather events.
	Climate resilient designs are incorporated in retrofit projects and new builds: rain water harvesting, green roof, heat recovery heating and ventilation systems
	Partake in annual Carbon Offsetting auctions to offset against the department's required travel
	Pledges support and involvement in Climate Week and other related campaigns
	Feed-in to a cross-government National Adaption Plan (NAP) published every 5 years (published July 2013). The plan sets out how the risks of future extreme weather events will be managed in relation to communities, built environment, businesses and local government
Biodiversity and Natural Environment: including action taken to promote, conserve and enhance biodiversity, including use of Biodiversity Action Plans or equivalent and the management of Sites of Special Scientific Interest	Sustainability toolkits have been developed for recording information related to project work and to assess the sustainable impacts of any given piece of work. These toolkits form a fundamental part of any project start up and completion.
	The Manchester site and the National College in Nottingham have green sedum roof which provides insulation, reduces heat emissions, reduces noise, and provides an array of ecological benefits.
	A number of sites conserve water and reuse through grey water recycling with varying sized grey water tanks collecting water from building roofs and being used to service toilet flushing.
	The Department operates within a closed loop recycling system which effectively means we recycle and reuse our own paper products reducing the need for use of natural resources, energy and water consumption, and in CO2 emissions, and reducing the requirement to use virgin materials for paper products.

Transparency commitment	Action taken
	Whilst the department goes through a period of office closure and moves we are actively engaged in ensuring that all furniture which is fit for use is redistributed for use across other sites, other departments or externally – we have a furniture strategy in place which identifies the processes and options available.
Procurement of food and catering services: including action taken within the context of overarching priorities of value for money and streamlining procurement, to encourage the procurement of food that meets British or equivalent production standards where this does not lead to an overall increase in costs; and to reduce the environmental impacts of food and catering services and support a healthy balanced diet	All food supplied is produced to UK or equivalent standards.
	All dairy products are Farm Assured and from UK sources.
	All eggs are Lion Branded and are sourced from enriched conventional cages as a minimum.
	British Farm Assured Red Tractor Accredited fresh meat and poultry. The Red Tractor range includes 39 individual fresh meat and poultry products and covers food safety, animal welfare, environmental protection, food origin, traceability and is an independent scheme.
	Menus are designed to reflect in-season produce and purchased locally where feasible to do so.
	All fish is Marine Stewardship Council eco-labelled.
	Over 50% of tea and coffee is either Rainforest Alliance or Fairtrade sourced or part of an ethical trade initiative. Coffee supplied by DCLG's contractors is UTZ certified.
	Produce locally sourced where possible to reduce food miles and to assist in supporting our local suppliers
	Food standards maintained through Service Level Agreements (SLAs) and Key Performance Indicators (KPIs).
Sustainable Construction: including the management of construction waste to best practice standards, the application of BRE's Environmental Assessment Methodology	The Group has developed a project sustainability toolkit which will be applied to all projects moving forward to ensure sustainability is integrated from the start. The toolkit will ensure any new build or major refurbishment valued over £500,000 meets BREEAM ratings of 'excellent' for new builds and 'very good' for major refurbishments. Where minor refurbishment work has been carried out complete Site Waste Management Plans are produced to detail all waste removed and recycled.
	As part of the Estates Rationalisation, the Darlington site was identified to be moved. The current building is in a poor state of repair and requires significant investment to tackle its defects and improve facilities. To bring it up to modern specifications would require significant capital investment which the Department does not believe provides best value for money. The best option proposed was to open a public sector hub site in the town centre. The facilities will offer the best combination of facilities, location and value for money. We are seeking management advice to reduce the environmental impacts of the design, construction and use of the building over its entire life cycle.
People: including for example, reporting on social and environmental assessment of office re-locations, and action taken to promote staff wellbeing	Sustainability Impact Assessments are undertaken to establish the benefits of major office relocations.
	The Group encourages all staff to complete an annual staff survey to gauge an understanding of staff wellbeing and morale, the survey results are internally published and senior management use the information to implement changes where it is highlighted improvements could be made.
	The Group encourages its employees to take up volunteering opportunities over a 5 day period to assist with continual professional development.
Environmental Management System (EMS): information on whether they have implemented an EMS such as ISO14001, EMAS or BS8555. This can include information on whether an	The Group operates an EMS modelled on ISO14001:2004.

Transparency commitment	Action taken
accredited certified EMS has been applied to the whole estate, or in selected buildings only, or plans for obtaining a certified EMS in the future.	

Governance

D42. The Group continually monitors its sustainability performance with monthly reports produced as part of its management reporting regime. Quarterly dashboards are produced for senior management which include performance updates against the GGC targets, key risks and any mitigation required. Robust data validation processes have has been developed to support both GGC and for both CRC Energy Efficiency Scheme reporting requirements.

D43. An independent audit of the Group's governance and procedures, methodology for capturing information, data processes and checks on the data and calculations of quarterly GGC returns were carried out on Defra's behalf by Carbon Smart. The report praised the Department, citing many examples of good practice.

D44. ***Note on calculations***: The vast majority of this section of the report has been compiled using accurately measured data, verified through internal controls. Where complete data sets have not been available, (for example through lack of granularity, or due to landlord service charges), internal benchmark figures have been applied based on known parameters and data sets.

Rural proofing

D45. We are reforming the school funding system so that it is fairer, more transparent and encourages greater choice for pupils and parents.

D46. For 2013-14 and 2014-15 we have made reforms to require local authorities to simplify the way in which they distribute funding to schools so that there as a greater focus on pupil numbers and pupil characteristics. This will mean that there is greater transparency and consistency in the way that funding is distributed.

D47. In order to ensure that authorities have enough flexibility to protect their small schools, the Group announced in June 2013 that local authorities will be able to apply a lump sum of up to £175,000. We also announced that local authorities would have the additional flexibility to set a different lump sum for all the primary schools in their area to the lump sum they set for the secondary schools in their area.

D48. In addition for 2014-15 we have given local authorities a new flexibility, the "sparsity factor", to target funding at small rural schools without which local children would have too far to travel to school.

Annex E – Data tables

E1. The tables below and on the following pages provide an analysis of Departmental expenditure in resource terms, showing resource consumption and capital investment. These tables reflect the priorities set out in the Department's Business Plan and are included in accordance with HM Treasury's guidance contained in PES (2013) 17.

E2. Tables 1 and 2 headings are based on the functions as set out in the Supply Estimate functions.

E3. Table 1: Total Departmental Spending – summarises expenditure on functions administered by the Department covering the period from 2009-10 to 2013-14, with future projections up to 2015-16. It is analysed in the same way as the Departmental Supply Estimates.

E4. Table 2 Estimates to Outturn - is complementary to Table 1 and shows 2013-14 Outturn figures against the original and final budgetary control totals.

E5. Table 3 Capital Employed - shows capital employed by the Department and also the net capital employed by its partner organisations to give a total figure for capital employed by the Group. The figures are taken from and follow the format of the Statement of Financial Position.

E6. Table 4 Administration Costs – provides a more detailed analysis of the administration costs of the Group.

E7. Table 5 Staff in Post – shows the staff numbers employed by the Group, analysed between the Department, its EAs and its NDPBs.

E8. Tables 6, 7 and 8 show analyses of expenditure by country and region.

Table 1: Total Departmental spending (£000)

	2009-10 OUTTURN	2010-11 OUTTURN	2011-12 OUTTURN	2012-13 OUTTURN	2013-14 OUTTURN	2014-15 PLANS	2015-16 PLANS
Resource DEL							
Activities to Support all Functions	302,794	248,819	256,474	331,466	273,726	258,770	234,811
School Infrastructure and Funding of Education (Department)	5,240,173	3,405,476	673,826	227,585	128,050	176,914	178,059
Education Standards, Curriculum and Qualifications (Department)	552,519	391,888	218,753	901,267	174,017	328,776	321,245
Education Standards, Curriculum and Qualifications (NDPB) (Net)	262,648	185,704	43,498	-	-	-	-
Children's Services and Departmental Strategy (Department)	2,227,835	247,896	376,484	2,581,569	296,200	427,625	410,795
Children's Services and Departmental Strategy (NDPB) (Net)	132,673	106,781	132,613	131,156	131,220	121,282	121,871
Standards and Testing Agency	-	-	14,699	35,269	42,270	51,018	48,383
National College for Teaching and Leadership	1,009,990	976,049	763,291	524,700	397,062	498.834	492,715
Education Funding Agency - Excluding Academies	39,683,106	43,016,640	41,683,563	37,154,258	37,931,522	37,845,190	36,682,164
Academies (Net)	-	2,008,557	6,118,241	10,189,439	12,619,302	14,889,771	16,168,122
Total Resource DEL	**49,411,738**	**50,587,810**	**50,281,442**	**52,076,709**	**52,013,369**	**54,598,180**	**54,658,165**
Of which:							
Staff costs	395,231	357,688	362,171	8,283,340	10,032,116	10,801,639	11,674,000
Purchase of goods and services	1,203,567	724,619	448,219	2,893,788	3,585,236	4,125,511	4,455,766
Income from sales of goods and services	(29,863)	(6,470)	(6,143)	(380,643)	(500,951)	(3,212)	(790)
Current grants to local government (net)	37,625,186	40,694,254	36,910,202	35,303,040	32,721,663	32,752,354	31,532,250
Current grants to persons and non-profit bodies (net)	3,101,832	8,087,250	11,615,848	4,905,734	4,576,982	4,993,888	5,005,744
Rentals	(6,531)	9,604	19,042	40,599	106,806	9,366	9,583
Depreciation 1	26,554	34,776	31,894	830,960	984,930	1,051,586	1,073,387
Other resource	7,095,762	686,089	900,209	199,891	506,587	867,048	907,525
Resource AME							
Activities to Support all Functions (Department)	(22,544)	13,558	63,634	63,627	(9,823)	(18,016)	(14,590)
Activities to Support all Functions (NDPB)	(7,630)	(60,663)	-	(1,434)	7,054	-	-
Executive Agencies	11	(3,628)	-	(3,601)	(799)	(1,106)	-
Academies (Net)	-	-	-	119,734	412,558	-	-
Total Resource AME	**(30,163)**	**(50,733)**	**63,634**	**178,326**	**408,990**	**-19,122**	**14,590**
Of which:							
Staff costs	-	(39,065)	-	122,946	354,035	-	-
Depreciation 1	344	2,969	1,028	4,367	65,055	-	-
Take up of provisions	23,389	20,904	97,465	102,619	16,914	-	-
Release of provision	(53,896)	(35,538)	(34,859)	(51,606)	-27,014	(19,122)	(14,590)
Other resource	-	(3)	-	-	-	-	-
Total Resource Budget	**49,381,575**	**50,537,077**	**50,345,076**	**52,255,035**	**52,422,359**	**54,579,058**	**54,643,575**
Of which:							
Depreciation [1]	26,898	37,745	32,922	644,668	1,049,986	1,051,586	1,073,387

	2009-10 OUTTURN	2010-11 OUTTURN	2011-12 OUTTURN	2012-13 OUTTURN	2013-14 OUTTURN	2014-15 PLANS	2015-16 PLANS
Capital DEL							
Activities to Support all Functions	60,198	23,895	13,155	(5,260)	2,381	15,140	15,680
School Infrastructure and Funding of Education (Department)				(10,643)	(4,956)	15,000	44,320
Education Standards, Curriculum and Qualifications (Department)				10,000	-	-	-
Education Standards, Curriculum and Qualifications (NDPB) (Net)	58,395	99,532	28	-	-	-	-
Children's Services and Departmental Strategy (Department)	606,905	566,700	138,884	39,731	(28)	-	-
Children's Services and Departmental Strategy (NDPB) (Net)	74	-	44	(1,173)	1,907	-	-
Departmental Unallocated Provision	-	-	-	-	-	-	-
Supported Borrowing (NDPB)	942,702	538,605	-	-	-	-	-
National College for Teaching and Leadership	1,038	2,182	1,580	455	-	-	-
Education Funding Agency - Excluding Academies	5,157,404	5,411,265	4,820,839	3,919,475	2,893,640	4,502,337	4,509,00
Academies (Net)	-	-	12,621	306,217	712,530	497,673	-
Total Capital DEL	**7,441,855**	**7,017,418**	**5,042,189**	**4,258,802**	**3,605,474**	**5,030,150**	**4,569,000**
Of which:							
Capital support for local government (net)	6,671,051	6,202,644	4,689,540	3,526,726	2,235,093	3,838,519	3,867,320
Capital grants to persons & non-profit bodies (net)	480,155	659,769	230,189	(106,033)	(649,343)	11,275	11,275
Capital grants to private sector companies (net)	-	-	-	(7,302)	81,815	663,818	686,000
Purchase of assets	73,199	23,629	14,855	2,226,555	2,442,404	516,538	4,405
Income from sales of assets	(3,041)	(259)	(37)	(26,405)	(89.449)	-	-
Net lending to the private sector and abroad	-	-	4,860	-	-	-	-
Other capital	220,491	131,635	102,782	(1,354,740)	(415,046)	-	-
Unallocated funds - capital	-	-	-	-	-	-	-
Total Capital Budget	**7,441,855**	**7,017,418**	**5,042,189**	**4,258,802**	**3,605,474**	**5,030,150**	**4,569,000**
Total Departmental spending	56,796,532	57,516,750	55,354,343	56,513,837	56,027,833	59,609,208	59,212,575
Of which:							
Total DEL	56,827,039	57,570,452	55,291,737	56,335,511	55,618,843	59,628,330	59,227,165
Total AME	(30,507)	(53,702)	62,606	178,326	408,990	(19,122)	(14,590)

[1] *Includes impairments*

E9. The basis for producing Tables 6, 7 and 8 is outlined following the respective tables.

E10. Depreciation in the table above also includes amortisation and impairment.

E11. Pension schemes report under IAS 19, and the pension figures include cash payments made and contributions received, as well as certain non-cash items.

E12. Total Departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME.

E13. Total Departmental staff costs within the table above differs from those published elsewhere in the accounts, because staff costs above include early departure costs and lump sum payments that have been presented elsewhere in the accounts.

E14. Total Departmental provisions within the table differ from those published elsewhere in the accounts, because the balances in the tables include costs arising from an NDPB pension scheme, which have been disclosed elsewhere in the accounts.

Table 2: Estimates to outturn, 2013-14 (£ 000)

	2013-14 Original Budget		2013-14 Final Budget		2013-14 OUTTURN	
	Resource	Capital	Resource	Capital	Resource	Capital
Spending in Departmental Expenditure Limits (DEL)						
Voted expenditure	**53,266,962**	**3,982,600**	**52,869,613**	**3,982,599**	**52,013,369**	**3,605,474**
Of which:						
Activities to Support all Functions	311,511	14,970	298,270	6,129	273,726	2,381
School Infrastructure and Funding of Education (Department)	174,185	301,297	176,894	80,083	128,050	(4,956)
Education Standards, Curriculum and Qualifications (Department)	353,564	-	183,118	-	174,017	-
Children, Young People and Families (Department)	435,355	-	315,099	-	296,200	(28)
Children, Young People and Families (NDPB) (Net)	127,276	-	127,276	-	131,220	1,907
Departmental Unallocated Provision	-	580	-	-	-	-
Standards and Testing Agency	45,517	-	45,581	-	42,270	-
National College for Teaching and Leadership	516,454	665	480,530	-	397,062	-
Education Funding Agency - Excluding Academies	38,154,047	3,356,134	37,982,337	3,456,573	37,951,522	2,893,640
Academies (Net)	13,149,053	308,954	13,260,508	439,814	12,619,302	712,530
Total Spending in DEL	**53,266,962**	**3,982,600**	**52,869,613**	**3,982,599**	**52,013,369**	**3,605,474**
Spending in Annually Managed Expenditure (AME)						
Voted expenditure	**(16,385)**	**-**	**242,508**	**-**	**408,990**	**-**
Of which:						
Activities to Support all Functions (Department)	(16,385)	-	-22,723	-	-9,823	-
Activities to Support all Functions (NDPB)	-	-	-881	-	7,054	-
Executive Agencies	-	-	-2,100	-	-799	-
Academies (Net)	-	-	268,212	-	412,558	-
Total Spending in AME	**(16,385)**	**-**	**242,508**	**-**	**408,990**	**-**
Total	**53,250,577**	**3,982,600**	**53,112,121**	**3,982,599**	**52,422,359**	**3,605,474**
Of which:						
Voted expenditure	53,250,577	3,982,600	53,112,121	3,982,599	52,442,359	3,605,474
Non-voted expenditure	-	-	-	-	-	-

Table 3: Capital employed (£000)

Assets and liabilities on the Statement of Financial Position at end of year:

	2009-10 OUTTURN	2010-11 OUTTURN	2011-12 OUTTURN	2012-13 OUTTURN	2013-14 OUTTURN	2014-15 PLANS	2015-16 plans PLANS
Assets							
Non-current assets	**153,947**	**166,218**	**162,695**	**330,210**	**313,394**	**261,668**	**261,668**
Intangible Assets	67,864	64,505	56,921	35,383	22,999	11,500	11,500
Tangible Assets:	59,001	74,732	73,996	283,788	278,260	237,768	237,768
Property, Plant and Equipment							
of which:							
Land and Buildings	*12,599*	*52,366*	*51,389*	*68,994*	*50,845*	38,502	38,502
Information Technology	*7,251*	*5,609*	*8,891*	*9,092*	*5,427*	4,500	4,500
Plant and Machinery	*81*	*57*	*44*	*45*	*30*	20	20
Fixtures and Fittings	*12,543*	*11,093*	*9,320*	*10,803*	*8,858*	6,800	6,800
Assets under Construction	*26,527*	*5,607*	*4,352*	*194,350*	*213,043*	187,946	187,946
Financial Assets	21,367	21,289	26,109	5,104	5,178	5,200	5,200
Trade and other receivables due after more than 1 year	5,715	5,692	5,669	5,935	6,957	7,200	7,200
Current Assets	**53,673**	**63,930**	**79,342**	**202,951**	**201,200**	**202,000**	**202,000**
Liabilities							
Current Liabilities	**(357,466)**	**(272,108)**	**(278,058)**	**(577,990)**	**(634,261)**	**(650,000)**	**(650,000)**
Provisions	**(25,837)**	**(36,427)**	**(92,037)**	**(187,418)**	**(176,619)**	**(148,963)**	**(148,963)**
Capital employed within the core Department	**(175,683)**	**(78,387)**	**(128,058)**	**(232,247)**	**(276,458)**	**(335,295)**	**(335,295)**
NDPB net assets	(339,777)	(118,452)	(27,463)	(64,020)	(460,273)	182	182
Academies Assets				24,972,598	30,351,346	32,197,933	32,197,933
Total capital employed in the Group	(515,460)	(196,839)	(155,521)	24,676,331	30,535,161	31,862,820	31,862,820

Table 4: Administration costs

	2009-10 OUTTURN	2010-11 OUTTURN	2011-12 OUTTURN	2012-13 OUTTURN	2013-14 OUTTURN	2014-15 PLANS	2015-16 PLANS
Resource DEL							
Activities to Support all Functions	209,624	196,741	219,449	281,825	240,289	223,280	202,280
Education Standards, Curriculum and Qualifications (Department) (Net)	75,963	63,556	19,254	-	-	-	-
Children's Services and Departmental Strategy (NDPB) (Net)	25,242	15,467	16,828	14.904	12,231	11,299	12,888
Standards and Testing Agency	-	-	3,752	5,534	5,570	5,316	4,930
National College for Teaching and Leadership	64,332	53,694	46,406	26,014	21,403	20,136	19,956
Education Funding Agency - Excluding Academies	20,303	80,463	68,246	59,330	80,383	74,372	64,033
Total administration budget	**395,464**	**409,921**	**373,935**	**387,607**	**359,876**	**334,403**	**304,607**
Of which:							
Staff costs	257,368	255,098	241,077	209,046	207,007	190.603	185,100
Purchase of goods and services	130,451	115,706	105,859	97,539	103,630	107,989	79,115
Income from sales of goods and services	(9,066)	(4,292)	(2,895)	(831)	(539)	(660)	(660)
Current grants to local government (net)	-	-	-	(32)	-	-	-
Current grants to persons and non-profit bodies (net)	-	14,069	13	-	(100)	-	-
Rentals	(72)	6,592	14,061	16,738	13,933	9,366	9,583
Depreciation	16,477	23,462	15,516	19,460	28,779	20,000	24,000
Other resource	306	(714)	304	45,687	7,166	7,105	7,469

Table 5: Staff numbers

	31 March 2012	31 March 2013	31 March 2014
Department			
Civil Service full-time equivalents	2,743	2,788	2,453
Non-payroll staff including consultants, contingent labour, interim managers, specialist contractors & agency staff	50	65	56
Sub total	**2,793**	**2,853**	**2,509**
Executive Agencies			
Civil Service full-time equivalents	86	1,181	1,159
Non-payroll staff including consultants, contingent labour, interim managers, specialist contractors & agency staff	-	104	158
Sub total	**86**	**1,285**	**1,317**
ALBs			
Civil Service full-time equivalents	3,425	1,684	1,717
Non-payroll staff including consultants, contingent labour, interim managers, specialist contractors & agency staff	222	96	80
Sub total	**3,647**	**1,780**	**1,797**
Academy Trusts			
Civil Service full-time equivalents	-	239,435	286,233
Non-payroll staff including consultants, contingent labour, interim managers, specialist contractors & agency staff	**-**	**11,873**	**14,252**
Sub total	**-**	**251,308**	**300,485**
Total Group	**6,526**	**257,226**	**306,108**

Table 6: Total identifiable expenditure on services by country and region, 2008-09 to 2013-14

Department for Education	2009-10 £m	20010-11 £m	2011-12 £m	2012-13 £m	2013-14 £m
North East	223	261	524	501	694
North West	595	695	1,410	1,538	1,750
Yorkshire and the Humber	452	530	980	1,144	1,403
East Midlands	384	449	791	987	1,472
West Midlands	468	547	1,066	1,353	1,660
East	493	578	1,021	1,543	2,017
London	654	770	1,568	2,105	2,485
South East	722	846	1,538	2,018	2,389
South West	452	527	911	1,487	1,734
Total England	**4,443**	**5,203**	**9,809**	**12,674**	**15,604**
Scotland	1	1	1	2	1
Wales	6	6	4	5	4
Northern Ireland	0	0	0	1	0
UK identifiable expenditure	**4,449**	**5,210**	**9,813**	**12,682**	**15,608**
Outside UK	3	4	4	3	3
Total identifiable expenditure	**4,453**	**5,215**	**9,817**	**12,684**	**15,611**
	-	-	-	-	-
Total expenditure on services	**4,453**	**5,215**	**9,817**	**12,684**	**15,611**

Table 7: Total identifiable expenditure on services by country and region, per head 2008-09 to 2013-14

Department for Education	2009-10 Outturn	2001-11 Outturn	2011-12 Outturn	2012-13 Outturn	2013-14 Outturn
	£ per head	£ per head	£ per head	£ per head	£ per head
North East	87	101	202	193	267
North West	86	99	201	218	247
Yorkshire and the Humber	87	101	186	216	264
East Midlands	87	100	176	217	322
West Midlands	85	99	192	241	294
East	86	101	176	263	342
London	84	97	194	257	299
South East	86	100	179	233	274
South West	87	101	173	280	325
Total England	**86**	**100**	**186**	**239**	**292**
Scotland	0	0	0	0	0
Wales	2	2	1	2	1
Northern Ireland	0	0	0	0	0
UK identifiable expenditure per head	**72**	**84**	**156**	**200**	**245**

1. The functional analyses of spending in **Table 8** are based on the United Nations Classification of the Functions of Government (COFOG), the international standard. The presentations of spending by function are not the same as the strategic priorities shown elsewhere in the report.

Table 8: Total identifiable expenditure on services by sub-function, country and region 2012-13
Data in this table are National Statistics

Department for Education	North East £m	North West £m	Yorkshire and the Humber £m	East Midlands £m	West Midlands £m	East £m	London £m	South East £m	South West £m	England £m	Scotland £m	Wales £m	Northern Ireland £m	Outside UK £m	Not Identifiable £m	Grand Total £m
Public order and safety																
Law courts	6	18	14	12	15	15	22	22	13	137	-	-	-	-	-	137
Total public order and safety	6	18	14	12	15	15	22	22	13	137	-	-	-	-	-	137
Education																
Pre-primary and primary education	3	8	6	5	7	7	10	10	6	61	-	-	-	-	-	61
of which: primary education	*1*	*3*	*2*	*2*	*2*	*2*	*3*	*3*	*2*	*20*	-	-	-	-	-	*20*
of which: under fives	*2*	*5*	*4*	*3*	*4*	*5*	*7*	*7*	*4*	*41*	-	-	-	-	-	*41*
Secondary education	620	1,527	1,247	1,337	1,494	1,849	2,226	2,126	1,582	14,008	-	-	-	-	-	14,008
Subsidiary services to education	3	8	6	5	6	6	9	9	5	57	-	-	-	-	-	57
R&D education	-	1	1	1	1	1	2	2	1	10	-	-	-	-	-	10
Education not elsewhere classified (n.e.c.)	56	170	116	100	123	123	195	198	113	1,192	1	4	-	2	-	1,199
Total education	681	1,713	1,376	1,449	1,630	1,986	2,441	2,344	1,708	15,328	1	4	-	2	-	15,335
Social protection																
Old age	1	2	1	1	1	1	1	2	1	12	-	-	-	1	-	12
of which: pensions	*1*	*2*	*1*	*1*	*1*	*1*	*1*	*2*	*1*	*12*	-	-	-	*1*	-	*12*
of which: personal social services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Family and children	6	16	12	10	13	14	20	20	12	124	-	-	-	-	-	124
of which: family benefits, income support and tax credits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
of which: personal social services	*6*	*16*	*12*	*10*	*13*	*14*	*20*	*20*	*12*	*124*	-	-	-	-	-	*124*
Social protection n.e.c.	-	-	-	-	-	-	-	-	-	3	-	-	-	-	-	3
Total social protection	7	18	14	12	15	15	21	23	13	138	-	-	-	1	-	139
TOTAL DEPARTMENT FOR EDUCATION EXPENDITURE ON SERVICES	**694**	**1,750**	**1,403**	**1,472**	**1,660**	**2,017**	**2,485**	**2,389**	**1,734**	**15,604**	**1**	**4**	**-**	**3**	**-**	**15,611**

Notes to the tables:

1. Tables 6, 7 and 8 show analyses of the Department's spending by country and region, and by function. The data presented in these tables are consistent with the country and regional analyses (CRA) published by HM Treasury in the November 2013 release. The figures were largely taken from the Online System for Central Accounting and Reporting (OSCAR) during the summer of 2013 and the regional distributions were completed by the following autumn (taking on board any revisions to departmental totals). Please note that totals may not sum due to rounding.

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

3. TES is a cash equivalent measure of public spending. The tables do not include depreciation, cost of capital charges, or movements in provisions that are in departmental budgets. They do include pay, procurement, capital expenditure, and grants and subsidies to individuals and private sector enterprises. Further information on TES can be found in Appendix E of PESA 2013.

4. The data feature both identifiable and non-identifiable spending:

- Identifiable expenditure on services – which is capable of being analysed as being for the benefit of individual countries and regions.

- Expenditure that is incurred for the benefit of the UK as a whole and cannot be disseminated by individual country or region is considered to be non-identifiable.

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

Annex F – Consolidation approach & methodology

Risks around the oversight of ATs and their consolidation into the Group

F1. The risk to the Group from failure of governance or financial control within academies and free schools remains and materialised in several high profile cases in year. Exposure has become more acute as the complexity and scale of the sector has increased. The Group and EFA have developed stronger knowledge of the types of delivery and financial risks in the sector and improved indicators and systems to identify and manage them. This should allow intervention to become more timely and decisive.

F2. We have set out below the key risks and issues from undertaking the consolidation of ATs. The approach taken considered each of these key risks as set out in the box below. Each of the approaches to the consolidation process was agreed by the ARC, project steering group and HMT. The approach is predicated on the fact that ATs are stable trading entities, with stable income and expenditure from year to year and few if any volatile assets. We therefore developed the 'proxy data' approach, based on the assumption that the 12 months trading September to August would be materially the same as the 12 month period for the following April to March. Pilots were run to test this assumption. The results have been assessed as being statistically valid but clearly demonstrate that, as the sector has grown, the close approximation of the two sets of data seen in 2012-13 is now showing increasing divergence. Discussions on this point can be seen at paragraph 5.82.

AT consolidation approach

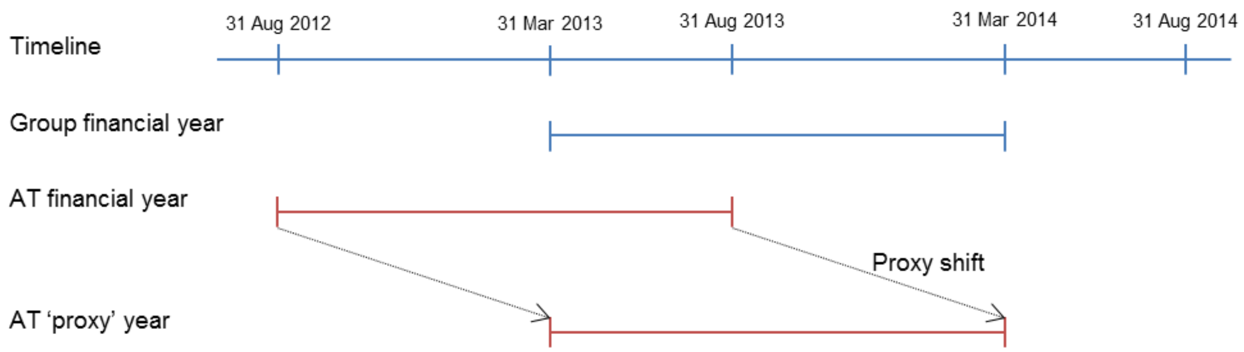
This section sets out the process by which the Group consolidated academy trusts' financial results for 2013-14.

The key issues we considered were:

- non-coterminous year ends (almost all ATs have a financial year-end of 31 August 2013);
- ATs with short and long accounting periods;
- ATs not producing accounts;
- valuation of land and buildings;
- valuation of ATs' liabilities associated with their membership of pension schemes;
- validation of accounts returns not based on AT statutory returns; and
- migration of ATs' opening balances from the previous year.

Our full accounting policies are at Note 1 of the accounts.

Non-coterminous year ends:



AT consolidation approach

For those 2,189 ATs that prepared audited accounts as at 31 August 2013 (academic year 2012/13) the Group has included the financial performance from those accounts as a representation of 2013-14. We have adopted this approach to avoid asking ATs to prepare a second set of accounts to 31 March 2014 and have these audited. This option remains under consideration because it would be a major contribution to reducing the approximations we make in using their results to 31 August. However, the improvements we may see from the preparation of a second set of accounts are not currently seen as outweighing the financial and administrative costs to ATs of preparing these accounts. This would be a great burden to academy trusts that we estimate might cost them £26 million.

In using ATs' results to 31 August, we rely on the assumption that for established ATs, the majority of their income and expenditure by month for the period 1 September 2012 to 31 March 2014 varies little. Hence, ATs' income and expenditure for the period from 1 September 2012 to 31 August 2013 will in most cases be materially similar to the period 1 April 2013 to 31 March 2014. This approach also assumes that AT balances for current assets and liabilities will be materially similar at 31 August 2013 and 31 March 2014.

The ATs' results at 31 August therefore serve as a proxy for their results to 31 March. The diagram above shows the proxy timeline.

Our approach is a radical departure to accounting practice that usually consolidates accounts to year-ends that are no more than three months apart. To provide evidence to support this approach, we commissioned a comparison study of data from 111 ATs and funded them for the additional costs of providing that evidence. Based on our comparison study, and other analysis, the Group is satisfied that this evidence provides a reasonable basis for consolidation.

Our use of the 'proxy' requires us to accept four principal estimates in presenting our accounts:

- for those ATs reporting to 31 August 2013, inevitable movements over time between income and expenditure totals for the year to that date, and current assets and liabilities at that date, compared to the totals and balances for the academy trusts had they reported to 31 March 2014;
- our pro-rate of the results into the Group's 2013-14 accounts of those ATs that opened during 2012-13 and prepared an accounts return to 31 March 2014;
- the degree of match between ATs' recording of the grants they received from the EFA in 2012/13 compared to our records of payment of grants to ATs for 2013-14; and
- differences between opening balances ATs reported to us at 31 August 2013, compared to their closing balances at 31 March 2013, for those ATs that prepared both returns.

Extrapolation of the proportional variances indicated by the comparison study to all academy trusts preparing accounts for the year ending 31 August 2013 suggest that the monetary variance would be £2.0 billion (3%); (2012-13: £1.2 billion (5%): across all financial transactions.

Consolidating ATs with long or short operating periods

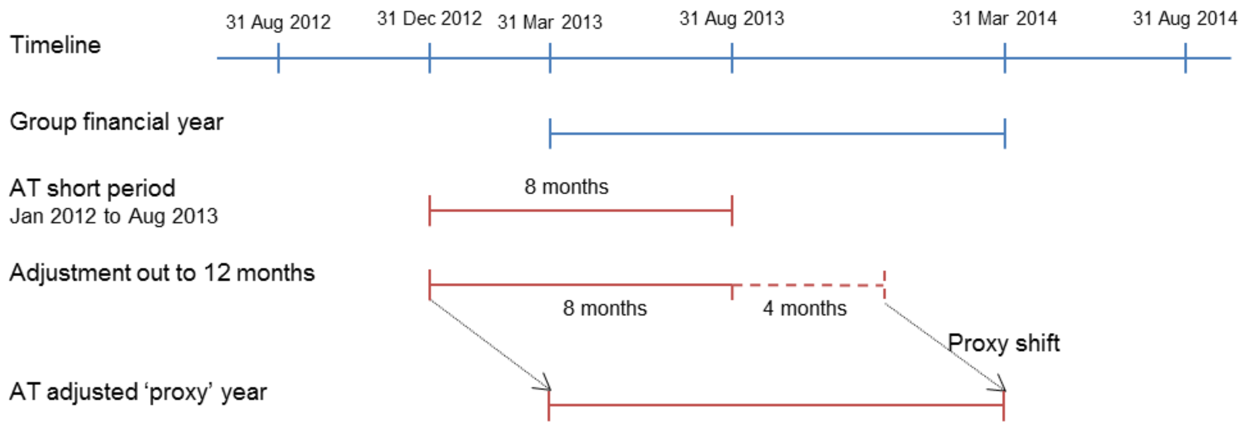
Some ATs produce accounts for fewer or greater than twelve months according to when they were incorporated and statutory limits to the length of a company's first set of audited accounts. We have adjusted up or down the results for those academy trusts with reporting periods other than twelve months to align their results to the twelve months to 31 March 2014 reported by the Group.

We obtained financial returns from new ATs' incorporation date to 31 March 2014; these returns set out key balances at that date, ensuring the accuracy of our disclosures of these balances.

Extending short-period AT reporting years

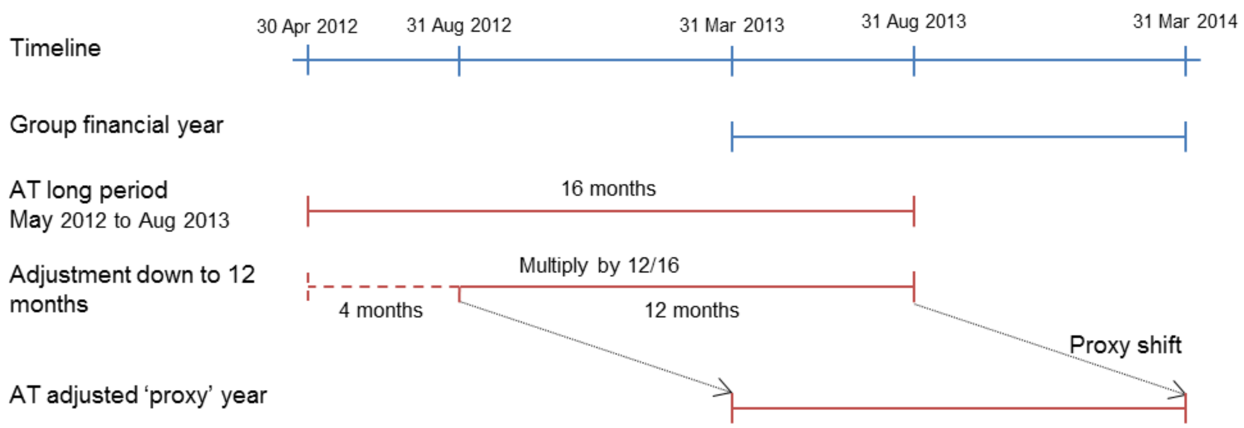
The diagram below illustrates how the Group has extended the results of ATs reporting short period accounts to 31 August 2013 out to up to twelve months.

AT consolidation approach



Reducing long-period AT reporting years

The diagram below illustrates how the Group reduces the results of ATs reporting long period accounts (more than twelve months) as at 31 August 2013 to align the results to the twelve months to 31 March 2014 reported by the Group.



ATs not producing accounts

Accounting standards prohibit the production of accounts of less than 6 months duration. In other cases, academies only became operational after 31 August 2013. We asked these ATs to produce an accounts return from their academies' opening dates to 31 March 2014. The returns are not audited; instead, they are validated in the same way as accounts returns produced by ATs that had produced statutory accounts.

Valuation of land and buildings

The value of ATs' land and buildings collectively dominate the Group's Statement of Financial Position. We face significant challenges in accounting for these land and buildings around issues of valuation, acquisition and disposal, impairment, indexation and recognition.

Valuation
ATs value their land and buildings using a wide range of methods; few of these methods comply with HM Treasury reporting requirements. We have therefore continued our approach of commissioning valuations of newly opening academies' land and buildings, with independent quality assurance of the valuations. Together with indexation of valuations we commissioned in previous years, we have a complete set of valuations using a method that complies with HM Treasury reporting requirements.

Acquisition and disposal
ATs acquired and disposed of land and buildings throughout 2013-14; they recorded these transactions in their 2012/13 accounts where prepared, or their 2013-14 accounts returns for newly opened ATs. We have used ATs' accounts to 31 August 2013 as a proxy for our financial year: these accounts do not include land

AT consolidation approach

and buildings transactions for the five months from 1 September 2013 to 31 March 2014. We have decided not to seek to include these transactions in our 2013-14 accounts by attempting to use information available to the Group outside ATs' 2012/13 accounts, on the grounds that any attempt would both be like to provide an incomplete record of transactions in that period, and would potentially lead to further inaccuracies within our proxy methodology.

This decision affects three groups of transactions:

- assets under construction at 31 August 2013;
- acquisitions between 1 September 2013 and 31 March 2014;
- disposals between 1 September 2013 and 31 March 2014.

A number of ATs were in the process of constructing buildings and developing land at 31 August 2013, often although not always funded by the Group. Some ATs brought assets into use between 1 September 2013 and 31 March 2014: the Group has accounted for these assets in its 2013-14 accounts as being under construction rather than as land and buildings in use. For those funded by the Group, our accounts include £210.7 million of assets at cost relating to 110 ATs.

A number of ATs acquired land and buildings between 1 September 2013 and 31 March 2014 and, appropriately, did not reflect these acquisitions in their 2012/13 accounts. Similarly a number of ATs appropriately did not reflect disposals of land and buildings between 1 September 2013 and 31 March 2014 in their 2012/13 accounts. The Group has not included these acquisitions and disposals in our 2013-14 accounts.

Impairment
The Group accounts include land and buildings valued as at 31 March 2012 in respect of the 1,665 ATs open at that date, and land and buildings valuations for the 443 ATs that opened during 2012-13.

ATs' land and buildings may suffer some degree of impairment that the ATs cannot address during the financial year. Where ATs reflect these impairments in their accounts for land and buildings recognised on their balance sheets, we include the impairments in the Group accounts.

In some cases, ATs may not have accounted for impairments, including where the AT has not recognised the value of land and buildings it considers others to own. We have not sought to recognise any such impairments within the Group accounts.

Recognition
Recognition of these assets in our accounts is contentious. We have chosen to recognise all ATs' land and buildings in our accounts based on our understanding of accounting standards. In doing so we cite the reality of ATs' use of these assets, the specialised nature of the assets and ATs' obligations to maintain their buildings.

The NAO did not agree with our accounting treatment for 2012-13 and continue not to do so. They consider we do not have evidence of who, in accounting terms, owns the assets. It would be very difficult to obtain robust evidence due to multiple factors relating to the complexities of legal ownership and variances in information available. As stated in evidence to the Public Accounts Committee in March 2014, an exercise to ascertain the legal ownership of academy-operated assets may cost £20-£40 million in the first year and between £5 million to £10 million each successive year. We do not consider these costs to be justifiable or to present value for money to the taxpayer.

For 2013-14, we have undertaken further research into AT land and buildings ownership; we have compiled a summary of owned assets as at 31 March 2014 and will repeat this for returns at 31 August 2014. However, while our summary aligns with ATs' accounts, we have not validated it, for instance by requiring ATs' auditors to report on the disclosures

For 2013-14 we consider that our inclusion of £31.7 billion of ATs' land and buildings in the Group accounts is most representative of the reality of ATs' access to these specialised assets at an acceptable cost of preparing our accounts.

AT consolidation approach

Pensions disclosures

The most significant liability on ATs' balance sheets is the net deficit in relation to their membership of the local government pension scheme (LGPS). ATs account under UK generally accepted accounting practice, specifically *Financial Reporting Standard 17: Retirement Benefits* (FRS 17), for pension scheme disclosures. The Group follows HM Treasury's *Financial Reporting Manual* (FReM) that requires adoption of international financial reporting standards, specifically *International Accounting Standard 19: Employee Benefits* (IAS 19). Following recent revisions to the two standards, there is little practical difference between valuations completed under both standards as at the same valuation date.

The Group considered the following significant issues in accounting for these deficits in its own accounts:

- only ATs preparing accounts to 31 August 2013 had valuations under FRS 17 as at 31 August 2013 that were available to the Group, as part of the process of preparing their accounts; and
- there may have been material changes in valuations completed at 31 August 2013 to 31 March 2014 under either standard.

To address these issues, the Group sourced our own IAS 19 valuations from actuarial firms providing pension valuations to the LGPS. The actuaries provided valuations in accordance with IAS 19 for all operational ATs as at 31 March 2014 using, where possible, a common set of assumptions. We have reviewed and agreed each key assumption.

Migration of AT opening balances

Due to the AT financial reporting regime and the use of the comparison study, there is the potential to double count some ATs' results. Where ATs do not produce accounts as at 31 August 2012, we required them to submit an unaudited return from incorporation to 31 March 2013. At August 2013, the AT then submitted an accounts-based return from incorporation to 31 August 2013. This August dated return was used to prepare the Group's 2013-14 accounts.

However, since both returns start from incorporation, the period from incorporation to 31 March 2013 would potentially be included in both the 2012-13 and 2013-14 Group accounts.

To remove the double counted results, we excised the period from incorporation to 31 March from the subsequent period's August return, thus reducing the 2013-14 submission to five months (April 2013 to August 2013). Applying the same logic to these short period accounts as for other short period submissions, we then scaled the five months up to the required twelve months to match the duration of the Group's reporting period,

This adjustment aligns the opening balances reported in an AT's second consolidation return submission with the closing balances reported in its first submission. This adjustment only applies to an ATs' second consolidation submission (supported by its first set of accounts), or for MATs when they open new academies between September 2013 and March 2014.

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

I certify that I have audited the financial statements of the Department for Education and of its Departmental Group for the year ended 31 March 2014 under the Government Resources and Accounts Act 2000. The Department consists of the core Department and its agencies. The Departmental Group consists of the Department and the bodies designated for inclusion under the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2013. The financial statements comprise: the Department's and Departmental Group's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

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

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

Basis for qualified opinion on regularity

Parliament authorised a Resource Annually Managed Expenditure Limit for the Department of £242,508,000. Against this limit, the Department incurred actual expenditure of £408,990,000, breaching the authorised limit by £166,482,000, as shown in the Statement of Parliamentary Supply. I have qualified my regularity opinion on the Department's financial statements in this regard.

Qualified opinion on regularity

In my opinion, except for the excess described in the basis for qualified opinion paragraph, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2014 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament; and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for adverse opinion on financial statements

As described in the accounting policies, the Department consolidated 3,905 academies using a number of data sources with different reporting periods. This has resulted in a level of misstatement and uncertainty that I consider to be material and pervasive to the group financial statements.

In addition, the Group has recognised academy trust land and buildings of £31 billion in its Statement of Financial Position. The audit evidence available to me was limited in respect of this balance because the Group was unable to demonstrate that these all met the recognition criteria for a non-current asset under International Accounting Standard 16 Property, Plant and Equipment.

Finally, I qualified my audit opinion in 2012-13 because I identified a material level of misstatement and uncertainty in the group financial statements. In addition, I have identified a material level of misstatements in the 2013-14 group financial statements that also relate to 2012-13. Therefore, I have qualified my opinion on the comparative figures in the group financial statements.

Adverse opinion on financial statements

In my opinion, because of the significance of the matters described in the basis for adverse opinion paragraph, the financial statements:

- do not give a true and fair view of the state of the Departmental Group's affairs as at 31 March 2014 and of the Departmental Group's net operating cost for the year then ended; and
- give a true and fair view of the state of the Department's affairs as at 31 March 2014 and of the Department's net operating cost for the year then ended; and have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

In respect solely of the matters referred to in the basis for adverse opinion paragraphs:

- adequate accounting records have not been kept; and
- I have not received all of the information and explanations I require for my audit.

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

- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

My report on these financial statements is on pages 86 to 94.

Sir Amyas C E Morse **16 January 2015**
Comptroller and Auditor General

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

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

Introduction

1. The Department for Education (the Department) is responsible for education and children's services. The Department sets policy and provides revenue and capital funding to Local Authorities, academies, free schools, further education colleges, sixth form colleges and other education providers. The Education Funding Agency (EFA) is the Department's delivery agency for funding and compliance.

2. As set out in my audit certificate I have qualified my audit opinions on the Department in the following respects:

- I have provided an adverse opinion on the group financial statements, concluding that they are not true and fair, and that the level of error I have identified is both material and pervasive; and
- I have qualified my opinion on regularity on the basis that the Department has exceeded the limit of resources voted to it by Parliament for Annually Managed Expenditure (AME).

3. I have also provided an adverse opinion on the EFA group financial statements concluding that they are not true and fair, and that the level of errors I have identified is both material and pervasive. This is because academies were consolidated into the EFA group financial statements.

4. This report provides more detail on the basis for my conclusions, actions taken by the Department following my qualification and report on the 2012-13 financial statements, and, where appropriate my recommendations for addressing the issues that I have identified through my audit.

5. My report also comments on the financial management challenges faced by the Department and the impact this has on HM Treasury's and the Department's ability to discharge their accountabilities to Parliament.

Adverse opinion arising due to the level of error and uncertainty in the financial statements

The challenges in producing the consolidated financial statements of the Department for Education

6. Since 2012-13, the Department's group financial statements have consolidated the financial statements of academy trusts, alongside those of the Department itself, its executive agencies and non-departmental public bodies. This followed a change in the accounting boundary of the Department which is determined by HM Treasury and set out in the Government Financial Reporting Manual (FReM). Whilst this provides greater transparency to Parliament of schools' spending, it has also greatly increased the complexity of the process of preparing the Department's financial statements. For 2013-14, there are 2,591 individual entities consolidated into the group financial statements. This includes 2,585 academy trusts operating 3,905 individual academies.

7. The consolidation of so many bodies is a complex and costly exercise. The Department estimates that it has cost approximately £12 million to prepare the 2013-14 group financial statements. This includes the cost of Departmental staff, the use of professional advisors and £7 million for academy trusts to prepare additional returns.

8. The Department and academy trusts have different financial reporting periods. Whereas the Department is required to produce its financial statements to a 31 March year end, academy trusts have a year end of 31 August which aligns with the academic year. International Financial Reporting Standards recognise that group financial statements may comprise bodies with different accounting periods but limits the allowable difference to three months. This gives rise to a significant challenge for the Department to prepare financial statements which provide a true and fair view of the financial activity for the period in question and the financial position at the end of that period.

9. The Department has chosen not to change academy trusts' reporting periods as they consider that a reporting period aligned with the academic year better serves the trusts themselves, or to request audited returns to 31 March because they consider the cost of preparing a second set of financial statements would be better spent on delivery of education. Instead, the Department has sought to prepare the group financial statements using the academy trust financial statements to 31 August, making adjustments using centrally collated information where necessary. In doing so it has sought to demonstrate that the results are not materially different from those that would be derived from audited returns to 31 March.

10. The Department has hypothesised that, due to the limited financial complexity of individual trusts, income and expenditure and the valuation of assets and liabilities included in the financial statements to 31 August 2013 would not be materially different to the position at 31 March 2014. To reduce any differences, the academy trusts' financial statements are supplemented by centralised valuations of land and buildings and Local Government Pension Scheme liabilities. In addition, for those academies that had recently opened and not yet produced financial statements, the Department requires these academies to produce un-audited returns to March which are then validated by the Department. This approach is summarised in Figure 1.

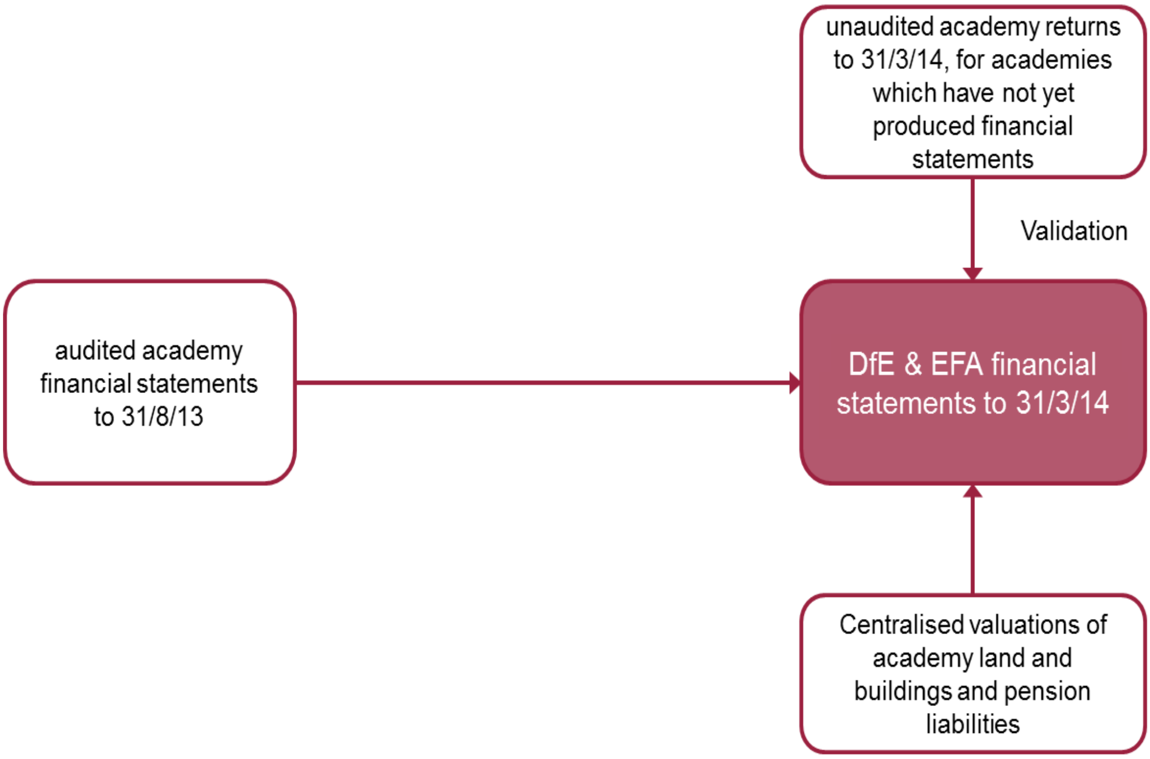


Figure 1: The Department's consolidation approach

11. This is the second year that the Department has followed this approach. My team have worked closely with the Department to understand the key assumptions underpinning their approach and to design an audit approach to test the reasonableness of these assumptions. For 2012-13, I qualified my opinion on certain aspects of the group financial statements. I also noted that growth in the academies sector might mean that the approach would not hold for future reporting periods and recommended that the Department and HM Treasury consider the long term sustainability of this approach.

12. I am pleased to note that the Department has made improvements to aspects of the consolidation process which include:

- Improvements to the timeliness of returns received, having only 22 academy trusts not providing information compared to 123 last year.
- Refining and improving the risk based approach to validate data that is received from academy trusts.
- Obtaining greater detail on academy trusts' pension liabilities, which has removed a source of error I identified in 2012-13.

13. The Department has also utilised the audited academy trust financial statements it has collected for other purposes, including assessing academy trusts' financial health and obtaining assurance that the expenditure they have incurred is regular.

14. However, with the number of academies growing by a further 1,082 during the year and increasing the impact of the academies consolidation on the overall group financial statements, I have concluded that the approach adopted by the Department does not give a true and fair view of the financial performance or position of the Group in the year ended 31 March 2014. Furthermore, the approach does not provide the accountability to Parliament that is intended by the inclusion of academy trusts within the Departmental accounting boundary. In reaching this view on the group financial statements, I note that I have not

identified material inaccuracies in the underlying financial statements of the individual bodies making up the group (the Department, its executive agencies, non-departmental public bodies, and the academy trusts).

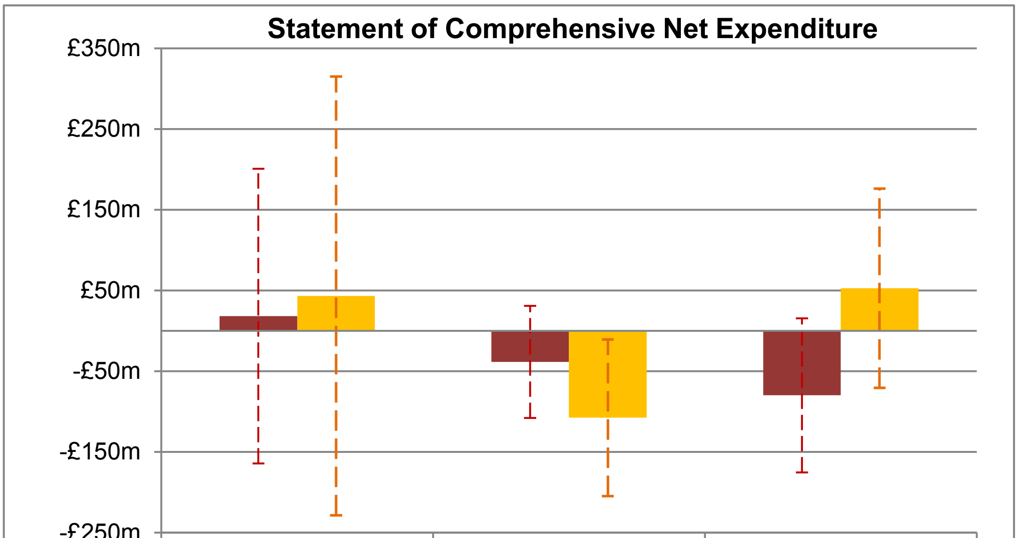
Findings from my audit of the consolidation process

15. My opinion that the group financial statements do not provide a true and fair view was informed by three principal causes of error:

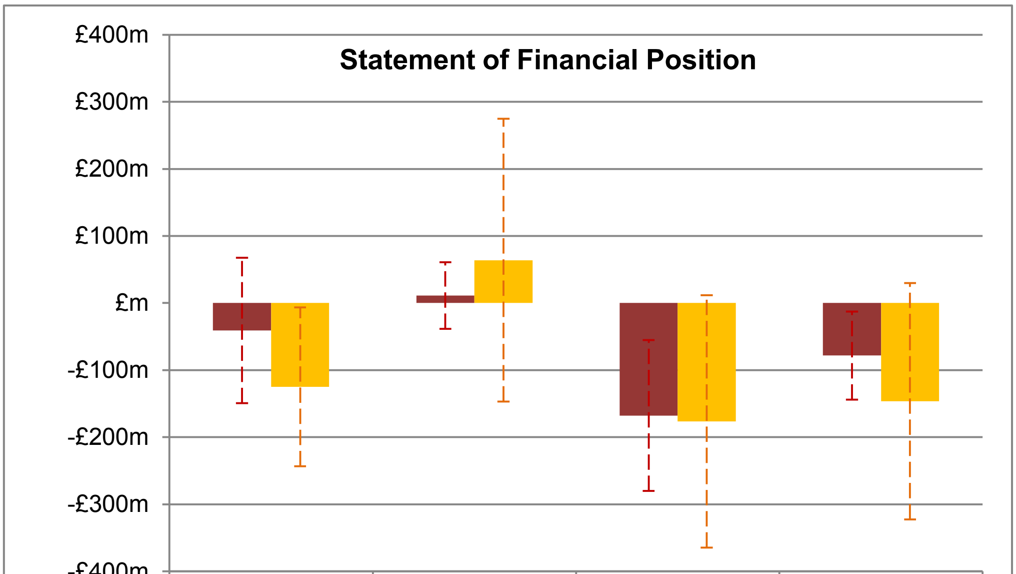
1) Increasing divergence between academy trusts' financial position at 31 August and 31 March

In line with the approach adopted for 2012-13, the Department undertook a comparison exercise during the year to demonstrate the hypothesis that the transactions and balances of academy trusts at 31 August 2013 were not materially different to the position at 31 March 2014. This comparison exercise involved a sample of academy trusts providing audited financial returns for the year to March 2014 to compare to the audited financial statements for the period to August 2013. The exercise shows an increasing divergence compared to the prior year, largely as a result of the increasing number of academies opening and being consolidated in to the Department's financial statements.

Using the results of this exercise, I have estimated that the net impact on the Statement of Financial Position of using academy trust data from August is to understate net assets by £384 million at 31 March 2014, but this could be as high as £738 million. I estimate that the most likely impact on income is to understate it by £43 million but this could be as high as £315 million and on expenditure to overstate by £55 million, but this could be as high as £270 million. Figure 2 shows the levels of error I have identified as a result of the use of academy trust financial statements at 31 August 2013 compared to the impact of errors identified in the 2012-13 group financial statements:



	Income	Staff Costs	Other costs
2012-13	£18m	-£39m	-£80m
2013-14	£43m	-£108m	£53m



	Non-current Assets	Other Current Assets	Cash	Current Liabilities
2012-13	-£41m	£11m	-£168m	-£78m
2013-14	-£125m	£64m	-£176m	-£147m

Figure 2: Estimated most likely difference between the academies sector at August and March in the 2012-13 and 2013-14 Departmental group financial statements and the upper and lower limits for this estimate

2) Errors arising from the consolidation of financial statements to 31 August

Consolidating returns with a seven month difference in reporting periods introduces significant errors in the consolidation process, which include:

- The EFA, on behalf of the Department, awards grants to academy trusts. The grants will be shown as expenditure in the financial statements of EFA and income in the financial statements of individual academy trusts. In preparing the group financial statements, these grants should be eliminated to avoid, for example, double counting expenditure made by academy trusts but funded through grant from the EFA. I found that, due to the different reporting periods, there is significant difference in the grants recognised as being paid by the EFA for the period to March 2014 and the grants recognised as being received in the approximation of academy trust financial information. This has resulted in un-eliminated grants of £92 million in relation to revenue grants and £1,019 million in relation to capital grants. I note that this does not represent missing or misappropriated grant but is a consequence of the consolidation methodology adopted and a cause of error in the group financial statements.

- I estimate that between September 2013 and March 2014, at least £214 million of assets have been brought into use by academies which are not recognised in academy trust financial statements to August 2013, and therefore excluded from the Department's financial statements.
- The Department has had to create journals to ensure the internal consistency of their financial statements. This has resulted in an unsupported adjustment of £478m to balance the financial statements.

3) Inconsistencies with prior year returns

Under the approach adopted by the Department for 2012-13, 714 academies, which had not yet produced audited financial statements, produced unaudited returns to 31 March 2013. These academies have now prepared audited financial statements to 31 August 2013 which have been consolidated into the 2013-14 financial statements.

By comparing the audited accounts to 31 August 2013 to the un-audited returns to 31 March 2013, I have determined that the Department overstated academies income and expenditure by £387m for the period to 31 March 2013 reported within the Department's 2012-13 financial statements. The income and expenditure reported in the Department's 2013-14 financial statements is therefore understated by the same amount. This finding undermines the use of unaudited returns, which is a key aspect of the Department's consolidation approach.

In addition, under the approach adopted, the Department has used the transactions for the five month period between 1 April 2013 and 31 August 2013, derived by subtracting the transactions reported in the unaudited returns to 31 March 2013 from those reported in the audited accounts to 31 August 2013, and extrapolated them to provide an estimate of the twelve month period income and expenditure to March 2014. Whereas the Department undertook a comparison exercise to test the validity of the use of academy trust accounts to 31 August as a proxy for the year to the end of March, the Department has not been able to conduct a similar exercise to test the validity of this estimate. Therefore, they have not provided me with robust evidence to support the £2,003 million of income and £1,860 million of expenditure consolidated on this basis, although the resulting error in the financial statements is likely to be much smaller.

16. Based on the level of error above I consider that the Department's financial statements do not give a true and fair view of the state of the group's affairs as at 31 March 2014 and of its net expenditure for the year then ended. I consider this error to affect all academy transactions and balances reported in the financial statements except academies' Local Government Pension Scheme liabilities. Accordingly I have given an adverse opinion.

17. The errors that I have identified undermine two key aspects of the Department's chosen consolidation approach (the use of August financial statements and un-audited March returns) and I have considered the implications of this on the long term future of this consolidation below.

Qualification of my opinion - regularity

18. A primary objective of preparing consolidated financial statements is to provide accountability to Parliament for the financial activity it has approved for the year, which includes the financial activity of academy trusts, and to present a national balance sheet that feeds into the Office for National Statistics' National Accounts. The Statement of Parliamentary Supply shows how the monies authorised by Acts of Parliament have been applied, including outturns against a series of annual limits on the net expenditure which each department may not exceed and on the total cash each department can use. Where these limits are breached, I qualify my regularity opinion on the financial statements.

19. The 2013-14 Statement of Parliamentary Supply shows that the Department had a net Resource Annually Managed Expenditure Limit of £243 million and an outturn of £409 million. This is, therefore, a breach of the Annually Managed Expenditure Limit control total and I have qualified my opinion in this regard.

20. Academy trusts have some discretion in how they use the funds provided to them by the Department; they have freedom to determine their spending profiles and carry forward unspent grant. This represents a financial management and accountability challenge to the Department and HM Treasury's ability to manage in-year resources and make appropriate financial decisions including accurate forecasting and resource requests. This challenge is compounded by the fact that the Department does not have in-year information on the forecast spend of academy trusts. Consequently, the Department was unable to determine whether or not it had remained within its control totals until the end of November, almost eight months after the financial year end.

21. The sector outturns reported in the Statement of Parliamentary Supply highlight the weaknesses in the Department's ability to forecast spend accurately for the group. The Department underestimated the increases to pension costs for CAFCASS, those academies that were included in the group as at 1 April 2013, and those schools that converted to academy status during the 2013-14 year by £104 million. In addition, depreciation and impairment costs incurred by academies were £50 million higher than anticipated and expected releases of provisions of £12 million within the Group did not arise. These factors resulted in the Department breaching the Resource Annually Managed Expenditure Limit by £166 million.

22. The Statement of Parliamentary Supply also shows a £856 million underspend against the Resource Departmental Expenditure Limit of £52,870 million and a £377 million underspend against the Capital Departmental Expenditure Limit of £3,983 million. The Department does not fully understand all the causes for the underspend against Departmental Expenditure Limits, but considers that approximately £1,128 million (91%) arises either directly from academies, for example through retention of grant as cash to fund future capital expenditure as they are entitled to do under the financial framework within which they operate; or indirectly through the methodology applied to consolidate the results of the academies within the group financial statements.

23. I note that the Department has increased the transparency of academy spend through the publication of individual academy trust financial statements online. However, the current methodology adopted by the Department to consolidate these individual academy trust financial statements creates a high degree of uncertainty in reporting the results of the academy trust sector as a whole. The Statement of Parliamentary Supply as presented does not report the impact of the level of error and uncertainty within the income and expenditure which has led to my issue of an adverse opinion on the financial statements. This limits the ability of Parliament to identify the actual spend by the academies sector for the year in question.

24. With an increasing population of academies and the levels of uncertainty in reported data, the financial management limitations will continue in the near future under the current consolidation

methodology. The Department and HM Treasury will need to consider how best to address these risks and limitations to ensure they are meeting the accountability requirements of Parliament.

Update on issues raised in my 2012-13 Report

Progress made against previous qualification on regularity

25. I qualified my regularity opinion on the Departmental group financial statements for 2011-12 and 2012-13. This qualification was made on the basis that the Department's control framework was not sufficiently well designed to identify whether academy trusts had complied with all aspects of HM Treasury's Managing Public Money.

26. In my 2012-13 report, I stated that the Department and EFA had subsequently designed a suitable assurance framework over regularity, consisting of the audit opinions from academy trust auditors coupled with the other work the EFA undertakes to evaluate and investigate compliance.

27. I have reviewed the findings of academy trust auditors and contacted a sample of audit firms to discuss their work on regularity. I am content that these audits were conducted to identify any irregularity that would be material to the Departmental group financial statements.

28. I am therefore pleased to report that the Department's revised process has operated as expected and enabled me to provide an unqualified opinion on regularity of academy trust expenditure.

Land and buildings

29. In 2012-13 I qualified my audit opinion in respect of the valuation of land and buildings held by academy trusts. Academy trusts are charitable companies, meaning that financial statements are prepared in accordance with the charity accounting framework. One area of difference between this financial reporting framework and that of the Department relates to the recognition of land and building assets. The Department has made an assumption that all land and buildings used by academy trusts should be capitalised within the group statement of financial position. This may not comply with the requirements of the International Accounting Standards, for example where buildings are occupied on a short term lease.

30. The Department does not have robust data to demonstrate that this assumption is appropriate. As a result, I cannot determine the extent of land and buildings assets that are erroneously capitalised in the consolidated statement of financial position.

31. I raised concerns in my report on the 2012-13 financial statements that I do not believe that the Department will be able to resolve this issue for a number of years. The Department has stated that collecting the required information would be very costly (£20 million to £40 million to collate the necessary data and a further £5 million to £10 million a year to keep these data current) and therefore they have decided not to collect the information on value for money grounds.

Opening balances

32. In 2012-13, I limited the scope of my opinion because the Department was unable to demonstrate the accuracy of the balances transferred on 1 April 2012 in respect of academy trusts open at that date.

33. In 2013-14, the Department has materially reconciled the balances reported at 31 March 2013 to the balances at 1 April 2013. However, a number of the errors I have described above have a material impact on the transactions and balances in both 2012-13 and 2013-14.

The future

34. This is the second year that the Department has prepared consolidated financial statements including academies. Of the four qualifications to my audit opinion in 2012-13, three remain in 2013-14 and the level of error I have identified has increased. In 2012-13, I made the following recommendations to the Department:

- The Department and the EFA should engage with HM Treasury to consider the long term sustainability of this approach to reporting financial performance in the academy sector.
- Regarding the land and buildings recognition qualification, I recommend that the Department and EFA work with HM Treasury to seek a solution to identify the school estate and appropriate accounting at the Whole of Government Accounts level.
- The Department, through EFA, should develop the accuracy of forecasting by academy trusts. The Department and EFA should also strengthen their analytical capability to maximise their use of the data provided by academy trusts to monitor financial sustainability within the sector and to inform their resource requirements and financial forecasting.

35. Even though the Department has made a number of improvements to the consolidation process, I do not believe based on the evidence I have, that the current methodology is capable of producing financial statements that present a true and fair view and which meet the accountability requirements of Parliament. In particular, the volume of individual academy trusts and the difficulties in consolidating so many bodies with different reporting periods are challenges I do not believe the Department can address without a significant change in approach.

Recommendation

36. I therefore reiterate my previous recommendation that the Department and HM Treasury work together to identify a solution. HM Treasury should consider alternatives which provide more robust information for use in their fiscal modelling and the Whole of Government accounts.

Sir Amyas C E Morse
Comptroller and Auditor General

16 January 2015

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

Consolidated Statement of Parliamentary Supply

for the year ended 31 March 2014

Summary of resource and capital outturn 2013-14

								2013-14	2012-13
		Estimate			Outturn			Voted Outturn compared with Estimate: saving/ (excess)	Outturn
	Note	Voted £000	Non-Voted £000	Total £000	Voted £000	Non-Voted £000	Total £000	£000	Total £000
Departmental Expenditure Limit									
- Resource	S2	52,869,613	-	52,869,613	52,013,369	-	52,013,369	856,244	52,076,709
- Capital		3,982,599	-	3,982,599	3,605,474	-	3,605,474	377,125	4,258,802
Annually Managed Expenditure									
- Resource	S2	242,508	-	242,508	408,990	-	408,990	(166,482)	178,326
- Capital		-	-	-	-	-	-	-	-
Total		**57,094,720**	**-**	**57,094,720**	**56,027,833**	**-**	**56,027,833**	**1,066,887**	**56,513,837**

Total Resources		**53,112,121**	**-**	**53,112,121**	**52,422,359**	**-**	**52,422,359**	**689,762**	**52,255,035**
Total Capital		**3,982,599**		**3,982,599**	**3,605,474**	**-**	**3,605,474**	**377,125**	**4,258,802**
Total		**57,094,720**	**-**	**57,094,720**	**56,027,833**	**-**	**56,027,833**	**1,066,887**	**56,513,837**

Net cash requirement

	2013-14	2013-14		2012-13
Note	Estimate £000	Outturn £000	Outturn compared with Estimate: saving/(excess £000	Outturn £000
S4	**56,053,842**	**55,846,551**	**207,291**	**56,093,328**

Administration costs

	2013-14		2012-13
Note	Estimate £000	Outturn £000	Outturn £000
S3.2	**378,702**	**359,876**	**387,607**

Figures in the areas outlined in bold are voted totals subject to Parliamentary control. In addition, although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

The Department has incurred an Excess of £166,482 million mainly as a result of £96 million movement for an increase in the deficit of the LGPS pension liability for academies, and £50 million relating to academy asset impairment and depreciation. Further details on the Excess are provided within the Governance Statement (paragraph 5.78).The Department will seek Parliamentary approval by way of an Excess Vote in the next Supply and Appropriation Act.

Explanation of variances between Estimate and Outturn are given in the Management Commentary.

The notes on pages 96 to 102 form part of these accounts.

Notes to the Accounts (Statement of Parliamentary Supply)

S1. Accounting policies

The Statement of Parliamentary Supply (SoPS) and supporting notes have been prepared in accordance with the 2013-14 *Government Financial Reporting Manual* (FReM) issued by HM Treasury (HMT). The Statement of Parliamentary Supply accounting policies contained in the FReM are consistent with the requirements set out in the 2013-14 *Consolidated Budgeting Guidance* and *Supply Estimates Guidance Manual*.

S1.1 Accounting convention

The SoPS and related notes are presented consistently with HMT budget control and Supply Estimates. The aggregates across government are measured using National Accounts, prepared in accordance with the internationally agreed framework *European System of Accounts* (ESA95). ESA95 is in turn consistent with the *System of National Accounts* (SNA93), which is prepared under the auspices of the United Nations.

The budgeting system, and the consequential presentation of Supply Estimates and the SoPS and related notes have different objectives to IFRS-based accounts. The system supports the achievement of macro-economic stability by ensuring that public expenditure is controlled, with relevant Parliamentary authority, in support of the government's fiscal framework. The system provides incentives to departments to manage spending well so as to provide high quality public services that offer value for money to the taxpayer.

The government's objectives for fiscal policy are set out in the *Charter for Budget Responsibility*. These are to:

- ensure sustainable public finances that support confidence in the economy, promote intergenerational fairness, and ensure the effectiveness of wider government policy; and
- support and improve the effectiveness of monetary policy in stabilising economic fluctuations.

S1.2 Comparison with IFRS-based accounts

Many transactions are treated in the same way in National Accounts and IFRS-based accounts, but there are a number of differences.

S1.3 PFI and other service concession arrangements

The National Accounts basis for recognising service concession arrangements is broadly similar to UK-GAAP, applying a risk-based test to determine the financial reporting. IFRS-based recognition of service concession arrangements (IFRIC 12) is determined using control tests, which can result in a different on/off balance sheet treatment.

S1.4 Capital grants

Grant expenditure used for capital purposes is treated as capital (CDEL) in the SoPS. Under IFRS, as applied by the FReM, there is no distinction between capital grants and other grants, and they are treated as an item of expenditure in the Statement of Comprehensive Net Expenditure.

S1.5 Receipts in excess of HMT agreement

This applies where HMT has agreed a limit to income retainable by the Group, with any excess income scoring outside of budgets, and consequently outside of the SoPS. IFRS-based accounts will record all of the income, regardless of the budgetary limit. This situation may arise in the following areas:

- profit/loss on disposal of assets;
- income generation above Group's Spending Review settlements; and
- income received above netting-off agreements.

S1. Accounting policies (continued)

S1.6 Provisions - administration and programme expenditure

Provisions recognised in IFRS-based accounts are not recognised as expenditure for National Accounts purposes until the actual payment of cash (or accrual liability) is recognised. To meet the requirements of both resource accounting and National Accounts, additional data entries are made in the SoPS across Annually Managed Expenditure (AME) and Departmental Expenditure Limit (DEL) control totals, which do not affect the Statement of Comprehensive Net Expenditure, (SoCNE). At the initial take up of a provision, the expenditure will be scored against AME, whilst subsequent release of the provision will be charged against Programme or Administration DEL, depending on the nature of the provision. As the administration control total is a sub-category of DEL, administration and programme expenditure reported in the SoPS will differ from that reported in the IFRS-based accounts. A reconciliation is provided in SoPS Note 3.2.

S1.7 Classification and presentation of administration and programme expenditure

SoCNE 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 HMT in its *Consolidated Budgeting Guidance*.

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

Programme costs reflect non-administration costs, including payments of grants and other disbursements by the Group, except for the staff costs associated with European Schools Teachers and CAFCASS front line staff, which relate directly to the front line delivery of specific programmes. However, the Group has received exemptions from HMT to treat the Academies programme as programme costs, which results in all costs incurred in the running of its academy schools being excluded from the administration budget regime. Other programme spend includes costs associated with these programmes: National Pupil database, Education Advisers, Local Authority brokers and research costs.

S1.8 Intra-Group elimination

The SoPS is prepared to disclose the Group’s outturn against the Supply Estimate voted by Parliament against each budgetary control limit. The statement analyses the net expenditure between resource and capital for both DEL and AME budget classifications and reports the Estimate and outturn for non-voted expenditure. To ensure that the Group is reporting its outturn on this basis, the accounting policy is that reported outturn in SoPS is only recorded when it leaves the Group boundary. A reconciliation of the SoPS outturn compared to that of the IFRS-based SoCNE is provided in Note S3.1.

In keeping with the principles of group reporting, intra-group transactions are eliminated. Due to the lack of coterminous year ends across the Group mentioned elsewhere in this document, transactions which could not be fully eliminated due to their timing are not included within the SoPS.

S1.9 Cash transferred from abolished NDPBs

The Department manages its cash in line with HMT’s guidance on *Managing Public Money*. On closure of an NDPB, the Department put in place arrangements to ensure the orderly winding up of the NDPB. In particular, it will ensure that the assets and liabilities of the NDPB are passed to any successor organisation and accounted for properly. In the event that there is no successor organisation, the assets and liabilities should revert to the sponsor department.

The Department gains specific approval from HM Treasury to use the cash transferred from abolished NDPBs to reduce its own drawn in year cash supply. This reduces the administrative burden of transferring it back to HMT and to ensure propriety and regularity of managing the cash. A reconciliation is provided in Note S4.

S1. Accounting policies (continued)

S1.10 Gains and losses on conversion of academy schools

All gains and losses on conversion of schools to academies are recognised in the SoCNE. However, for the purpose of SoPS, only gains on conversion of non-LA schools are included since these represent new assets and liabilities to the public sector. Consequently, the recognition of these gains or losses for the first time into the government accounting boundary is shown as capital gains or losses in Note S2.2. Gains or losses on conversion of LA schools are not recognised in Parliamentary statements as the relevant outturns have been recognised in previous years elsewhere within government accounts.

S2. Net outturn

S2.1 Analysis of net resource outturn by section

2012-13 comparative outturn figures have been re-stated to reflect the merger of National College and Teaching Agency in 2012-13 into a single Agency. These budget lines were merged into a single line; National College for Teaching Leadership in 2013-14. There is no impact on the comparative outturn reported in the Statement of Parliamentary Supply.

	2013-14										2012-13
	Outturn							Estimate			Restated Outturn
	Administration			Programme							
	Gross £000	Income £000	Net £000	Gross £000	Income £000	Net £000	Total £000	Net Total £000	Net total compared to Estimate £000	Net total compared to Estimate, adjusted for virements £000	Total £000
Spending in Departmental Expenditure Limits (DEL)											
Voted expenditure											
Activities to Support all Functions	244,515	(4,226)	240,289	33,784	(347)	33,437	273,726	298,270	24,544	24,544	331,466
School Infrastructure and Funding of Education	-	-	-	129,101	(1,051)	128,050	128,050	176,894	48,844	48,844	227,585
Education Standards, Curriculum and Qualifications	-	-	-	174,059	(42)	174,017	174,017	183,118	9,101	9,101	901,267
Children's Services and Departmental Strategy:											
• Department	-	-	-	296,308	(108)	296,200	296,200	315,099	18,899	14,340	2,581,569
• NDPB (net)	12,231	-	12,231	118,989	-	118,989	131,220	127,276	(3,944)	615	131,156
Standards and Testing Agency	5,570	-	5,570	37,934	(1,234)	36,700	42,270	45,581	3,311	3,311	35,269
National College for Teaching Leadership	21,484	(81)	21,403	379,888	(4,229)	375,659	397,062	480,530	83,468	83,468	524,700
Education Funding Agency – excluding Academy Trusts	80,620	(237)	80,383	37,938,847	(67,708)	37,871,139	37,951,522	37,982,337	30,815	30,815	37,154,258
Academy Trusts	-	-	-	12,619,302	-	12,619,302	12,619,302	13,260,508	641,206	641,206	10,189,439
Total spending in DEL	**364,420**	**(4,544)**	**359,876**	**51,728,212**	**(74,719)**	**51,653,493**	**52,013,369**	**52,869,613**	**856,244**	**856,244**	**52,076,709**
Spending in Annually Managed Expenditure (AME)											
Voted expenditure											
Activities to Support all Functions:											
• Department	-	-	-	(9,823)	-	(9,823)	(9,823)	(22,723)	(12,900)	(12,900)	63,627
• NDPB	-	-	-	7,054	-	7,054	7,054	(881)	(7,935)	(7,935)	(1,434)
• Executive Agencies	-	-	-	(799)	-	(799)	(799)	(2,100)	(1,301)	(1,301)	(3,601)
• Academies (net)	-	-	-	412,558	-	412,558	412,558	268,212	(144,346)	(144,346)	119,734
Total spending in AME	**-**	**-**	**-**	**408,990**	**-**	**408,990**	**408,990**	**242,508**	**(166,482)**	**(166,482)**	**178,326**
Totals	**364,420**	**(4,544)**	**359,876**	**52,137,202**	**(74,719)**	**52,062,483**	**52,422,359**	**53,112,121**	**689,762**	**689,762**	**52,255,035**

S2. Net outturn (continued)

S2.2 Analysis of net capital outturn by section

						2013-14	2012-13
	Outturn			Estimate			Restated Outturn
	Gross £000	Income £000	Net £000	Net £000	Net total compared to Estimate £000	Net total compared to Estimate, adjusted for virements £000	Net £000
Spending in Departmental Expenditure Limits (DEL)							
Voted expenditure							
Activities to Support all Functions	2,381	-	2,381	6,129	3,748	1,841	(5,260)
School Infrastructure and Funding of Education	(4,956)	-	(4,956)	80,083	85,039	85,039	(10,643)
Education Standards, Curriculum and Qualifications	-	-	-	-	-	-	10,000
Children's Services and Departmental Strategy							
• Department	(28)	-	(28)	-	28	28	39,731
• NDPB	1,907	-	1,907	-	(1,907)	-	(1,173)
Standards and Testing Agency	-	-	-	-	-	-	-
National College for Teaching Leadership	-	-	-	-	-	-	455
Education Funding Agency – excluding Academy Trusts	2,893,640	-	2,893,640	3,456,573	562,933	290,217	3,919,475
Academy Trusts	712,530	-	712,530	439,814	(272,716)	-	306,217
Total spending in DEL	**3,605,474**	**-**	**3,605,474**	**3,982,599**	**377,125**	**377,125**	**4,258,802**
Voted expenditure							
Activities to Support all Functions:	-	-	-				
• Department	-	-	-	-	-	-	-
• NDPB	-	-	-	-	-	-	-
• Executive Agencies	-	-	-	-	-	-	-
Total	**3,605,474**	**-**	**3,605,474**	**3,982,599**	**377,125**	**377,125**	**4,258,802**

Explanation of variances between Estimate and Outturn are given in the Management Commentary.

S3. Reconciliation of outturn to net operating cost and against administration budget

S3.1 Reconciliation of net resource outturn to net operating cost

	2013-14 Outturn £000	2012-13 Outturn £000
Total resource outturn in Statement of Parliamentary Supply Budget	52,422,359	52,255,035
	52,422,359	**52,255,035**
Add: Capital grant	2,170,767	3,466,843
Grants disbursed by Department not yet recognised by ATs	132,402	270,944
Less: Income payable to the Consolidated Fund	(1,587)	(60)
Cash transferred from NDPBs closed in 2011-12	(3,429)	(1,376)
Other capital gains non-LA converters:		
In-year converters	(870,975)	(1,403,242)
Pre 1 April 2012 converters	-	(3,256,780)
Settlement	(47,273)	-
Net Operating Cost in Consolidated SoCNE	**53,802,264**	**51,331,364**

S3.2 Outturn against final administration budget and administration net operating cost

		2013-14 Outturn £000	2012-13 Outturn £000
Estimate	– Administration costs limit	**378,702**	**407,346**
Outturn	– Gross administration costs	364,420	391,551
Outturn	– Gross income relating to administration	(4,544)	(3,944)
Outturn	– Net administration costs	**359,876**	**387,607**
Reconciliation to operating costs:			
Less: provisions utilised (transfer from Programme)		(8,737)	(20,351)
Reconciling item: Consolidated Fund Extra Receipts		(1,587)	(60)
Administration Net Operating Costs		**349,552**	**367,196**

S4. Reconciliation of net resource outturn to net cash requirement

	Note	Estimate £000	Outturn £000	2013-14 Net total outturn compared with Estimate: saving/ (excess) £000	2012-13 Outturn £000
Resource Outturn	S2.1	**53,112,121**	**52,422,359**	**689,762**	**52,255,035**
Capital Outturn	S2.2	**3,982,599**	**3,605,474**	**377,125**	**4,258,802**
		57,094,720	**56,027,833**	**1,066,887**	**56,513,837**
Accruals to cash adjustments					
Adjustments to remove non-cash items:					
Depreciation, amortisation and impairment		(28,795)	(22,008)	(6,787)	(31,952)
New provisions and adjustments to previous provisions		-	(15,469)	15,469	(100,235)
Other non-cash adjustments		(500)	(14,260)	13,760	137
Adjustment for NDPBs:					
Remove voted resource and capital		(14,114,529)	(13,168,384)	(946,145)	(10,505,254)
Add cash grant-in-aid		13,078,123	13,056,507	21,616	10,325,615
Transfer of assets within Group		-			
Adjustments to reflect movements in working balances:					
Movement in receivables		-	39,460	(39,460)	(90,738)
Movement in payables		-	(79,967)	79,967	(55,664)
Use of provisions	18	24,823	26,268	(1,445)	38,958
Excess cash receipts surrenderable to the Consolidated Fund		-			-
Cash transferred from NDPBs closed in 2011-12		-	(3,429)	3,429	(1,376)
Net cash requirement		**56,053,842**	**55,846,551**	**207,291**	**56,093,328**

S5. Income payable to the Consolidated Fund

	Outturn 2013-14 Income £000	Outturn 2013-14 *Receipts* £000	Outturn 2012-13 Income £000	Outturn 2012-13 *Receipts* £000
Operating income outside the ambit of the Estimate	1,587	*1,587*	60	*2,790*
Excess cash surrenderable to the Consolidated Fund	-	-	-	-
Total income payable to the Consolidated Fund	**1,587**	***1,587***	**60**	***2,790***

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

Consolidated Statement of Comprehensive Net Expenditure

for the year ended 31 March 2014

	Note	Department £000	Department & Agencies £000	2013-14 Group £000	Department £000	Department & Agencies £000	2012-13 Group £000
Administration costs							
Staff costs	3.1	122,774	188,702	193,679	135,878	203,780	209,046
Other administration costs	4	113,046	154,803	162,012	131,851	152,605	162,155
Operating income	6	(52,554)	(7,434)	(6,139)	(59,873)	(4,695)	(4,005)
Programme costs							
Staff costs	3.1	8,560	23,987	10,166,497	9,607	18,102	8,129,526
Programme costs	5	816,174	55,603,648	46,572,802	4,080,366	55,800,206	48,936,424
Operating income	6	(1,561)	(74,803)	(2,368,351)	(3,146)	(28,738)	(1,444,821)
Net gain on conversion of non-LA schools:	25						
in-year conversions		-	-	(870,975)	-	-	(1,403,242)
pre 1 April 2012 converters		-	-	-	-	-	(3,256,780)
settlements		-	-	(47,273)	-	-	-
Corporation tax		-	-	12	2,915	2,915	3,061
Net operating costs		**1,006,439**	**55,888,903**	**53,802,264**	**4,297,598**	**56,144,175**	**51,331,364**
Total expenditure		1,060,554	55,971,140	57,095,002	4,360,617	56,177,608	57,440,212
Total income	6	(54,115)	(82,237)	(2,374,490)	(63,019)	(33,433)	(1,448,826)
Total gain	25	-	-	(918,248)	-	-	(4,660,022)
Net operating costs		**1,006,439**	**55,888,903**	**53,802,264**	**4,297,598**	**56,144,175**	**51,331,364**
Non-operating costs							
Net gain on:							
transfer of function		-	-	-	(126,128)	(132,001)	-
conversion of LA schools:	25	-	-	-			
in-year conversions		-	-	(3,341,170)	-	-	(6,213,354)
pre 1 April 2012 converters		-	-	-	-	-	(13,899,510)
settlements		-	-	(80,963)	-	-	-
Net Costs		**1,006,439**	**55,888,903**	**50,380,131**	**4,171,470**	**56,012,174**	**31,218,500**
Other comprehensive net expenditure							
Items that will not be reclassified to net operating costs							
Net (gain)/loss on:							
revaluation of property, plant and equipment		448	448	(279,910))	(3,179)	(3,179)	(125,446)
revaluation of intangible assets		660	660	660	(4,148)	(4,149)	(4,149)
Actuarial gain on defined benefit pension schemes	19	-	-	(113,422)	-	-	(19,263)
Other recognised losses		-	-	2,713	-	-	-
Items that may be reclassified to net operating costs							
Fair value gain on investments		-	-	(3,202)	-	-	(836)
Total comprehensive expenditure		**1,007,547**	**55,890,011**	**49,986,970**	**4,164,143**	**56,004,846**	**31,068,806**

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

The notes on pages 108 to 161 form part of these accounts.

Consolidated Statement of Financial Position

as at 31 March 2014

	Note	Department £000	Department & Agencies £000	2014 Group £000	Department £000	Department & Agencies £000	2013 Group £000
Non-current assets							
Property, plant and equipment	7	67,484	278,260	31,765,350	92,759	283,788	25,974,298
Intangible assets	8	22,999	22,999	29,527	34,922	35,383	37,391
Investments	10	-	-	98,938	-	-	55,580
Financial assets	11	5,178	5,178	-	5,104	5,104	511
Receivables	14	5,623	6,957	12,499	5,646	5,935	5,727
		101,284	**313,394**	**31,906,314**	**138,431**	**330,210**	**26,073,507**
Current assets							
Assets classified as held for sale	12	3,500	3,500	3,500	-	-	-
Inventories	13	-	-	9,489	-	46	7,348
Receivables	14	5,791	91,184	875,419	11,866	52,701	460,793
Financial assets	11	2,649	2,649	-	2,813	2,813	47
Cash and cash equivalents	15	40,427	103,867	2,580,081	15,957	147,391	2,009,696
		52,367	**201,200**	**3,468,489**	**30,636**	**202,951**	**2,477,884**
Total assets		**153,651**	**514,594**	**35,374,803**	**169,067**	**533,161**	**28,551,391**
Current liabilities							
Payables	16	(193,699)	(614,433)	(2,041,417)	(391,680)	(577,990)	(1,556,613)
Provisions	18	(17,307)	(19,828)	(24,622)	(21,979)	(26,157)	(30,177)
		(211,006)	**(634,261)**	**(2,066,039)**	**(413,659)**	**(604,147)**	**(1,586,790)**
Total assets less current liabilities		**(57,355)**	**(119,667)**	**33,308,764**	**(244,592)**	**(70,986)**	**26,964,601**
Non-current liabilities							
Payables	17	-	-	(49,805)	-	-	(42,651)
Provisions	18	(155,933)	(156,791)	(159,003)	(161,261)	(161,261)	(163,552)
Pension deficits	19	-	-	(2,564,795)	-	-	(2,082,067)
		(155,933)	**(156,791)**	**(2,773,603)**	**(161,261)**	**(161,261)**	**(2,288,270)**
Assets less liabilities		**(213,288)**	**(276,458)**	**30,535,161**	**(405,853)**	**(232,247)**	**24,676,331**
Taxpayers' equity							
General Fund		(231,345)	(294,515)	(237,581)	(427,564)	(253,959)	(440,975)
Revaluation Reserve		18,057	18,057	421,396	21,711	21,712	144,708
Charitable Fund		-	-	30,351,346	-	-	24,972,598
Total equity		**(213,288)**	**(276,458)**	**30,535,161**	**(405,853)**	**(232,247)**	**24,676,331**

Chris Wormald
Accounting Officer

13 January 2015

The notes on pages 108 to 161 form part of these accounts

Consolidated Statement of Cash Flows

for the year ended 31 March 2014

	Notes	2013-14 Group £000	2012-13 Group £000
Cash flows from operating activities			
Net operating cost		(53,802,264)	(51,331,364)
Adjustments for non-cash transactions		1,079,029	1,201,911
Gain on conversion of non-LA academies		(870,975)	(4,660,022)
Settlement gains on conversion of non-LA academies		(47,273)	-
(Increase)/decrease in inventories	13	(1,350)	(3,900)
(Increase)/decrease in trade and other receivables	14	(449,601)	(64,583)
Less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure			-
Increase / (decrease) in trade and other payables	16	376,154	696,154
Less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		73,638	(107,469)
Use of provisions	18	(27,016)	(39,732)
Employers' pension contributions		(359,089)	(262,721)
Cash outflow from operating activities		**(54,028,747)**	**(54,571,726)**
Cash flows from investing activities			
Purchase of:			
Property, plant and equipment		(1,437,372)	(755,567)
Intangible assets		(6,442)	(5,046)
Investments		(33,701)	(14,293)
Proceeds on disposal of:			
Property, plant and equipment		21,774	14,302
Intangible assets		58	-
Investments		9,770	2,458
Repayments of loans from other bodies		91	4,949
Cash outflow from investing activities		**(1,445,822)**	**(753,197)**
Cash flows from financing activities			
From the Consolidated Fund (Supply):			
– current year		55,808,136	56,006,851
– prior year		-	-
Cash payment on transfer of functions		-	-
Cash acquired on conversion of Academy Trust schools:			
In-year conversions		145,251	131,002
Pre-1 April 2012 conversions		-	924,258
Settlements		87,480	-
Borrowings advanced		13,444	27,383
Capital element of payments in respect of finance leases and recognised PFI contracts		(2,524)	7,923
Cash inflow from financing activities		**56,051,787**	**57,097,417**
Net (decrease)/increase in cash and cash equivalents before adjustment for receipts and payments to the Consolidated Fund		**577,218**	**1,772,494**
Payments of amounts due to the Consolidated Fund		(2,790)	(58)
Net (decrease)/increase in cash and cash equivalents after adjustment for receipts and payments to the Consolidated Fund		**574,428**	**1,772,436**
Cash and cash equivalents at the beginning of the year	**15**	**2,004,060**	**231,624**
Cash and cash equivalents at the end of the year		**2,578,488**	**2,004,060**

The notes on pages 108 to 161 form part of these accounts.

Department & Agencies Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2014

	Note	General Fund £000	Revaluation Reserve £000	Taxpayers' Equity £000
Balance at 31 March 2012		**(148,144)**	**20,086**	**(128,058)**
Net Parliamentary Funding:				
- drawn down		56,006,851	-	56,006,851
- deemed		33,541	-	33,541
Supply payable adjustment		(140,695)	-	(140,695)
CFERs payable to the Consolidated Fund		(60)	-	(60)
Comprehensive expenditure for the year		(56,012,174)	7,328	(56,004,846)
Non-cash adjustments				
Auditor's remuneration	4	1,020	-	1,020
Movements in reserves				
Transfers between reserves		5,702	(5,702)	-
Balance at 31 March 2013		**(253,959)**	**21,712**	**(232,247)**
Net Parliamentary Funding:				
– drawn down		55,808,136	-	55,808,136
– deemed		140,695	-	140,695
Supply payable adjustment		(102,279)	-	(102,279)
CFERs payable to the Consolidated Fund		(1,587)	-	(1,587)
Comprehensive expenditure for the year		(55,888,903)	(1,108)	(55,890,011)
Non-cash adjustments				
Auditor's remuneration	4	835	-	835
Movements in reserves				
Transfers between reserves		2,547	(2,547)	-
Balance at 31 March 2014		**(294,515)**	**18,057**	**(276,458)**

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

The Revaluation Reserve reflects the unrealised element of the cumulative balance of the revaluation adjustments to property, plant and equipment, and intangible assets (see Notes 7 and 8).

The notes on pages 108 to 161 form part of these accounts.

Consolidated Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2014

	Note	General Fund £000	Revaluation Reserve £000	Charitable Fund £000	Taxpayers' Equity £000
Balance at 31 March 2012		**(176,913)**	**21,393**	**-**	**(155,520)**
Net Parliamentary Funding:					
– drawn down		56,006,851	-	-	56,006,851
– deemed		33,541	-	-	33,541
Supply payable adjustment		(140,695)	-	-	(140,695)
CFERs payable to the Consolidated Fund	S5	(60)	-	-	(60)
Comprehensive expenditure for the year		(56,170,999)	129,595	24,971,762	(31,069,642)
Fair value gain on investments		-	-	836	836
Non-cash adjustments					
Auditor's remuneration	4	1,020	-	-	1,020
Movements in reserves					
Transfers between reserves		6,280	(6,280)	-	-
Balance at 31 March 2013		**(440,975)**	**144,708**	**24,972,598**	**24,676,331**
Net Parliamentary Funding:					
– drawn down		55,808,136	-	-	55,808,136
– deemed		140,695	-	-	140,695
Supply payable adjustment		(102,279)	-	-	(102,279)
CFERs payable to the Consolidated Fund	S5	(1,587)	-	-	(1,587)
Comprehensive expenditure for the year		(55,644,968)	279,250	5,375,546	(49,990,172)
Fair value gain on investments		-	-	3,202	3,202
Non-cash adjustments					
Auditor's remuneration	4	835	-	-	835
Movements in reserves					
Transfers between reserves		2,562	(2,562)	-	-
Other General Fund movements		-		-	-
Balance at 31 March 2014		**(237,581)**	**421,396**	**30,351,346**	**30,535,161**

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

The Revaluation Reserve reflects the unrealised element of the cumulative balance of the revaluation adjustments to property, plant and equipment, and intangible assets (see Notes 7 and 8).

The Charitable Fund represents total assets less liabilities related to the Group's schools less unrealised revaluation adjustments to property, plant and equipment, and intangible assets (see Notes 7 and 8).

The notes on pages 108 to 161 form part of these accounts.

Notes to the Accounts

1. Accounting policies

These accounts have been prepared in accordance with the 2013-14 *Government Financial Reporting Manual* (FReM) issued by HM Treasury (HMT), as set out in a statutory Accounts Direction issued pursuant to section 5(2) of the *Government Resources and Accounts Act 2000 (Estimates and Accounts) (Amendment) Order 2013*. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRSs) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Group for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Group for 2013-14 are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

In addition to the primary statements prepared under IFRS, the FReM also requires the Group to prepare an additional primary statement. The Statement of Parliamentary Supply, and supporting notes, show outturn against Supply Estimate in terms of the Group's net resource requirement and the net cash requirement.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets, investments and year end balances arising from the Group's membership of the Carbon Reduction Commitment Scheme.

1.2 Basis of consolidation

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

The Department receives the authority to consolidate its Executive Agencies (EAs), NDPBs and ATs under the *Government Resources and Accounts Act 2000 (Estimates and Accounts) (Amendment) Order 2013.* A department's Designation Order sets out those bodies that are required to be included within a department's consolidated accounts, since all such bodies are judged to be public bodies.

Academy trusts have been classified by the Office of National Statistics as central government public sector bodies since 2004. ATs fall within the Department's Designation Order and are included within the Departmental consolidation boundary.

A list of all entities within the Departmental accounting boundary is given at Note 24. Throughout these accounts 'Department' refers to the core Department whilst 'Group' refers to the single economic entity presented in these accounts; this consists of the Department, its EAs, NDPBs and ATs.

AT consolidation approach
In a departure from IAS 27 Consolidated and Separate Financial Statements, all members of the Group do not have coterminous year ends. ATs have financial years ending on 31 August in line with their operational year. In contrast the Department, its EAs and NDPBs have 31 March as their year end.

1. Accounting policies (continued)

1.2 Basis of consolidation (continued)

AT consolidation approach (continued)
The Group has adopted a two-pronged approach to include ATs based on whether an AT prepared audited accounts to the previous 31 August.

- For those ATs that prepared audited accounts as at 31 August 2013 (operating 3,033 schools) the Group has included the financial performance from those accounts as a representation of the twelve months to 31 March 2014. ATs submit consolidation returns as at 31 August that mirror their accounts.

- Newly incorporated operational ATs that, in accordance with the *Companies Act 2006* have not produced accounts to 31 August 2013, have submitted their results using the consolidation return from incorporation to 31 March 2014 (operating 872 schools); which have been included within the consolidation.

All ATs are required to complete and submit a consolidation return to allow for their results to be included within the consolidation.

Consolidation adjustments
The results for those ATs reporting less than twelve month periods have been extrapolated up to align the reporting period length to the twelve months reported by the Group. Therefore, newly incorporated ATs who ATs report short period accounts to 31 August have had their results extrapolated out to twelve months dependent upon the date their schools became operational.

Newly incorporated ATs reporting as at 31 March have not had their results adjusted since their reporting date (from incorporation to 31 March) already matches that of the Group.

The adjustment required to bring ATs' reporting period into line with the Group is only concerned with normal operational transactions of an AT. Material one-off transactions (such as recognition of assets and liabilities at conversion) are excluded from the adjustment to prevent material distortions to the Group's reported results.

The inclusion of ATs reporting to a date different from the Group's year end has implications for the elimination of all intra-Group transactions, but once operational an AT's transactions with the rest of the Group are broadly stable; the AT receives grants to support its activities largely based on pupil numbers.

Accounting policy harmonisation adjustments
Where required, adjustments have been made to the ATs' accounts to align their accounting policies to those of the Group. The most significant adjustments are to the recognition and valuation of land and building assets and defined benefit pension scheme valuations. The valuations of ATs' defined benefit scheme were adjusted to bring the valuation date and methodology into line with the Group; see note 1.19 for more details of the Group policy. All such consolidation adjustments have been applied consistently across all ATs.

Carrying values of ATs' land and building assets have been recalculated on a depreciated replacement cost basis to align the accounting policy to that of the Group. This adjustment does not represent a revaluation under the terms of the Group policy since the adjustment occurred prior to the assets' initial recognition in these accounts. Land and building assets will be revalued every five years from the anniversary of their initial recognition in accordance with the Group policy. See note 1.8 for more details about the property, plant and equipment accounting policy.

Additionally, in 2013-14, the Group has made adjustments for ATs that first reported their results to 31 March 2013. The ATs will duplicate the results generated from incorporation to 31 March in two returns (March 2013 then August 2013) incorporating two different Group financial years. Without adjustment, the opening balances in the second financial year will not agree to an AT's closing balances in the previous financial year. To correct this, the previous closing balances are removed from the current year's August return to align the opening and closing balances. The remaining five month period is scaled up to twelve months to match the treatment of ATs with short accounting periods.

1. Accounting policies (continued)

1.3 Business combinations

The Department has accounted for the inclusion of ATs converting in year using absorption accounting. Under absorption accounting assets and liabilities brought into the Group are not revalued to fair value but are transferred at the Group's carrying value. Carrying value is after adjustments arising to align accounting policies within the Group (such as for land and buildings). The net assets or liabilities acquired by the Group through the business combinations, for nil consideration, are recognised either in operating income or in other comprehensive income.

Net assets and liabilities brought into the Group from other central government bodies (predominantly ex-local authority maintained schools) are recognised in non-operating costs to reflect the nil gain or loss to the public sector. Net assets and liabilities brought into the Group from outside the public sector (predominantly converted faith and foundation schools) are recognised in operating income to reflect the gain or loss to the public sector.

Note 25 has further details of both combinations and the net assets and liabilities brought into the Group.

1.4 Adoption of amendment to FReM

The following significant FReM changes took effect in 2013-14:

- Amendment to Chapter 3 FReM: *Improving relevance and clarity in central government reporting*: the Group has adopted amendments to Chapter 3 which requires changes to the presentation of SoPS and supporting notes and the creation of its accounting policies. These changes are only presentational and do not affect the calculation of the balances.
- Application of IAS 1 amendments for public sector context – The Group has made amendments to the presentation of 'Other comprehensive Expenditure' in SoCNE.

1.5 Early adoption

The Group has not early adopted any accounting standards in 2013-14.

1.6 IFRSs in issue but not yet effective

In order to comply with the requirements of *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*, the Group must disclose where it has not applied a new IFRS that has been issued but is not yet effective. The Group has carried out a review of the IFRSs in issue but not yet effective, to assess their impact on its accounting policies and treatment, and found that none of the updates have any material impact on the accounts. The Group has therefore, chosen not to early adopt requirements of the following accounting standards and interpretations, which have an effective date after the start of these accounts:

Standard	**Effective**	**FReM Application**	**Impact**
IAS 28 Investments in Associates and Joint Ventures	Accounting periods commencing on or after 1 January 2014	2014-15	This Standard supersedes IAS 28 *Investments in Associates* and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The Standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment.

1. Accounting policies (continued)

1.6 IFRSs in issue but not yet effective (continued)

Standard	Effective	FReM Application	Impact
IFRS 9 Financial Instruments	Accounting periods commencing on or after 1 January 2015.	Subject to consultation	The standard introduces new requirements that address three areas: the classification and measurement of financial instruments; the calculation and disclosure of financial assets, and impairment and further information on hedge accounting principles and hedging relationships.
IFRS 11 Joint Arrangements	Accounting periods commencing on or after 1 January 2014	2014-15	The standard requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement.
IFRS 13 Fair Value Measurement	Accounting periods commencing on or after 1 January 2013.	2015-16	The standard replaces the guidance on fair value measurement in existing IFRSs with a single standard. This standard defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements). With some exceptions, the standard requires entities to classify these measurements into a 'fair value hierarchy' based on the nature of the inputs: • Level 1 - quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date • Level 2 - inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly • Level 3 - unobservable inputs for the asset or liability Entities are required to make various disclosures depending upon the nature of the fair value measurement (e.g. whether it is recognised in the financial statements or merely disclosed) and the level in which it is classified.

1. Accounting policies (continued)

1.7 Areas of judgement, estimation and uncertainty

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

Management have made judgements regarding how ATs are consolidated into these accounts and how to reflect the economic position of the Group for the period covered by these accounts. The Group has specifically made judgements on the inclusion of ATs and their provisions, impairment of assets, allocated pension deficit, valuation of land and building, recognition of voluntary income, recognition of and accounting for capital expenditure.

The most significant judgement concerns the lack of coterminous year ends and how to include ATs whose own accounts are produced to 31 August. This issue does not affect the population of ATs reporting as at 31 March since their reporting period end matches that of the Group, 31 March.

The Group has based its use of ATs' accounts to 31 August, and has apportioned ATs' short period accounts, on the assumption an AT's financial results for any one month are reasonably constant and can be used as a proxy for the Group's financial year. The Group has validated this assumption through a comparison study comparing a statistically valid number of 111 ATs' financial results for the year ending 31 August 2013 to those same ATs' financial results for the year ending 31 March 2014. The comparison study showed a £2.0 billion, 3% (2012-13 study: £1.2 billion, 5%) difference between the financial results for each twelve month period.

The second significant adjustment made to ATs' reported results was to recognise in all instances ATs' land and building assets irrespective of what the ATs' recognised in their own accounts. In accordance with the accounting framework adopted by ATs not all land and building assets utilised in their operations are recognised by ATs. However, the Group framework (FReM) applies different criteria to the recognition (and valuation) of land and building assets.

Accordingly, management decided to recognise all ATs' land and building assets to reflect the commercial reality that all academy schools operate from buildings; and the omission of such buildings from the Group's statement of financial position would significantly understate the assets controlled by the Group. Therefore, the Group commissioned consistent valuations for all ATs' land and building assets that are in compliance with the Group's accounting policy for property, plant and equipment.

Management considers that the use of the proxy and other accounting judgements and policies described here provide the best possible representation of academy trusts' financial results for the year to 31 March 2014, given the constraints and limitations set out in the governance statement.

The third significant consolidation adjustment is the migration of AT opening balances. When academy trusts' first consolidation submission was not as at 31 August 2012 but at 31 March 2013 the academy trust will duplicate the results generated from incorporation to 31 March in 2 submissions (March 2013 then August 2013) used by the Group in different financial years (2012-13 and 2013-14). Without adjustment, the opening balances in the second Group financial year, 2013-14, will not agree to an AT's closing balances in the previous financial year. To correct this, the Group has removed the validated closing balances at 31 March 2013 from ATs' August 2013 submission to align the opening and closing balances. The Group has then scaled up the remaining 5 month period April to August 2013 to the full 12 months to 31 March 2014 to match the treatment of ATs with short accounting periods

1. Accounting policies (continued)

1.8 Property, plant and equipment

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

Land and buildings are measured initially at cost and are restated to fair value (depreciated replacement cost) using external professional valuations in accordance with *IAS 16 Property, Plant and Equipment* every five years, and in the intervening years by use of appropriate indices supplied by Valuation Office. The Group has stated other property, plant and equipment at existing use value using appropriate indices published by the ONS. Some assets are of short life and of low value and have used depreciated historical cost as a proxy for fair value.

In the course of normal business, the Group may acquire sites to be used ultimately by the Group to operate as academy schools. In such projects the Group will fund all the required construction works and associated professional services. The development costs of the sites capitalised as assets under construction may include internal staff costs where the costs can be reliably measured and relate wholly to a specific site. These pre-opening sites will be held for the shortest possible period as assets under construction, transferring to its ATs prior to their school opening at a value equivalent to the carrying value of the asset, and for nil consideration. On opening of the Group's school the assets previously classified as assets under construction will be reclassified as land and buildings and depreciation will begin.

The Group may also fund elements of the Priority Schools Building programme (PSBP). In this case, the Group is not expected to fund the purchase of any site but instead procures and funds all the required construction works and associated professional services.

For consistency these assets types (Group and non-Group PSBP assets) are classified as non-current assets during the period that the Group holds their significant risks and rewards and manages the associated programmes. Should there be any indication that the transfer will not go ahead then this is treated as an indicator of potential impairment. When the school receiving the PSBP funded asset assumes the asset's significant risks and rewards, the asset is derecognised and a charge recognised in the Consolidated Statement of Comprehensive Net Expenditure.

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

If the development fell through due to circumstances not yet existing at the year end, the change in asset treatment would not take effect until the following year.

1. Accounting policies (continued)

1.9 Depreciation

Depreciation is provided at rates calculated to write off the valuation of buildings and other property, plant and equipment by equal instalments over their estimated useful lives. Land and assets under construction are not depreciated.

Asset lives are in the following ranges:

• Freehold Buildings	50 - 60 years
• Leasehold Buildings	50 years or the lease term, whichever is shorter
• Leasehold Improvements	50 years or the lease term, whichever is shorter
• Motor Vehicles	3 – 7 years
• Information Technology	3 - 7 years
• Plant and Machinery	3 - 20 years
• Furniture & Fittings	5 - 10 years

1.10 Intangible assets

Intangible assets are initially valued at cost and then re-valued to existing use through indices supplied by the BIS. Assets are capitalised as intangible assets where expenditure of £2,500 or more is incurred. Assets are amortised over their estimated useful economic lives. Assets under construction are not amortised but are assessed for impairment annually.

Asset lives are in the following ranges:

• Software licences	2 - 5 years or the licence period, whichever is shorter
• Developed software	5 years
• Teachers' TV	2 - 6 years
• Non-software licences	3 years
• Other	3 - 5 years

1.11 Revaluation and impairment of non-current assets

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

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

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

1. Accounting policies (continued)

1.11 Revaluation and impairment of non-current assets (continued)

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

1.12 Non-current assets held for sale

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

1.13 Inventory

Inventory is carried at the lower of cost or net realisable value.

1.14 Financial instruments

The Group adopts *IFRS 7 Financial Instruments: Disclosures, IAS 32 Financial Instruments: Presentation and IAS 39 Financial Instruments: Recognition and Measurement*. The Group does not have any complex financial instruments. Financial assets and financial liabilities are recognised when the Group becomes party to the contractual provisions of the instrument. Embedded derivatives are recognised if separable from the host contract.

1.14.1 Financial assets

Financial assets are classified where appropriate as loans and receivables; available-for-sale; financial assets at fair value through profit and loss. Financial assets include cash and cash equivalents, trade and other receivables and loans. The Group determines the classification of its financial assets at initial recognition. Financial assets are recognised initially at fair value, normally being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable costs. Presently, the Group does not have any financial assets that need to be classified as financial assets at fair value through profit or loss, neither does it have cash equivalents or derivative financial instruments.

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

Available-for-sale assets

The Group holds investments which are classified as available for sale and are carried at fair value. Fair value is calculated as the closing bid price as at the year end. Movements in the fair value are recognised in the Statement of Comprehensive Net Expenditure.

Trade and other receivables

Trade and other receivables have fixed or determinable payments that are not quoted on an active market. They do not carry any interest and are initially recognised at their face value. They are then carried at amortised cost using the effective interest method. Appropriate allowances (provisions/write-offs) for estimated irrecoverable amounts (bad debts) are recognised in the Statement of Comprehensive Net Expenditure when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the estimated future recoverable amount.

Loans

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

1. Accounting policies (continued)

1.14 Financial instruments (continued)

1.14.1 Financial assets (continued)

Cash and cash equivalents

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

1.14.2 Financial liabilities

Financial liabilities are classified as financial liabilities measured at amortised cost. Financial liabilities include trade and other payables, loans and accruals. The Group does not currently have financial liabilities classified as fair value through profit or loss; neither does it have derivative financial instruments. The Group determines the classification of its financial liabilities at initial recognition.

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

Trade and other payables

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

1.15 Research and development

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

1.16 Operating income

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

Operating income consists of two broad types:

- Departmental income as authorised in the Supply Estimate (such as general administration receipts and income from other departments), and income to the Consolidated Fund that HMT has agreed should be treated as operating income; and
- Income generated by the Group in the course of its educational activities; which can encompass fundraising income, hire of facilities and sponsorship income.

Income is stated net of recoverable VAT.

1.17 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.

1.18 Leases

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership of the leased assets to the lessee. All other leases are classified as operating leases. Operating leases are charged to the Statement of Comprehensive Net Expenditure as expenditure is incurred.

1. Accounting policies (continued)

1.19 Pensions

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

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

Where the Group makes contributions to defined contribution and unfunded defined benefit pension schemes (which do not have underlying assets and liabilities) the Group recognises contributions payable in the Statement of Comprehensive Net Expenditure.

Further details of the pension schemes are available in Notes 3 and 19.

1.20 Early departure costs

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

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

1.21 Grants

Grant financing and Grant-in-Aid
Funding to the Department's EAs and NDPBs through financing and Grant-in-Aid payments are reported on a cash basis in the period in which payments are made. Grant financing and Grant-in-Aid as well as any intra-group grants between the consolidated bodies are eliminated within the Group. However, due to lack of coterminous year ends between the Department, EAs and NDPBs with the ATs mentioned elsewhere in this accounts, some transactions could not be fully eliminated due to their timing.

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

Grants paid to local authorities and programme providers remaining unspent at the year-end may be retained to fund future activity. The Group does not recognise a prepayment except where there are specific clawback provisions. These include:

- Initial Teacher Training grants where grants are allocated based on provisional trainee numbers and adjusted when actual trainee numbers are known. Wherever possible adjustments are made within the financial year, or otherwise over-funding is recognised as a receivable at the end of the financial year and recovered during the following financial year.

1. Accounting policies (continued)

1.21 Grants (continued)

- Time bound capital grants where a number of capital grants are subject to time constraints. Devolved formula capital for maintained schools has to be spent within a three year period. Other capital grants to local authorities have to be spent by the end of August following the end of the financial year. Profiled capital grants to ATs and capital maintenance grants to voluntary aided schools have a one year spending period
- The Group is able to recover funds if grant recipients have not spent the capital funding within the time limit specified. Where providers have further time following the end of the financial year to spend grant money, the existence of any future economic benefit cannot be deemed probable at the year end date; neither can its extent be measured reliably. The right of clawback does not therefore give rise to an asset eligible for recognition as defined by the *IASB Framework for the Preparation and Presentation of Financial Statements*. Any related receipts are therefore offset against grant expenditure as they are received

1.22 Provisions

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

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

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

The Department applies HM Treasury's discount rate to discount its provisions and the rates are as follows:

The real discount rate applied to cash flows of short term (0-5 years) general provisions is -1.90%, -0.65% for medium term general provisions (between 5 and 10 years) and 2.20% for long term general provisions (more than 10 years). Early departure costs provisions are discounted at 1.80% (2013: 2.35%).

1.23 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37, the Group also discloses certain other contingent liabilities subject to Parliamentary reporting; which is to comply with Parliamentary reporting and accountability requirements in accordance with the guidance contained in *Managing Public Money.*

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

1.24 Value added tax

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

1. Accounting policies (continued)

1.25 Corporation tax

The Department, its EAs and NDPBs are exempt from corporation tax

The Group's ATs are considered to pass the tests set out in paragraph 1 Schedule 6 of the *Finance Act 2010* and therefore meet the definition of charitable companies for UK corporation tax purposes. Accordingly, ATs are potentially exempt from taxation in respect of income or capital gains received within categories covered by chapter 3 part 11 of the *Corporation Tax Act 2010* or Section 256 of the *Taxation of Chargeable Gains Act 1992*, to the extent that such income or gains are applied exclusively to charitable purposes.

However, the Group recognises low levels of corporation tax arising from the small number of trading subsidiaries held by the Group's ATs that fall outside of paragraph 1 Schedule 6 above.

1.26 Corporate re-charges to Executive Agencies

The Department provides a number of corporate functions to its EAs. These include HR, IT and Finance functions (with the exception of the EFA who have their own finance team). With the exception of the VER costs, the Department has notionally re-charged these costs to the EAs in proportion to the average FTE of each Agency as an approximation of their usage of these services. The re-charges are eliminated on consolidation.

2. Statement of operating costs by operating segment

The Group is structured to clearly align activity and expenditure against the government's Structural Reform Priorities (SRPs) for education. Information on operating activities, financial results, forecasts and plans is presented to and reviewed by the Management Committee on this basis; the Group's Supply Estimates are also structured in this way.

The vast majority of the lines of operation fall within the same geographical location and regulatory environment.

2.1 Segmental analysis

The segmental report shown below links expenditure within the Group structure to Note S2 and covers the Group's total expenditure outturn for the year.

	Gross Expenditure £000	Income £000	2013-14 Net Expenditure £000	Gross Expenditure £000	Income £000	2012-13 Net Expenditure £000
Children's Services & Departmental Strategy	456,447	(482)	455,965	2,750,778	(929)	2,749,849
Education Standards	661,641	(5,658)	655,983	1,478,035	(6,344)	1,471,691
Infrastructure & Funding	40,757,202	(69,002)	40,688,200	41,313,506	(26,432)	41,287,074
Corporate Services	173,652	(4,121)	169,531	405,977	(16,144)	389,833
	42,048,942	**(79,263)**	**41,969,679**	**45,948,296**	**(49,849)**	**45,898,447**
Academy schools	14,058,154	-	14,058,154	10,615,390	-	10,615,390
	56,107,096	**(79,263)**	**56,027,833**	**56,563,686**	**(49,849)**	**56,513,837**

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

- **Children's Services and Departmental Strategy Directorate**: The focus of the directorate's work is to help children and young people have a more equal opportunity to benefit from an excellent education; and provide corporate strategic, analytical and communication services for the Department. Key areas of work include ensuring more children receive a high quality early education; increasing the affordability, availability and quality of childcare; delivering a robust reform programme for SEN; ensuring that children identified for adoption are placed as swiftly as possible; increasing the professionalism, qualifications and effectiveness of children's social workers; reforming the care system, including residential care and promoting innovation; implementing reforms to the family justice system and tackling child poverty. The service based functions within the directorate are focused on ensuring that data and economic thinking inform policy development and delivery; representing the Department's interests in international forums and ensuring best use of international learning to inform policy; providing a communications function to Ministers and ensuring that time and quality standards are met in responding to public queries; delivering a strategic, forward looking function to support the Board and ensure connections are made across related Departmental activities; and providing Ministers with a high quality private office service and delivering efficiently and effectively on Department of State responsibilities.

2. Statement of operating costs by operating segment (continued)

2.1 Segmental analysis (continued)

- **Education Standards Directorate**: the directorate's work is focused on achieving Ministers' objectives to: create a self-improving, school-led system; to raise standards; and to develop a great workforce, with strong leadership. The aim is for our education system to match the best anywhere in the world in preparing children and young people for the future. To do this we aim to move England up the league tables of performance in maths, science and language in every age group whilst also closing gaps; we aim to reform the National Curriculum and the qualifications system to set standards comparable to the highest achieving jurisdictions in the world, and meet the needs of universities and employers; we aim to improve the recruitment, selection and training of teachers and leaders, supporting their professionalism and authority and raising the status of the profession, so that teachers and teaching are as highly regarded and effective as in any country in the world, and we aim to create a system of accountability and incentives which supports every school and sixth form college to improve and share effective practice, and where the most effective practitioners and leaders take responsibility for improving practice elsewhere. This Government is clear that the system will not best be improved through centrally-driven programmes, but rather by giving professionals the freedom and the tools to do what they believe to be right, removing the barriers and bureaucracy in their way, and making sure that they are accountable through transparent information to parents, pupils and the taxpayer for the progress of every child. This does not mean that failure can be ignored: it remains our job to ensure that where there are serious problems, there is rapid intervention to secure for children and young people a decent quality of education.

- **Infrastructure and Funding Directorate**: The directorate focusses on reforming the education system and the way in which it is funded. It is responsible for leading the shift from a predominantly local authority maintained system of schooling to a more autonomous system through the delivery of the Academies and Free Schools programmes; the maintenance and reform of the funding system for both pre and post 16 education to a system which is transparent, where funding follows the pupil and where pupils with additional needs attract additional funding; responsibility for the policy on pre and post 16 capital funding including ensuring there are sufficient school places; funding for the maintenance of the school estate including centrally delivered capital programmes such as the Priority Schools Building Programme; and applying Ministers' deregulatory principles to the organisation and governance of the wider school system.

- **Corporate Services**: the directorate provides essential support services to the Department including corporate financial monitoring, reporting and advice; commercial and procurement support, legal advice, Internal Audit support, IT systems and Estate Management functions. There is a wide range of cross-departmental advice and support, which extends to stakeholders, including schools.

2.2 Reconciliation between operating segments and SoCNE

	Net expenditure per segmental analysis £000	Reconciling items: Income & Gains £000	Reconciling items: Expenditure £000	Net expenditure per SoCNE £000
Children's Services & Strategy	455,965	-	(1,907)	454,058
Educations Standards	655,983	-	(3,429)	652,554
Infrastructure & Funding	40,688,200	-	(301,439)	40,386,761
Corporate Services	169,531	(1,587)	(2,381)	165,563
	41,969,679	**(1,587)**	**(309,156)**	**41,658,936**
Academy schools	14,058,154	(4,340,381)	(996,578)	8,721,195
Outturn totals as per SoCNE	**56,027,833**	**(4,341,968)**	**(1,305,734)**	**50,380,131**

3. Staff numbers and related costs

3.1 Staff costs

	Permanently employed staff £000	Other £000	Ministers £000	Special Advisers £000	2013-14 Group Total £000	2012-13 Group Total £000
Wages and salaries	8,120,952	511,687	147	183	8,632,969	6,929,889
Social security costs	619,484	16,534	13	18	636,049	482,854
Pension costs	1,066,178	24,940	-	40	1,091,158	925,829
	9,806,614	**553,161**	**160**	**241**	**10,360,176**	**8,338,572**
Less recoveries in respect of outward secondments	(2,519)	-	-	-	(2,519)	(1,499)
	9,804,095	**553,161**	**160**	**241**	**10,357,657**	**8,337,073**
Charged to:						
Administration costs	185,098	8,180	160	241	193,679	209,046
Programme costs	9,621,516	544,981	-	-	10,166,497	8,129,526
	9,806,614	**553,161**	**160**	**241**	**10,360,176**	**8,338,572**
Less recoveries in respect of outward secondments	(2,519)	-	-	-	(2,519)	(1,499)
	9,804,095	**553,161**	**160**	**241**	**10,357,657**	**8,337,073**
Of which:						
Department	127,639	3,294	160	241	131,334	145,485
Executive Agencies	65,702	15,653	-	-	81,355	76,397
NDPBs	91,958	11,998	-	-	103,956	93,910
Academy Trusts	9,521,315	522,216	-	-	10,043,531	8,022,780
	9,806,614	**553,161**	**160**	**241**	**10,360,176**	**8,338,572**
Less recoveries in respect of outward secondments	(2,519)	-	-	-	(2,519)	(1,499)
	9,804,095	**553,161**	**160**	**241**	**10,357,657**	**8,337,073**

The Group has agreed with HMT to treat all of its schools' staff cost as programme. Other staff charged to programme costs consist mainly of frontline social workers £61 million (2012-13: £89 million) and European School Teachers £6.6 million (2012-13: £9.7 million).

3. Staff numbers and related costs (continued)

3.2 Average number of persons employed

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

	Permanently employed staff Number	Other Number	Ministers Number	Special Advisers Number	2013-14 Group Total Number	2012-13 Group Total Number
Number of staff charged to:						
Administration costs	3,502	115	5	3	3,625	3,999
Programme costs	288,052	14,431	-	-	302,483	253,227
	291,554	**14,546**	**5**	**3**	**306,108**	**257,226**
Of which:						
Department	2,445	56	5	3	2,509	2,853
Executive Agencies	1,159	158	-	-	1,317	1,285
NDPBs	1,717	80	-	-	1,797	1,780
Academy Trusts	286,233	14,252	-	-	300,485	251,308
	291,554	**14,546**	**5**	**3**	**306,108**	**257,226**

The number of staff employed by the Group has shown an increase this year through the continued expansion of the Group's schools. It is expected that the Group's staff numbers will continue to climb as more schools convert to academy status and are included in future consolidations.

The Group has included European School Teachers in the Group's staff numbers. Although the Group undertakes the recruitment and payroll of the teachers, their management is handled directly by the schools they work in. Many of the Civil Service terms and conditions applicable to mainstream Group employees are not applicable to teachers because they are bound by separate terms laid down by the European Schools Convention (EU treaty/law).

3.3 Pension schemes

The Group operates a range of pension schemes for its employees depending upon their role. The schemes are described further below and Note 19.

Principal Civil Service Pension Scheme (PCSPS)
The PCSPS is an unfunded multi-employer defined benefit scheme. As such there are no underlying scheme assets and liabilities for allocation across the employers operating the scheme. In accordance with IAS 19 contributions to the scheme are accounted for as if the scheme were a defined contribution scheme with only contributions payable during the year recognised.

The scheme actuary valued the scheme as at 31 March 2012. You can find details in the accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).

For 2013-14, employer's contributions of £29.6 million were payable to the PCSPS (2012-13: £34.0 million) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The scheme's actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2013-14 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Local Government Pension Scheme (LGPS)
The Group makes contributions to the LGPS. The scheme is governed by statutory regulations which are currently: *Superannuation Act 1972.* Membership of the scheme is voluntary and is open to non-teaching staff at the Group's academy schools who satisfy the membership criteria. A small number of other Group employees are also members of the scheme through previous employment rights.

3. Staff numbers and related costs (continued)

3.3 Pension schemes (continued)

Local Government Pension Scheme (LGPS) (continued)
The scheme is a funded, multi-employer defined benefit pension scheme. The scheme is available to employees of local government bodies that satisfy the membership criteria. The scheme's administrators are able to allocate the scheme's underlying assets and liabilities across the separate employers in accordance with IAS 19. Consequently, the Group recognises its share of the scheme's net asset surplus or liability deficit on its Statement of Financial Position.

Teachers' Pension Scheme (TPS)
The Group makes contributions to the TPS. The scheme is governed by statutory regulations which are currently: *The Teachers' Pensions Regulations (amended 2010) (SI2010/990).* Membership of the scheme is voluntary and is open to the Group's staff who are members of the teaching profession in England and Wales and who satisfy the membership criteria.

The scheme is an unfunded, multi-employer defined benefit pension scheme operated by the Group. As such there are no underlying scheme assets and liabilities for allocation across the employers operating the scheme. In accordance with IAS 19 contributions to the scheme are accounted for as if the scheme were a defined contribution scheme with only contributions payable during the year recognised.

Contributions to the TPS by employers and employees are set at rates determined by the Secretary of State, taking advice from the scheme's actuary. For 2013-14, the Group was liable to pay employers' contributions of £643.2 million (2012-13: £570.8m). Further information about the scheme can be obtained from the TPS's 2013-14 ARA.

Partnership pension accounts
Group employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £192,000 (2012-13: £192,000) 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. The Group matches employee contributions up to 3% of pensionable pay. In addition, employer contributions of £12,000 (2012-13: £12,000), 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 payable to the partnership pension providers at the year end were £16,000 (2012-13: £17,000). Contributions prepaid at that date were nil (2012-13: £nil).

3.4 Reporting of civil service and other compensation schemes

The disclosure of agreed departures during the year comprise of three categories:

- Employees who agreed to leave during the year and left by 31 March 2014;
- Employees who have committed to leave by 31 March 2014; of which their exit package have been accrued; and
- Employees whose exit package were accrued in the previous year and have left during the year.

The bandings disclosed in 2013-14 have been revised to take account of over-accruals in 2012-13.

3. Staff numbers and related costs (continued)

3.4 Reporting of civil service and other compensation schemes (continued)

Department

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
<£10,000	-	-	14	15	14	15
£10,001 - £25,000	-	-	38	74	38	74
£25,001 - £50,000	-	-	50	127	50	127
£50,001 - £100,000	-	-	45	91	45	91
£100,001 - £150,000	-	-	1	26	1	26
£150,001 - £200,000	-	-	4	14	4	14
£200,001 - £250,000	-	-	-	-	-	-
Total number of exit packages	**-**	**-**	**152**	**347**	**152**	**347**
Total costs (£000)	**-**	**-**	**4,034**	**23,208**	**4,034**	**23,208**

Department & Agencies

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
<£10,000	-	-	16	25	16	25
£10,001 - £25,000	-	-	58	112	58	112
£25,001 - £50,000	-	-	59	170	59	170
£50,001 - £100,000	-	-	52	110	52	110
£100,001 - £150,000	-	-	4	32	4	32
£150,001 - £200,000	-	-	4	15	4	15
£200,001 - £250,000	-	-	-	-	-	-
Total number of exit packages	**-**	**-**	**193**	**464**	**193**	**464**
Total costs (£000)	**-**	**-**	**5,380**	**23,209**	**5,380**	**23,209**

Group

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
<£10,000	703	414	919	566	1,622	980
£10,001 - £25,000	330	164	533	441	863	605
£25,001 - £50,000	91	69	221	302	312	371
£50,001 - £100,000	20	17	80	131	100	148
£100,001 - £150,000	2	-	7	37	9	37
£150,001 - £200,000	-	-	4	15	4	15
£200,001 - £250,000	-	-	-	-	-	-
£250,001 - £300,000	-	-	-	-	-	-
£300,001 - £350,000	-	-	-	-	-	-
Total number of exit packages	**1,146**	**664**	**1,764**	**1,492**	**2,910**	**2,156**
Total costs (£000)	**12,298**	**7,601**	**24,354**	**37,530**	**36,652**	**45,131**

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

3. Staff numbers and related costs (continued)

3.4 Reporting of civil service and other compensation schemes (continued)

Since 2012-13, the exit costs of staff in the EAs are borne and managed centrally by the Department. Information on departure costs and numbers for each agency are also reported in the individual agency's ARA to aid transparency. Payments comprise either a lump sum payment, or in cases of early retirement for staff within 10 years of their pension scheme's retirement age, an annual pension payment. The total cost to the Group will therefore be higher than the amounts received by individuals.

4. Other administration costs

			2013-14			2012-13
	Department £000	Department & Agencies £000	Group £000	Department £000	Department & Agencies £000	Group £000
Rentals under operating leases:						
Hire of plant and machinery	649	649	649	1,624	1,624	1,632
Other operating leases	15,956	16,266	16,316	17,642	17,652	17,383
Professional fees	9,715	19,312	19,803	10,630	25,527	25,859
Travel and subsistence	4,154	8,400	8,566	4,387	8,172	8,405
Consultancy	369	383	383	332	473	482
Rates and service charges	7,303	7,303	7,303	7,155	7,143	7,181
Computers and telecoms costs	11,686	22,196	28,191	19,777	21,325	29,803
Utilities	1,236	1,236	1,236	2,675	2,675	2,676
Advertising and publicity	816	907	934	724	803	949
Other office services	7,791	7,926	8,012	6,814	6,929	7,086
Teachers' Pension Scheme contract expenditure	14,554	14,554	14,554	13,219	13,219	13,219
Auditors' remuneration - audit work	-	-	74	-	-	74
Other expenditure	9,725	26,069	26,376	27,034	26,580	26,906
	83,954	**125,201**	**132,397**	**112,013**	**132,122**	**141,655**
Non-cash items:						
Depreciation:						
Civil Estate	794	794	794	1,457	1,457	1,457
Other property, plant and equipment	7,349	7,349	7,359	9,240	9,240	9,253
Amortisation of intangible assets	7,350	7,375	7,378	8,671	8,746	8,750
Permanent diminution in non-current asset values	13,249	13,249	13,249	-	-	-
Loss on disposal of non-current assets	-	-	-	20	20	20
Auditor's remuneration - audit work	350	835	835	450	1,020	1,020
	29,092	**29,602**	**29,615**	**19,838**	**20,483**	**20,500**
	113,046	**154,803**	**162,012**	**131,851**	**152,605**	**162,155**

The Group's auditors received no remuneration for non-audit work concerning the Department and its EAs and NDPBs. Auditors' fees incurred by the Group's ATs are reported in programme costs and relate to both audit and non-audit work. The non-cash fees in the preceding table relate to work carried out for the Department and EAs, whereas the cash fees stated are for audit work carried out on the accounts of the Group's NDPBs and ATs.

£5.1 million (2012-13: £23.2 million) of the other expenditure cost reflects lump sum accruals of VER cost for the Department and its EAs. Details of exit costs are available in Note 3 and also in the individual EA's accounts.

5. Programme costs

	2013-14			2012-13		
	Department	Department & Agencies	Group	Department	Department & Agencies Restated	Group
	£000	£000	£000	£000	£000	£000
Current grants, capital grants and other current expenditure:						
Basic Need schools capital grant	-	1,027,072	1,027,072	-	1,311,867	1,311,867
Building Schools for the Future capital grant	-	614,047	300,283	-	1,026,745	911,873
Free Schools	-	325,881	86,652	-	77,504	75,257
Capital grant transfer of assets to Free School projects	-	414,094	-	-	-	-
National Framework Academies capital grant	-	32,528	32,528	-	151,085	148,677
Academies and Free Schools	92,485	92,485	58,832	202,218	202,218	202,218
Adoption and Children in Care	164,504	164,504	164,504	16,143	16,143	16,143
Safeguarding	27,153	27,153	27,153	52,186	52,186	52,186
Maintenance capital grants to local authorities	-	596,255	596,255	-	686,842	686,842
Other capital grants	7,521	430,200	949,348	66,372	666,148	638,118
Additional Grant Scheme	-	105,175	105,175	-	23,639	23,639
Dedicated Schools Grant	-	29,199,988	29,199,988	-	29,959,126	29,959,126
Two Year Olds in Schools	-	460	460	-	-	-
Pupil Premium	-	1,364,782	1,364,782	-	988,838	988,838
Early Intervention Grant	-	-	-	2,360,201	2,360,201	2,360,201
Education Services Grant	-	779,468	779,468	-	-	-
Extended Rights to Free Home to School Transport	36,141	36,141	36,141	48,854	48,854	48,854
Family Fund Trust	27,323	27,323	27,323	27,323	27,323	27,323
Initial Teacher Training	-	287,495	257,070	-	348,644	346,111
Teaching School Grants	-	20,159	9,124	-	27,227	27,227
Continuing Professional Development	-	(2,303)	(2,303)	-	19,271	19,271
Golden Hellos	-	4,923	5,307	-	17,930	17,930
Music grant	64,340	64,340	64,340	81,029	81,029	81,029
Music & Dance Scheme	28,915	28,915	28,915	28,027	28,027	28,027
Repayment of Teacher Loans	-	15,060	15,037	17,439	17,439	17,439
16-18 Apprenticeships	-	728,050	728,050	673,233	673,233	673,233
Local authority and other maintained School Sixth forms	-	856,371	856,371	-	1,135,628	1,135,628
16-19 further education	-	3,854,997	3,854,997	-	3,786,107	3,786,107
16-19 Bursary funding	-	154,008	128,920	-	158,286	158,286
PFI special grant	-	733,478	719,780	-	669,971	669,971
Youth Contract	-	11,399	11,399	-	6,986	6,986
Other current grants	83,331	289,163	257,568	121,189	519,997	438,240
Other current expenditure	117,373	232,433	390,430	127,885	251,741	546,937
Research & development costs	11,424	12,391	12,391	11,090	12,181	12,181
General Annual Grant funding	-	12,919,240	-	-	10,200,802	-
Grant-in-Aid (funding to NDPBs)	137,267	137,267	-	124,812	124,812	-
Returned Grant-in-Aid (Non-voted)	(3,429)	(3,429)	(3,429)	(1,376)	(1,376)	-
Balance carried forward	**794,348**	**55,581,513**	**42,089,931**	**3,956,625**	**55,676,654**	**45,415,765**

5. Programme costs (continued)

	Department	Department & Agencies	2013-14 Group	Department	Department & Agencies Re-stated	2012-13 Group
	£000	£000	£000	£000	£000	£000
Current grants, capital grants and other current expenditure:						
Balance brought forward	**794,348**	**55,581,513**	**42,089,931**	**3,956,625**	**55,676,654**	**45,415,765**
Educational supplies	-	-	516,964	-	-	383,545
Exam Fees	-	-	186,154			166,542
Professional fees	-	-	44,612	-		51,892
Travel and subsistence	-	-	20,998	-	-	21,258
Staff related costs	-	-	119,431			79,401
Consultancy	-	-	72,084	-	-	51,126
Rates and service charges	-	-	72,085	-	-	46,440
Accommodation charges	-	-	30,704			52,411
Computers and telecoms costs	-	-	168,994	-	-	121,425
Utilities	-	-	238,005	-	-	141,593
Catering	-	-	182,346			132,626
Other office services	-	-	1,179,314	-	-	506,655
Auditors' remuneration:						
audit	-	-	25,762	-	-	13,026
non-audit	-	-	10,637	-	-	5,172
Rentals under operating leases:						
Land and buildings	-	-	18,661	-	-	26,685
Other operating leases	-	-	26,830	-	-	3,628
Bank charges	-	-	6,398	-	-	4,298
Interest paid	-	-	253	-	-	256
Other expenditure	-	-	466,687			783,284
	794,348	**55,581,513**	**45,476,850**	**3,956,625**	**55,676,654**	**48,007,028**
Non-cash items:						
Depreciation	416	416	948,872	95	95	803,995
Amortisation	6,074	6,074	7,277	12,393	12,413	13,040
Impairment	176	176	65,044	-	-	10
Reversal of impairment	-	-	-	(1,251)	(1,251)	(1,138)
Loss on disposal of property, plant and equipment	-	-	57,777	-	-	133
Loss on disposal of intangible assets	-	-	-	12,060	12,060	11,817
Loss on disposal of investments	-	-	70	-	-	5
Provisions:						
Provided in year	5,141	5,520	8,740	102,779	103,979	106,320
Not required written back	(371)	(441)	(2,218)	(8,581)	(9,990)	(10,992)
Change of discount rate	6,574	6,574	6,574	5,496	5,496	5,496
Borrowing costs (unwinding of discounts)	3,816	3,816	3,816	750	750	750
	21,826	**22,135**	**1,095,952**	**123,741**	**123,552**	**929,396**
	816,174	**55,603,648**	**46,572,802**	**4,080,366**	**55,800,206**	**48,936,424**

Capital grant transfer of assets to Free School projects recognised by the Department and Agencies represent assets under construction transferred to ATs. The assets are then re-recognised at a group level through the consolidation of the ATs.

5. Programme costs (continued)

From 2013-14, Early Intervention Grant is now disbursed by DCLG, through the Revenue Support Grant paid to Local Authorities. Education Services Grant, previously paid out by DCLG, is now disbursed by the Group.

Grants paid to ATs in advance of their schools opening are not eliminated since the Group's accounting policy is to exclude from consolidation all grant payments made to ATs that relate to un-opened academy schools.

Payments under academy school programmes (such as Free Schools above) not made to ATs are not eliminated on consolidation and remain disclosed above.

6. Income

			2013-14			2012-13
	Department £000	Department & Agencies £000	Group £000	Department £000	Department & Agencies £000	Group £000
Administration income:						
Fees and charges to external customers	99	99	99	124	124	124
Rental income	3,768	3,768	2,989	2,908	2,908	2,218
Shared service income	477	477	450	681	681	681
Other miscellaneous	2,772	3,090	2,601	838	982	982
Non-cash items:						
Notional re-charges to Executive Agencies	45,438	-	-	55,322	-	-
	52,554	**7,434**	**6,139**	**59,873**	**4,695**	**4,005**
Programme income:						
Joint programme income	449	69,058	69,058	476	20,208	20,208
NCL conference income	-	791	791	-	922	922
Voluntary income:						
Donations	-	-	663,467	-	-	214,809
Other	-	-	275,183	-	-	213,733
Activities for generating funds:						
Hire of facilities	-	-	67,546	-	-	52,002
Rental income	-	-	12,437	-	-	12,119
Catering income	-	-	151,705	-	-	105,079
Other	-	-	283,592	-	-	216,852
Investment income:						
Short-term deposit interest	-	-	4,678	-	-	1,879
Interest	-	-	7,867	-	-	5,147
Other	-	-	1,804	-	-	3,243
EFA income	-	-	(32,443)	-	-	-
Other grant income			653,558	-	-	366,789
Boarding activities income	-	-	32,050	-	-	27,551
Other income	1,112	4,954	177,058	2,670	7,608	204,488
	1,561	**74,803**	**2,368,351**	**3,146**	**28,738**	**1,444,821**
	54,115	**82,237**	**2,374,490**	**63,019**	**33,433**	**1,448,826**

The joint programme income relates to income from Department of Health, BIS/Skills Funding Agency and the Ministry of Justice for jointly managed projects where the Group had recharged some of the expenditure for those programmes. Voluntary income - donations represents the value of incoming assets donated to the Group after the conversion of its academy schools. The balance does not represent the net asset/liability position of legacy assets arising on the conversion of a school.

7. Property, plant and equipment

7.1 Group 2013

	Land & Buildings £000	Leasehold Improve'ts £000	IT Equipment £000	Plant & Machinery £000	Furniture & Fittings £000	Motor Vehicles £000	Assets Under Construction £000	Total £000
Cost or valuation								
At 1 April 2012	87,809	3,077	44,526	420	24,937	-	4,352	165,121
Additions	284,526	7,016	113,526	1,628	87,235	3,927	257,942	755,800
Transferred in on in-year school conversion:								
LA	6,489,154	2,071	28,701	14,795	49,865	1,626	-	6,586,212
Non-LA	1,454,963	28	2,359	332	7,743	205	-	1,465,630
Acquired on 1 April 2012 from conversion of pre-existing academy schools:								
LA	13,981,707	-	135,156	271	217,039	5,465	25,957	14,365,595
Non-LA	3,181,149	-	35,467	-	60,332	1,128	6,389	3,284,465
Donations	112,835	-	4,532	-	3,569	80	-	121,016
Impairment	(130)	-	(12)	-	(7)		-	(149)
Disposals	(13,976)	(1,391)	(11,864)	(159)	(3,441)	(204)	(1,342)	(32,377)
Reclassification	25,924	2,975	6,727	125	1,152	-	(37,132)	(229)
Revaluations	121,809	1,159	5,589	21	1,082	-	-	129,660
At 31 March 2013	**25,725,770**	**14,935**	**364,707**	**17,433**	**449,506**	**12,227**	**256,166**	**26,840,744**
Depreciation								
At 1 April 2012	14,495	2,689	34,952	364	12,625	-	-	65,125
Charged in year	620,594	1,405	109,153	1,314	79,543	2,656	-	814,665
Impairment	(17)	59	-	-	(5)	-	-	37
Disposals	(2,793)	(1,390)	(10,513)	(155)	(2,888)	(95)	-	(17,834)
Reclassification	(2,540)	2,540	(27)	110	(149)	-	-	(66)
Revaluations	550	565	2,935	12	457	-	-	4,519
At 31 March 2013	**630,289**	**5,868**	**136,500**	**1,645**	**89,583**	**2,561**	**-**	**866,446**
Carrying value as at:								
31 March 2013	**25,095,481**	**9,067**	**228,207**	**15,788**	**359,923**	**9,666**	**256,166**	**25,974,298**
31 March 2012	**73,314**	**388**	**9,574**	**56**	**12,312**	**-**	**4,352**	**99,996**
Of the total:								
Department	68,994	504	9,092	45	10,803	-	3,321	92,759
Executive Agencies	-	-	-	-	-	-	191,029	191,029
NDPBs	780	-	262	6	10	-	-	1,058
Academy Trusts	25,025,707	8,563	218,853	15,737	349,110	9,666	61,816	25,689,452
	25,095,481	**9,067**	**228,207**	**15,788**	**359,923**	**9,666**	**256,166**	**25,974,298**

7. Property, plant and equipment (continued)

7.2 Group 2014

	Land & Buildings £000	Leasehold Improve'ts £000	IT Equipment £000	Plant & Machinery £000	Furniture & Fittings £000	Motor Vehicles £000	Assets Under Construction £000	Total £000
Cost or valuation								
At 1 April 2013	25,725,770	14,935	364,707	17,433	449,506	12,227	256,166	26,840,744
Additions	440,183	97,414	142,029	14,299	106,213	4,229	632,771	1,437,138
Transferred in on in-year school conversion:								
LA	3,439,423	24,616	21,510	2,332	39,774	1,300	33,541	3,562,496
Non-LA	912,580	120	7,206	692	11,564	80	5,397	937,639
Transfer on conversion settlement balances:								
LA	(1,965)	24,086	1,873	(6,893)	(5,910)	612	15	11,818
Non-LA	2,726	20,701	2,153	(107)	56	59	-	25,588
Donations	573,959	30,057	13,697	797	21,952	47	17,557	658,066
Impairment	(80,050)	(1,054)	(14)	-	(4)	-	(3,598)	(84,720)
Disposals	(84,407)	(320)	(13,281)	(95)	(6,589)	(405)	(34)	(105,131)
Reclassification	309,744	11,816	7,380	11,839	5,227	(236)	(351,825)	(6,055)
Revaluations	(1,000,036)	3,246	12,729	717	10,766	731	1,294	(970,553)
At 31 March 2014	**30,237,927**	**225,617**	**559,989**	**41,014**	**632,555**	**18,644**	**591,284**	**32,307,030**
Depreciation								
At 1 April 2013	630,289	5,868	136,500	1,645	89,583	2,561	-	866,446
Charged in year	720,818	6,986	133,509	9,949	82,428	3,335	-	957,025
Impairment	(5,634)	(964)	(9)	-	-	-	-	(6,607)
Disposals	(8,325)	(233)	(11,572)	(53)	(5,199)	(198)	-	(25,580)
Reclassification	(971)	276	(1,213)	1,797	85	(61)	-	(87)
Revaluations	(1,269,286)	(42)	10,247	80	9,014	470	-	(1,249,517)
At 31 March 2014	**66,891**	**11,891**	**267,462**	**13,418**	**175,911**	**6,107**	**-**	**(541,680)**
Carrying value as at:								
31 March 2014	**30,171,036**	**213,726**	**292,527**	**27,596**	**456,644**	**12,537**	**591,284**	**31,765,350**
31 March 2013	**25,095,481**	**9,067**	**228,207**	**15,788**	**359,923**	**9,666**	**256,166**	**25,974,298**

7. Property, plant and equipment (continued)

7.2 Group 2014 (continued)

	Land & Buildings £000	Leasehold Improve'ts £000	IT Equipment £000	Plant & Machinery £000	Furniture & Fittings £000	Motor Vehicles £000	Assets Under Construction £000	Total £000
Of the total:								
Department	50,845	57	5,427	30	8,858	-	2,267	67,484
Executive Agencies	-	-	-	-	-	-	210,776	210,776
NDPBs	724	1	69	10	-	-	-	804
Academy Trusts	30,119,467	213,668	287,031	27,556	447,786	12,537	378,241	31,486,286
	30,171,036	**213,726**	**292,527**	**27,596**	**456,644**	**12,537**	**591,284**	**31,765,350**

Land and building assets have been presented as a single asset class to reflect the common valuation techniques (depreciated replacement cost) applied to the estate as a whole. The Group operates its land and building assets through a number of routes from freehold, through leasehold to rentals. Where the Group leases its land and building assets from their local authority the majority of such leases are very long (often 100 or 125 years) and there is usually only a notional peppercorn, or in some instances no, rental cost. To reflect the commercial/economic nature of such long low value leases the Group has classified such leases as equivalent to freehold and aggregated all land and building assets into a single asset class.

Land and building assets acquired by the Group on conversion of its academy schools are valued on a basis consistent with the Group's other land and building assets; depreciated replacement cost. Following the initial recognition (at conversion or 1 April 2012) all its school land and building assets will be revalued in line with Group accounting policy every five years, necessitating an expansion of the Group's rolling revaluation programme. Land and building assets for all Group sites opened after 31 March 2012 will be revalued on the five year anniversary of their opening.

Under the terms of the lease agreement, no contingent rents are payable and there are no rights to purchase for the Sanctuary buildings in London. The commitment is calculated based on the department exercising a lease break in 2017. There are also no contingent rents payable and no rights to purchase for Piccadilly Gate, Manchester and Earlsdon Park, Coventry. The commitments are calculated based on the full unexpired lives of the leases.

7. Property, plant and equipment (continued)

The Group's panel of surveyors revalue land and buildings in accordance with the RICS Appraisal and Valuation Manual. Valuations take account of the different types of land and buildings assets held by the Group; namely office buildings and schools sites. During 2013-14, RICS revised its valuation methodology related to building sizes through the adoption of Building Bulletin 103. The Group has classified this amendment to its valuation process as a change in estimate under International Accounting Standard 8. Therefore changes in valuation are recognised prospectively for all future valuations from the date of adoption by RCIS.

The Group has a panel of surveyors that have been retained to value specific parts of the Group's estate. The valuation of the Group's school buildings has been completed by a panel of three valuers: DTZ or DJD (for those academies open as at 31 March 2013) and Mouchel for later openers.

The Group's non-school sites were last revalued by DTZ as follows:

Mowden Hall, Darlington March 2009; St Paul's Place, Sheffield June 2010 and LCC building, Nottingham May 2013.

Following the valuation of LCC building, the building was impaired down to its assessed fair value of £8.5 million.

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

Assets under construction relate to IT and school building construction projects.

8. Intangible assets

8.1 Group 2013

	Software Licences £000	Developed Software £000	Teachers' TV £000	Non-software Licences £000	Other £000	Assets Under Construct'n £000	Total £000
Cost or valuation							
At 1 April 2012	12,147	67,479	42,340	-	-	6,340	128,306
Additions	1,530	455	-	26	56	2,979	5,046
Transferred in on in-year school conversion:							
LA	497	-	-	-	39	-	536
Non-LA	69	-	-	-	9	-	78
Acquired on 1 April 2012 from conversion of pre-existing ATs:							
LA	616	-	-	61	43	-	720
Non-LA	21	-	-	-	-	-	21
Impairments	-	-	-	-	(3)	-	(3)
Disposals	(1,130)	(355)	(43,593)	-	-	-	(45,078)
Reclassification	1,684	(470)	-			(1,139)	75
Revaluations	1,628	8,845	1,253			-	11,726
At 31 March 2013	17,062	75,954	-	87	144	8,180	101,427
Amortisation							
At 1 April 2012	9,376	35,451	24,652	-	-	-	69,479
Charged in year	2,823	12,506	6,422	10	29	-	21,790
Impairments	-	-	-	-	-	-	-
Disposals	(1,096)	(353)	(31,766)	-	-	-	(33,215)
Reclassification	21	50	-	-	-	-	71
Revaluations	1,101	4,118	692	-	-	-	5,911
At 31 March 2013	12,225	51,772	-	10	29	-	64,036
Carrying value at:							
31 March 2013	**4,837**	**24,182**	**-**	**77**	**115**	**8,180**	**37,391**
31 March 2012	**2,771**	**32,028**	**17,688**	**-**	**-**	**6,340**	**58,827**
Asset financing:							
Owned	4,837	24,182	-	77	115	8,180	37,391
Of the total:							
Department	3,031	23,711	-	-	-	8,180	34,922
Executive Agencies	1	460	-	-	-	-	461
NDPBs	22	11	-	-	-	-	33
Academy Trusts	1,783	-	-	77	115	-	1,975
	4,837	**24,182**	**-**	**77**	**115**	**8,180**	**37,391**

8. Intangible assets (continued)

8.2 Group 2014

	Software Licences £000	Developed Software £000	Teachers' TV £000	Non-software Licences £000	Other £000	Assets Under Construct'n £000	Total £000
Cost or valuation							
At 1 April 2013	17,062	75,954	-	87	144	8,180	101,427
Additions	2,664	1,894	-	-	225	1,659	6,442
Transferred in on in-year school conversion:							
LA	150	-	-	-	-	-	150
Non-LA	178	-	-	22	-	-	200
Transfer on conversion settlement balances:							
LA	(323)	-	-	-	(47)	-	(370)
Non-LA	(4)	-	-	-	(9)	-	(13)
Donations	22	-	-	-	-	-	22
Impairments	(1)	(3)	-	-	(3)	-	(7)
Disposals	(68)	-	-	-	-	-	(68)
Reclassification	2,082	4,023	-	20	(20)	(4,372)	1,733
Revaluations	(139)	(1,812)	-	-	-	-	(1,951)
At 31 March 2014	21,623	80,056	-	129	290	5,467	107,565
Amortisation							
At 1 April 2013	12,225	51,772	-	10	29	-	64,036
Charged in year	2,655	11,957	-	29	15	-	14,656
Impairments	(1)	(3)	-	-	-	-	(4)
Disposals	(10)	-	-	-	-	-	(10)
Reclassification	1,403	(752)	-	10	(10)	-	651
Revaluations	(209)	(1,082)	-	-	-	-	(1,291)
At 31 March 2014	16,063	61,892	-	49	34	-	78,038
Carrying value at:							
31 March 2014	**5,560**	**18,164**	**-**	**80**	**256**	**5,467**	**29,527**
31 March 2013	**4,837**	**24,182**	**-**	**77**	**115**	**8,180**	**37,391**
Asset financing:							
Owned	**5,560**	**18,164**	**-**	**80**	**256**	**5,467**	**29,527**
Of the total:							
Department	1,226	16,306	-	-	-	5,467	22,999
Executive Agencies	-	-	-	-	-	-	-
NDPBs	92	1,858	-	-	-	-	1,950
Academy Trusts	4,242	-	-	80	256	-	4,578
	5,560	**18,164**	**-**	**80**	**256**	**5,467**	**29,527**

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

The majority of assets under construction relate to programme developed software projects. Intangible assets introduced to the Group through the conversion of its schools in year have been accounted for on a consistent basis to existing Group assets.

9. Financial instruments

As the cash requirements of the Group are met through the Estimate process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the Group's expected purchase and usage requirements and the Group is therefore exposed to little credit, liquidity or market risk.

IFRS 7 Financial Instruments: Disclosures requires entity's to provide sufficient disclosures that enable users of accounts to evaluate:

- the significance of financial instruments for the entity's financial
- position and performance; and
- the nature and extent of risks arising from financial instruments to which the entity is exposed during the reporting period, and how those risks are managed.

Due to the largely non-trading nature of its activities and the way in which government departments are financed, the Group is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the limited companies to which IFRS 7 mainly applies. The Group 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 Group in undertaking its activities.

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

Interest-rate risk
The Group's financial liabilities carry either nil or fixed rates of interest and it is not therefore exposed to significant interest-rate risk.

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

Credit risk
The Group's exposure to credit risk is very low. Credit risk is the risk that a service user or counter party to a financial instrument will fail to pay amounts due causing financial loss to the Group and arises principally from cash and outstanding debt. The Group has a credit (receivables) policy that ensures consistent processes are in place throughout the Group to measure and control credit risk. Commercial and charitable education providers for the Group are subjected to quality and financial status reviews to mitigate the risk of non-payment of debts as a result of insolvency.

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

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

10. Non-current asset investments

10.1 Group 2013

	Valued at fair value			Valued at cost		
	Listed Securities & Managed Funds £000	Cash Balances £000	Other £000	Subsidiaries £000	Other £000	Total £000
Balance as at 1 April 2012	-	-	-	-	-	-
Additions	7,227	-	7,066	-	-	14,293
Transferred on in-year school conversions:						
LA	-	-	-	-	-	-
Non-LA	-	-	-	-	5	5
Acquired on 1 April 2012 from conversion of pre-existing ATs:						
LA	24,283	-	9,817	25	-	34,125
Non-LA	6,154	-	1,329	-	-	7,483
Disposals	(2,378)	-	(91)	-	-	(2,469)
Gain/(loss) on year end revaluation	1,976	-	167	-	-	2,143
Impairment	-	-	-	-	-	-
Closing balance at 31 March 2013	**37,262**	**-**	**18,288**	**25**	**5**	**55,580**

The Group held during the year 1 Ordinary share of £1 each in the following companies that are judged to be non-public sector and so fall outside the Department's Designation Order and were not consolidated:

- Building Schools for the Future Investments (BSFI) Limited (BSFI Ltd); and
- QCDA Enterprises Limited (QCDAe).

See below for more information concerning these two companies.

10.2 Group 2014

	Valued at fair value			Valued at cost		
	Listed Securities & Managed Funds £000	Cash Balances £000	Other £000	Subsidiaries £000	Other £000	Total £000
Balance as at 1 April 2013	37,262	-	18,288	25	5	55,580
Additions	17,638	13,495	233	12	2,323	33,701
Reclassification	-	14,422	(14,422)	-	-	-
Transferred on in-year school conversions:						
LA	-	-	4	-	-	4
Non-LA	-	-	-	50	-	50
Transfer on conversion settlements:						
LA	137	3,821	3,016	-	5,611	12,585
Non-LA	1,786	1,600	275	-	(5)	3,656
Disposals	(4,075)	(4,331)	(1)	-	(1,433)	(9,840)
Gain/(loss) on year end revaluation	3,168		34	-	-	3,202
Closing balance at 31 March 2014	**55,916**	**29,007**	**7,427**	**87**	**6,501**	**98,938**

10. Non-current asset investments (continued)

10.2 Group 2014 (continued)

The Group held during the year 1 Ordinary share of £1 each in the following companies that are judged to be non-public sector that fall outside the Department's Designation Order and so were not consolidated:

- Building Schools for the Future Investments (BSFI) Limited (BSFI Ltd); and
- QCDA Enterprises Limited (QCDAe).

Building Schools for the Future Investments (BSFI) Limited (company number 05584965)
BSFI Ltd is a wholly owned subsidiary of the Group, which is not consolidated within the Group's accounts. The principal activity of BSFI Ltd was to fund Building Schools for the Future Investments LLP (BSFI LLP) to invest in the local delivery vehicles that are established under the Building Schools for the Future programme.

On 7 December 2006 as part of reorganisation of the Group's funding of Building Schools for the Future programme the Group's direct interest in BSFI LLP was transferred to BSFI Ltd. BSFI LLP is a limited liability partnership jointly funded by the Group (via BSFI Ltd) and Partnerships UK (PUK). BSFI LLP was sold to International Public Partnerships Limited on 12 August 2011 by BSFI Ltd and PUK.

In line with the guidance within the FReM, 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. The Group made no payments to BSFI Ltd during 2012-13 or 2011-12.

BSFI Ltd was dissolved on 18 June 2013.

QCDA Enterprises Limited (company number 00926649)
QCDA Enterprises Limited was a wholly owned trading subsidiary of QCDA selling publications and products. The company ceased trading at the end of September 2011 with activity transferring to the Standards and Testing Agency. The company was placed in member's voluntary liquidation on 31 January 2012.

QCDA Enterprises Limited was dissolved on 20 September 2013.

11. Investments in other public sector bodies

11.1 Analysis by type

			2014			2013
	Department £000	Department & Agencies £000	Group £000	Department £000	Department & Agencies £000	Group £000
Loans to:						
Academy Trusts	7,301	7,301	-	7,359	7,359	-
Voluntary Aided Schools	526	526	-	558	558	558
	7,827	**7,827**	**-**	**7,917**	**7,917**	**558**
Maturity analysis:						
Within one year	2,649	2,649	-	2,813	2,813	47
After more than one year but less than five years	4,859	4,859	-	4,652	4,652	156
After more than five years	319	319	-	452	452	355
	7,827	**7,827**	**-**	**7,917**	**7,917**	**558**

11. Investments in other public sector bodies (continued)**Analysis by type (continued)**The loans issued to voluntary aided (VA)

schools for capital projects under Schedule 3 of the *Schools Standards & Framework Act 1998*. Interest is charged in accordance with the HMT lending rates. At 31 March 2014 there was only one outstanding loan (2012-13: two), and all balances are scheduled for repayment by 2025. The VA school converted to academy in year and therefore the loan was eliminated on consolidation.

The loans issued by the Department to ATs are to assist with the ATs' deficit funding following conversion of their school; the loans are fully repayable by the AT by reduction of their grant over a period of time.

Risks associated with other financial assets are disclosed in Note 9.

11.2 Investment in subsidiaries

The Group held during the year 1 Ordinary share of £1 each in Partnerships for Schools Limited (PfS).

Partnerships for Schools Limited (company number 04650964, PfS)
PfS was set up on an equity basis to be the government's delivery agent for capital investment programmes in schools. PfS's responsibilities, assets and liabilities transferred to the Education Funding Agency on 31 March 2012. Following the transfer of PfS's activities the value of the Group's shareholding in the company was fully written down.

The liquidation of the company was completed in July 2014, with formal dissolution of the company completed on 1 November 2014.

12. Assets held for sale

			2014			2013
	Department £000	Department & Agencies £000	Group £000	Department £000	Department & Agencies £000	Group £000
Carrying value immediately prior to re-classification	7,109	7,109	7,109	-	-	-
Charge to SoCNE	(3,127)	(3,127)	(3,127)	-	-	-
Less: Impairment value debited to revaluation reserve	(482)	(482)	(482)	-	-	-
Disposal value	**3,500**	**3,500**	**3,500**	**-**	**-**	**-**

In April 2013 following the DfE Review, management completed a re-organisation of the Group's office estate resulting in an exit from Castle View House, Runcorn. The property was revalued in accordance with the Group's accounting policy resulting in a realised loss of £3.5 million which has been charged to SoCNE and disclosed in Note 4.

Once the property was re-classified as a held for sale asset it was re-valued in accordance with *IFRS5 Non-current Assets Held For Sale and Discontinued Operations* at the lower of its net realisable value or carrying value less costs to resell. The property is currently being actively marketed.

13. Inventories

	Department £000	Department & Agencies £000	2014 Group £000	Department £000	Department & Agencies £000	2013 Group £000
Clothing/uniforms	-	-	5,563	-	-	4,333
Catering supplies	-	-	1,112	-	-	1,024
Grounds maintenance	-	-	19	-	-	12
Stationery	-	-	1,254	-	-	758
Exam papers	-	-	-	-	46	46
Other	-	-	1,541	-	-	1,175
	-	**-**	**9,489**	**-**	**46**	**7,348**

Exam papers consist of past exam papers that are sold to schools at cost.

14. Receivables

14.1 Analysis by type

	Department £000	Department & Agencies £000	2014 Group £000	Department £000	Department & Agencies £000	2013 Group £000
Amounts falling due within one year:						
Trade receivables	2,802	64,470	58,152	1,862	28,479	56,442
VAT receivable	1,549	1,880	178,205	3,011	3,186	105,514
Deposits and advances	371	406	439	416	445	468
Other receivables	149	225	287,767	172	222	148,435
Prepayments and accrued income	920	24,203	350,856	6,405	20,369	149,934
	5,791	**91,184**	**875,419**	**11,866**	**52,701**	**460,793**
Amounts falling due after more than one year:						
Trade receivables	-	1,334	6,836	-	-	-
Prepayments and accrued income	5,623	5,623	5,663	5,646	5,935	5,727
	5,623	**6,957**	**12,499**	**5,646**	**5,935**	**5,727**

14.2 Intra-government balances

	Amounts falling due within one year 2014 £000	2013 £000	Amounts falling due after more than one year 2014 £000	2013 £000
Balances with other central government bodies	178,699	164,140	1,741	-
Balances with local authorities	82,873	87,203	1,847	9
Balances with NHS bodies	74	-		-
Balances with public corporations and trading funds	51	-		-
Intra-Government balances	**261,697**	**251,343**	**3,588**	**9**
Balances with bodies external to government	613,722	209,450	8,911	5,718
	875,419	**460,793**	**12,499**	**5,727**

15. Cash and cash equivalents

	Department £000 (2014)	Department & Agencies £000 (2014)	Group £000 (2014)	Department £000 (2013)	Department & Agencies £000 (2013)	Group £000 (2013)
Balance at 1 April	15,957	143,484	2,004,060	33,599	33,599	231,624
Net change in cash and cash equivalent balances	24,470	(39,617)	574,428	(17,642)	109,885	1,772,436
Balance at 31 March	**40,427**	**103,867**	**2,578,488**	**15,957**	**143,484**	**2,004,060**
The following balances are held at:						
Cash at bank and in hand:						
Government Banking Service	40,268	103,708	103,318	15,902	147,391	147,387
Commercial banks	159	159	2,476,763	55	-	1,862,309
	40,427	**103,867**	**2,580,081**	**15,957**	**147,391**	**2,009,696**
Overdrafts:						
Government Banking Service	-	-	-	-	-	-
Commercial banks	-	-	(1,593)	-	(3,907)	(5,636)
	-	**-**	**(1,593)**	**-**	**(3,907)**	**(5,636)**
Balance at 31 March	**40,427**	**103,867**	**2,578,488**	**15,957**	**143,484**	**2,004,060**

16. Payables

16.1 Analysis by type

	Department £000 (2014)	Department & Agencies £000 (2014)	Group £000 (2014)	Department £000 (2013)	Department & Agencies £000 (2013)	Group £000 (2013)
Overdrafts	-	-	1,593	-	3,907	5,636
Loans payable	-	-	11,002	-	-	7,371
Finance leases	-	-	1,100	-	-	995
Other taxation and social security	2,546	3,893	152,967	2,959	4,431	132,531
VAT payable	-	-	4,459	-	-	1,071
Trade payables	8,116	13,334	325,134	17,786	21,601	253,277
Other payables	3,283	4,533	227,876	2,806	3,905	200,590
Accruals and deferred income	75,888	488,745	1,213,346	224,644	400,661	811,511
Corporation tax	-	-	12	-	-	146
Amounts issued from the Consolidated Fund for Supply but not spent at year end	102,279	102,279	102,279	140,695	140,695	140,695
Consolidated Fund extra receipts due to be paid to the Consolidated Fund						
Received	1,587	1,587	1,587	2,790	2,790	2,790
Receivable	-	-	-	-	-	-
Deferred capital grant under 1 year	-	62	62	-	-	-
	193,699	**614,433**	**2,041,417**	**391,680**	**577,990**	**1,556,613**

16. Payables (continued)

16.2 Intra-government balances

	2014 £000	2013 £000
Balances with other central government bodies	475,582	662,405
Balances with local authorities	223,219	249,135
Balances with NHS bodies	200	12
Balances with public corporations and trading funds	423	1,049
Intra-Government balances	**699,424**	**912,601**
Balances with bodies external to government	1,341,993	644,012
	2,041,417	**1,556,613**

17. Non-current payables

17.1 Analysis by type

	2014 Department £000	2014 Department & Agencies £000	2014 Group £000	2013 Department £000	2013 Department & Agencies £000	2013 Group £000
Loans payable	-	-	29,825	-	-	20,012
Finance leases	-	-	4,291	-	-	6,928
Other creditors	-	-	15,689	-	-	15,711
	-	**-**	**49,805**	**-**	**-**	**42,651**

17.2 Intra-government balances – Group

	2014 £000	2013 £000
Balances with other central government bodies	286	5,336
Balances with local authorities	22,933	20,043
Balances with NHS bodies	-	-
Balances with public corporations and trading funds	-	-
Intra-Government balances	**23,219**	**25,379**
Balances with bodies external to government	26,586	17,272
	49,805	**42,651**

18. Provisions for liabilities and charges

18.1 Analysis

	2014 Department £000	2014 Department & Agencies £000	2014 Group £000	2013 Department £000	2013 Department & Agencies £000	2013 Group £000
Balance at 1 April	183,240	187,418	193,729	92,037	92,037	130,842
Transferred in from:						
NDPBs	-	-	-	26,325	34,104	-
Conversion of AT schools:						
In-year conversion	-	-	-	-	-	-
Pre-1 April 2012 conversions	-	-	-	-	-	1,045
Provided for in year	5,141	5,520	8,740	102,779	103,979	106,320
Provisions not required and written back	(371)	(441)	(2,218)	(8,581)	(9,990)	(10,992)
Provisions utilised in year	(25,160)	(26,268)	(27,016)	(35,566)	(38,958)	(39,732)
Borrowing costs (unwinding of discounts)	3,816	3,816	3,816	750	750	750
Change in HMT's discount rate	6,574	6,574	6,574	5,496	5,496	5,496
Balance at 31 March	**173,240**	**176,619**	**183,625**	**183,240**	**187,418**	**193,729**

18.2 Analysis of expected timing of discounted flows

	2014 Department £000	2014 Department & Agencies £000	2014 Group £000	2013 Department £000	2013 Department & Agencies £000	2013 Group £000
Not later than one year	17,307	19,828	24,622	21,979	26,157	30,177
Later than one year and not later than five years	53,270	54,128	55,820	55,312	55,312	57,156
Later than five years	102,663	102,663	103,183	105,949	105,949	106,396
	173,240	**176,619**	**183,625**	**183,240**	**187,418**	**193,729**

18.3 Maturity analysis – Group

	Early Departure Costs £000	Retirement Compens'n £000	Property Provision £000	Others £000	Total £000
Not later than one year	4,171	12,326	3,499	4,626	24,622
Later than one year and not later than five years	8,456	44,333	1,397	1,634	55,820
Later than five years	806	102,239	138	-	103,183
	13,433	**158,898**	**5,034**	**6,260**	**183,625**

18. Provisions for liabilities and charges (continued)

18.4 Analysis by provision type – Group

	Early Departure Costs £000	Retirement Compens'n £000	Property Provision £000	Others £000	Total £000
Balance at 1 April 2013	18,130	159,965	6,180	9,454	193,729
Provided for in year	604	1,929	1,501	4,706	8,740
Provisions not required and written back	(586)	(208)	(1,054)	(370)	(2,218)
Provisions utilised in year	(5,130)	(12,800)	(1,556)	(7,530)	(27,016)
Borrowing costs (unwinding of discount)	293	3,562	(39)	-	3,816
Change in HMT's discount rate	122	6,450	2	-	6,574
Balance at 31 March 2014	**13,433**	**158,898**	**5,034**	**6,260**	**183,625**

As a result of HMT's change of methodology for determining discount rates applied to provisions, the Group has changed the rates applied to provisions.

The real discount rate applied to cash flows of short term (0-5 years) general provisions is -1.90%, -0.65% for medium term general provisions (between 5 and 10 years) and 2.20% for long term general provisions (more than 10 years). Early departure costs provisions are discounted at 1.80% (2013: 2.35%). This change was applied as of 31 March 2014.

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

NCSL, the predecessor body to NCTL, participated in a defined benefit pension scheme providing benefits based upon pensionable salary. The scheme is part of the Nottinghamshire County Council Pension Fund (NCCPF) which is administered under the statutory framework of the Local Government Pension Scheme. Following its closure, scheme members were given the option to keep accrued pension up to 31 March 2012 in NCPFF or transfer it to PCSPS. The Group provided for this transfer cost in its financial statement in 2012. The provision has been increased as at 31 March 2013 to take into account market fluctuations and details about which staff have already opted to transfer their accrued benefits, as well as the partial payment that the Group made in order to minimise future value changes. A final payment of £2.8 million was made in February 2014 to discharge the Department's liability. From 2011-12, any Voluntary Early Release lump sum is incurred in the year and is therefore no longer required to be accounted for as a provision.

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

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 Training and Enterprise Council property will be in 2018.

18. Provisions for liabilities and charges (continued)

18.4 Analysis by provision type – Group (continued)

Other provisions

'Other provisions' includes various different categories of provisions held by the Group. These include a provision as a result of the finding of a Judicial Review into European School Teachers relating to promotion and retirement rights, disputed utilities costs and equal pay claims. The Judicial Review created an obligation for the Group to make these payments to European School Teachers. Details of other provisions held by the EAs and NDPBs can be found in their individual accounts.

19. Pension scheme disclosures

Amounts recognised in the accounts in respect of the various defined pension benefit schemes are set out in the tables below. The revised IAS 19 has been used to value the Group's LGPS valuation. The Group early adopted IAS 19 in 2012-13 in relation to the Group's expsosure to the LPGS through its schools' non-teaching staff. Although CAFCASS has adopted this change for the first time in 2013-14, the impact is immaterial and therefore its 2012-13 expenditure has not been restated.

			2013-14			2012-13
	LGPS			LGPS		
	Academy Trusts £000	CAFCASS £000	Total £000	Academy Trusts £000	CAFCASS £000	Total £000
Analysis of amounts charged to Statement of Comprehensive Net Expenditure						
Current service cost	397,789	13,229	411,018	283,966	10,514	294,480
Past service cost	-	245	245	331	47	378
Loss on curtailments and settlements	274	-	274	294	-	294
	398,063	**13,474**	**411,537**	**284,591**	**10,561**	**295,152**
Analysis of amounts charged to interest payable						
Expected return on scheme assets	(118,521)	(14,554)	(133,075)	(77,322)	(20,189)	(97,511)
Interest on scheme liabilities	211,702	21,625	233,327	155,620	20,531	176,151
Net cost	**93,181**	**7,071**	**100,252**	**78,298**	**342**	**78,640**
Analysis of amounts recognised in other comprehensive expenditure						
Total actuarial losses/(gains)	(71,863)	(41,559)	(113,422)	(43,034)	23,771	(19,263)
Actuarial loss/(gain) recognised in other comprehensive expenditure	**(71,863)**	**(41,559)**	**(113,422)**	**(43,034)**	**23,771**	**(19,263)**
Amounts recognised in the Statement of Financial Position						
Fair value of scheme assets	3,044,848	358,364	3,403,212	2,199,131	334,638	2,533,769
Present value of defined benefit obligations	(5,472,662)	(495,345)	(5,968,007)	(4,110,430)	(505,406)	(4,615,836)
	(2,427,814)	(136,981)	(2,564,795)	(1,911,299)	(170,768)	(2,082,067)
Pension liabilities recognised in the SoFP	**(2,427,814)**	**(136,981)**	**(2,564,795)**	**(1,911,299)**	**(170,768)**	**(2,082,067)**

19. Pension scheme disclosures (continued)

	2013-14			2012-13		
	LGPS			LGPS		
	Academy Trusts £000	CAFCASS £000	Total £000	Academy Trusts £000	CAFCASS £000	Total £000
Movement in the present value of defined benefit obligations						
At 1 April	4,110,430	505,406	4,615,836	-	435,173	435,173
Current service cost	397,789	13,229	411,018	283,966	10,514	294,480
Interest on obligations	211,702	21,625	233,327	155,620	20,531	176,151
Actuarial (gains)/loss	(50,202)	(39,932)	(90,134)	114,492	46,343	160,835
Past service cost	-	245	245	331	47	378
Losses on curtailments	274	-	274	294	-	294
Liabilities assumed on business combinations for:						
pre-1 April 2012 conversion of academy schools		-	-	2,512,805	-	2,512,805
in-year conversion of academy schools	728,929	-	728,929	975,945	-	975,945
Employee contributions	103,007	3,882	106,889	79,558	3,651	83,209
Benefits paid	(29,267)	(9,110)	(38,377)	(12,581)	(10,853)	(23,434)
At 31 March	**5,472,662**	**495,345**	**5,968,007**	**4,110,430**	**505,406**	**4,615,836**
Movement in the fair value of the scheme assets						
At 1 April	2,199,131	334,638	2,533,769	-	287,206	287,206
Expected return on scheme assets	118,521	14,554	133,075	77,322	20,189	97,511
Employer contributions	346,316	12,773	359,089	250,848	11,873	262,721
Employee contributions	103,007	3,882	106,889	79,558	3,651	83,209
Actuarial gains	21,661	1,627	23,288	157,526	22,572	180,098
Benefits paid	(29,267)	(9,110)	(38,377)	(12,581)	(10,853)	(23,434)
Assets acquired on business combinations for:						
pre-1 April 2012 conversion of academy schools	-	-	-	1,246,574	-	1,246,574
in-year conversion of academy schools	285,804	-	285,804	399,884	-	399,884
settlements	(325)	-	(325)	-	-	-
At 31 March	**3,044,848**	**358,364**	**3,403,212**	**2,199,131**	**334,638**	**2,533,769**

19. Pension scheme disclosures (continued)

			2013-14			2012-13
	LGPS			LGPS		
	Academy Trusts £000	CAFCASS £000	Total £000	Academy Trusts £000	CAFCASS £000	Total £000
Reconciliation of deficit/(surplus)						
At 1 April	1,911,299	170,768	2,082,067	-	147,967	147,967
Current service cost	397,789	13,229	411,018	283,966	10,514	294,480
Employer contributions	(346,316)	(12,773)	(359,089)	(250,848)	(11,873)	(262,721)
Past service cost	-	245	245	331	47	378
Other finance income	93,181	7,071	100,252	78,298	342	78,640
Curtailments	274	-	274	294	-	294
Actuarial losses/(gains)	(71,863)	(41,559)	(113,422)	(43,034)	23,771	(19,263)
Transfer in for in-year conversion of						
pre-1 April 2012 conversion of Academy Trust schools	-	-	-	1,266,231	-	1,266,231
in-year conversion of Academy Trust schools	443,125	-	443,125	576,061	-	576,061
settlements	325	-	325			
At 31 March	**2,427,814**	**136,981**	**2,564,795**	**1,911,299**	**170,768**	**2,082,067**

19. Pension scheme disclosures (continued)

19.1 Local Government Pension Scheme (LGPS)

The Group is involved with the LGPS in two ways; non-teaching staff at its schools and some CAFCASS staff are members of the scheme. The LGPS is a single national scheme that is administered at a local level by fund units that in many, but not all, cases approximate local authorities. Whilst the scheme is national, benefits are accrued at the local fund level.

The scheme provides funded defined benefits based on final pensionable salary. The assets of the scheme are held separately from those of Group and are invested in managed funds. Employer contribution rates are determined by a qualified actuary and on the basis of triennial valuations.

The four LGPS actuaries (AON Hewitt; Barnett Waddingham, Hymans Robertson and Mercer) carried out IAS 19 valuations for the Group as at 31 March 2014.

The employer pension contribution for 2013-14 is £359.1 million (2012-13: £262.7 million), the difference in the two years is due to the increase in the number of academies, and employees contributed for, within these figures.

The major categories of plan assets and expected return as a percentage of total plan assets are as follows

	2013-14		2012-13	
	Academy Trusts Asset split	**CAFCASS Asset split**	**Academy Trusts Asset split**	**CAFCASS Asset split**
Equities	68.0%	75.6%	66.9%	70.9%
Gilts	9.0%	10.2%	8.9%	12.4%
Corporate bonds	8.2%	5.5%	9.7%	6.0%
Property	7.6%	3.0%	7.2%	3.3%
Cash/liquidity	3.0%	2.7%	2.8%	2.9%
Other	4.2%	3.0%	4.5%	4.5%

The changes within the revised IAS 19 used to calculate the Group's support staff LGPS pension removes the use of separate asset returns. Instead the discount rate is applied as the asset return.

The Group's schools are spread across over more than 120 local LGPS funds, with each fund having their own expectation of appropriate asset returns. In addition assets returns may also vary within a fund depending upon the assets allocated to an employer. Consequently the Group feels it is disingenuous to include aggregate asset returns in the table above.

Scheme assets

The scheme assets are valued at fair value; the assets are not intended to be realised in the short term and may be subject to significant change before they are realised. The liabilities are valued based on the present value of the scheme's obligations, which are derived from cash flow projections over long periods and are thus inherently uncertain.

	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Defined benefit obligations	(5,967,007)	(4,615,836)	(435,173)	(406,741)	(430,526)
Scheme assets	3,403,212	2,533,769	287,206	276,192	227,611
Deficit	(2,564,795)	(2,082,067)	(147,967)	(130,549)	(202,915)
Experience gains/(losses) on liabilities	59,388	469	(2,124)	(6,711)	1,276
Experience gains/(losses) on assets	23,288	180,096	(15,652)	20,673	45,884

19. Pension scheme disclosures (continued)

19.1 Local Government Pension Scheme (LGPS) (continued)

Actual return on assets

	2013-14			2012-13
	Academy Trusts £000	CAFCASS £000	Total £000	Total £000
Expected return on assets	118,521	14,554	133,075	97,511
Actuarial gain/(loss) on assets	21,661	1,627	23,288	180,096
Actual return on assets	**140,182**	**16,181**	**156,363**	**277,607**

The major financial assumptions used in the valuation were

	2013-14		2012-13	
	Academy Trusts	CAFCASS	Academy Trusts	CAFCASS
Rate of inflation	2.8%	2.3%	2.7%	2.7%
Expected return on plan assets	4.5%	N/A	4.5%	6.7%
Rate of increase in salaries	4.1%	3.3%	4.3%	3.6%
Rate of return on pensions	2.8%	2.3%	2.7%	2.7%
Discount rate	4.5%	4.3%	4.5%	4.3%

The assumptions used by the actuaries are chosen from a range of possible actuarial assumptions, which due to the timescales covered may not be borne out in practice. Assumptions are set at the local fund level; which in the case of CAFCASS is the West Yorkshire Pensions Fund, for the Group's schools it involves all English LGPS funds. The assumptions used in valuing the non-teaching staff benefits have been standardised across all funds and all four actuaries in order to produce valuations that can be aggregated into a single set of disclosures.

Assumptions used in valuing inherited LGPS benefits for schools that convert in-year are set at appropriate values for the date of conversion. Closing valuations as at 31 March 2014 will use the assumptions disclosed in the table above.

The ATs' assumptions dated 31 March 2013 were used by the actuaries to value the LGPS benefits acquired by the Group through the in-year conversions during 2013-14.

Analysis of amounts recognised in Other Comprehensive Expenditure

	2013-14 £000	2012-13 £000 Restated	2011-12 £000	2010-11 £000	2009-10 £000
Difference between the expected and actual return on scheme assets	23,288	180,098	(15,652)	20,673	45,884
Percentage of scheme assets	1%	7%	5%	7%	20%
Experience gains and losses on scheme liabilities	90,134	(160,835))	(2,649)	17,421	(128,483)
Percentage of present value of the scheme liabilities	(13%)	(1%)	1%	4%	(30%)
Total amount recognised in Other Comprehensive Expenditure	**113,422**	**19,263**	**(18,301)**	**38,094**	**(82,599)**
Percentage of present value of scheme liabilities	**(2%)**	**(0.3%)**	**(4%)**	**9%**	**(19%)**

19. Pension scheme disclosures (continued)

19.1 Local Government Pension Scheme (LGPS) (continued)

Sensitivity analysis

	2013-14 Academy Trusts £000	2012-13 Academy Trusts £000
Impact on the ATs' defined benefit obligation for changes in:		
Discount rate:		
+1.0%	(1,145,635)	(895,805)
-1.0%	1,450,651	1,147,473
Mortality rate:		
1 year increase	50,151	114,691
1 year decrease	(47,589)	(112,038)
CPI rate:		
+1.0%	1,007,941	667,988
-1.0%	(816,259)	(529,371)

A sensitivity analysis for CAFCASS as at 31 March 2014 has not been presented owing to an omission in the actuarial report.

The in-year service cost under the revised IAS 19 includes the finance cost or interest that relates to the pension service.

20. Capital and other commitments

20.1 Capital commitments

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

			2014			2013
	Department £000	Department & Agencies £000	Group £000	Department £000	Department & Agencies £000	Group £000
Property, plant and equipment	-	795,332	1,205,340	29	295,946	697,968
Intangible assets	-	-	80	1,098	1,098	1,098
	-	**795,332**	**1,205,420**	**1,127**	**297,044**	**699,066**

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

20. Capital and other commitments (continued)

20.2 Commitments under leases

Operating leases

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

			2014			2013
	Department	Department & Agencies	Group	Department	Department & Agencies	Group
	£000	£000	£000	£000	£000	£000
Land and buildings						
Not later than one year	15,272	15,272	44,400	13,340	13,340	39,575
Later than one year and not later than five years	40,514	40,514	139,156	45,860	45,860	139,119
Later than five years	20,542	20,542	513,338	21,045	21,045	267,255
	76,328	**76,328**	**696,894**	**80,245**	**80,245**	**445,949**
Expected receipts from sub-leases	(15,248)	(15,248)	(15,248)	(3,445)	(3,445)	(3,445)
	61,080	**61,080**	**681,646**	**76,800**	**76,800**	**442,504**
Other						
Not later than one year	222	222	67,034	68	68	275,922
Later than one year and not later than five years	500	500	85,368	-	-	381,900
Later than five years	-	-	21,470	-	-	26,015
	722	**722**	**173,872**	**68**	**68**	**683,837**

Finance leases

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

			2014			2013
	Department	Department & Agencies	Group	Department	Department & Agencies	Group
	£000	£000	£000	£000	£000	£000
Land and buildings						
Not later than one year	-	-	330	-	-	310
Later than one year and not later than five years	-	-	1,337	-	-	616
Later than five years	-	-	2,921	-	-	2,446
	-	**-**	**4,588**	**-**	**-**	**3,372**
Other						
Not later than one year	-	-	495	-	-	3,641
Later than one year and not later than five years	-	-	204	-	-	4,448
Later than five years	-	-	12	-	-	-
	-	**-**	**711**	**-**	**-**	**8,089**

20. Capital and other commitments (continued)

20.3 Obligations under PFI contracts

			2014			2013
	Department £000	Department & Agencies £000	Group £000	Department £000	Department & Agencies £000	Group £000
Not later than one year	-	-	34,895	-	-	25,597
Later than one year and not later than five years	-	-	141,989	-	-	100,412
Later than five years	-	-	714,493	-	-	512,334
	-	**-**	**891,377**	**-**	**-**	**638,343**

20.4 Other financial commitments

			2014			2013
	Department £000	Department & Agencies £000	Group £000	Department £000	Department & Agencies £000	Group £000
Non-cancellable contracts						
Not later than one year	-	18,930	69,055	-	-	15,391
Later than one year and not later than five years	-	34,119	58,523	-	-	31,994
Later than five years	-	-	559	-	-	22,618
	-	**53,049**	**128,137**	**-**	**-**	**70,003**

STA entered into a contract with a provider in respect of marking key stage tests. Given the specialised nature of the contractual requirements, there is currently little scope within the market to award the contract to another provider in the short to medium term. The Agency is working to develop the market thereby reducing potential business risk.

21. Non-IAS 37 contingent liabilities

21.1 Quantifiable

The Group has entered into the following quantifiable contingent liabilities by offering guarantees, indemnities, or by giving letters of comfort. In accordance with Parliamentary reporting requirements we are obliged to disclose these although none of these are contingent liabilities under the meaning of IAS 37 since the likelihood of a transfer of economic benefit in settlement is judged to be too remote.

	1 April 2013 £000	Increase in year £000	Liabilities crystallised in year £000	Obligations expired in year £000	31 March 2014 £000	Amount reported to Parliament by Depart'al minute £000
In respect of PFI contracts to the Group's schools	2,100,000	-	-	-	2,100,000	2,100,000
Free Schools Group for Principal designates	863	721	-	(1,254)	330	-
In respect of lease arrangement with Tottenham Hotspur Property Company	12,500	-	-	-	12,500	-
Kent County Council for Duke of York Royal Military School	5,000	-	-	-	5,000	-
In respect of commercial lease of Free Schools Norwich	110	-	-	-	110	-
In respect of indemnity provided to Church of England's Commissioners	-	5,000	-	-	5,000	5,000
Guarantee to LGPS Pension scheme	-	6,500	-	-	6,500	6,500
Tottenham UTC indemnity to cover lease	-	16,500	-	-	16,500	-
East London UTC indemnity to Tottenham Hotspur	-	467	-	-	467	-
East London UTC indemnity in respect of design & build contract	-	5,300	-	-	5,300	-
In respect of liabilities that arise from Commercial/ EPC staff	59	-	(59)	-	-	-
In respect of an employee appeal against dismissal	-	62	-	-	62	-
Tenant default agreements	-	2,768	-	-	2,768	-

PFI contracts
The contingent liability relating to school buildings arose in connection to the Private Finance Initiative (PFI). These contingent liabilities are the result of the Group, acting as an agent to the Secretary of State, agreeing to provide an indemnity to the local authority for potential costs on buildings they own, with existing PFI arrangements, which will be used by the Group's schools. This type of indemnity is considered low risk and is only a feature of the academy programme in very specific circumstances. The contingent liabilities only arise where the Group is using a local authority building with an existing PFI contract.

Free Schools Group for principal designates
The contingent liability recorded by Free School Group currently relates to the potential costs that may be incurred resulting from the engagement of staff prior to the opening of a Free School e.g. head teacher/deputy head teacher. It is important that the senior staff likely to be running the school once it is opened, are involved and take forward the development of the potential Free School prior to opening. These staff will, in many cases have had to tender their resignation at an existing school to take up their post in the Free School. The Group has agreed to underwrite the salaries of these staff for up to two terms in the event that the Free School does not open as planned. Each potential liability is calculated on an individual basis for each project. Once the Free School opens the liability will expire.

Guarantee provided to Tottenham Hotspur Property Company
The contingent liability is in relation to a commercial lease arrangement for a Group educational site.

21. Non-IAS 37 contingent liabilities (continued)

21.1 Quantifiable

Indemnity provided to Kent County Council
The contingent liability is for any unforeseen liability to the contractor in respect of contamination, defect or asbestos presence at the Duke of York Royal Military school site.

Free School Norwich
The contingent liability that would arise from the re-instatement cost of the school building to its original condition.

Indemnities provided to Church of England Commissioners
Indemnities provided to Church of England Commissioners in relation to a lease arrangement for an academy site.

Guarantee to a Local Government Pension Scheme
A guarantee to an LGPS to meet the pension deficit if an AT closes.

Indemnities in respect of East London UTC
One year indemnities to Tottenham Hotspur Property Company to cover the cost of a serviced lease and in relation to the design and build contract should the project be terminated before the contract is completed.

Tottenham UTC
Indemnity to cover the cost of the 35 year lease.

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

Commercial/EPC staff
Liabilities that arise from the Group staff who have been made redundant and may seek redress through an employment tribunal. Negotiations have taken place with the remaining staff and a lower offer than originally agreed has been made. The offer will remain open.

Employee compensation
The contingent liability relates to an award for compensation to be held under the Civil Service Appeals Board for a former employee of the Department for Education.

Tenant default agreement
The EFA has entered into a number of tenant default agreements which give rise to a contractual obligation to pay monies to the landlord up to a fixed cap in certain circumstances where the Free School tenant is in breach of its lease.

21.2 Contingent liabilities under IAS 37

Under paragraph 7 of the *Schools Standards Framework Act 1998*, the Secretary of State has a statutory duty to indemnify any adjudicator against any reasonable cost and expense reasonably incurred by him in connection with any decision taken in pursuit of his statutory duty. Adjudicator decisions can be challenged through judicial review. It is not possible to quantify this.

21.3 Contingent assets

Fujitsu have committed to providing CAFCASS with £0.4 million of additional service development work in 2013-14, for which CAFCASS will not be charged. CAFCASS currently recognise this as a contingent asset that will crystallise at a future date.

CAFCASS transferred to MOJ in a MOG change on 1 April 2014, thereby removing the contingent asset from future years.

22. Losses and special payments

22.1 Losses statement

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

	2013-14 Department	2013-14 Department & Agencies	2013-14 Group	2012-13 Department	2012-13 Department & Agencies	2012-13 Group
Total number of cases	36	62	155	78	129	204
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Cash losses	12	147	1,354	13	1,793	3,451
Fruitless payments and constructive losses	755	945	1,123	12,295	12,431	12,510
Claims waived or abandoned	88	144	147	-	25	83
Administration losses	-	-	45	-	-	36
	855	**1,236**	**2,669**	**12,308**	**14,249**	**16,080**

22.2 Special payments

	2013-14 Department	2013-14 Department & Agencies	2013-14 Group	2012-13 Department	2012-13 Department & Agencies	2012-13 Group
Total number of cases	43	45	81	36	40	84
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
	226	**284**	**1,109**	**3,077**	**3,158**	**3,918**

Details of cases over £300,000
The Group incurred cash losses where it has not been able to claw back funds from underperforming commercial and charitable education providers. As part of the Group's contract management of these providers, the Group regularly and frequently reconciles the payments made to actual sums earned by these providers to minimise the risk of potential loss. The Group offset recoveries where possible against future payment. However, debts can arise where the sum the provider can earn under the remaining funding agreement is not sufficient to cover the sum the Group has to recover. In these cases, the Group invoices the provider for any outstanding balance. In the year ending 31 March 2014, the Group has not written off any single sum over £300,000.

In July 2013, St. Aldhem's academy trust suffered a loss as a result of the misdirection of a payment to the wrong bank account. The loss, including legal and professional fees was £1.21 million. The incident is currently the subject of an on-going police investigation, although to date the loss has not been recovered.

22.3 Gifts

	2013-14 Department	2013-14 Department & Agencies	2013-14 Group	2012-13 Department	2012-13 Department & Agencies	2012-13 Group
Total number of cases	1	10	10	71	71	71
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
	-	**1**	**1**	**294**	**294**	**294**

Details of gifts over £300,000
In the year to 31 March 2014 there were no gifts over £300,000.

23. Related party transactions

The Department is the parent of the EAs and sponsor of the NDPBs and ATs shown in Note 0. These bodies are regarded as related parties with which the Department has had various material transactions during the year. These are mainly financing to the EAs, payments for grants in aid to the NDPBs and payments for grants to the ATs. All such transactions have been eliminated during the preparation of these consolidated accounts.

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

As well as the disclosure in the Remuneration Report the following relationships are also considered as related parties and as such have been disclosed in line with IAS 24.

- Matthew Hancock is a Minister with responsibilities in BIS.
- David Laws is a Minister with responsibilities in the Cabinet Office.
- Lord Nash is a trustee of Future Academies and had financial interests in Sofcat, an IT provider in the education and government sectors.
- David Meller is a director of The Meller Educational Trust.
- Theodore Agnew is a trustee of New Schools Network, which supports groups setting up Free Schools.
- Dame Sue John is a board member and trustee of Teaching Leaders (who develop middle leaders in challenging schools), a board member and trustee of Future Leaders Project Board (developing future school leaders), director and trustee of the London Leadership Strategy (helping school improvement and leadership skills) and senior partner and trustee of the Challenger Partnership Charitable Trust (improving schools through collaboration).

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

		2013-14		2012-13
	Payments	Receipts	Payments	Receipts
	£000	£000	£000	£000
Department for Business, Innovation & Skills	2,130	(1,363)	689,775	(1,655)
Cabinet Office	3,400	-	-	-
New School Network	1,130	-	561	-
Teaching Leaders	4,136	-	2,636	-
Future Leaders Charitable Trust	276	(103)	66	-
Future Leader Ltd	4,719	(414)	-	-
Softcat	-	-	138	-
London Leadership Strategy	54	-	-	-
The Meller Educational Trust	50	-	-	-
Challenge Partnership	124	(49)	-	-

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

24. Entities within the Group boundary

24.1 Closing position

The entities within the Group during 2013-14 were as follows:

Executive Agency:

- Education Funding Agency (EFA);
- National College for Teaching and Leadership;
- Standards and Testing Agency (STA);

Executive NDPB:

- Children and Family Court Advisory and Support Service (CAFCASS)
- Office of the Children's Commissioner (OCC)

The Annual Report and Accounts of all of the above can be found on The Stationery Office's website at www.tso.co.uk.

Advisory NDPB:

- School Teachers' Review Body (STRB)
- Social Mobility and Child Poverty Commission (SMCPC)

Other:

- Academy Trusts operational as of 31 March 2014 (as established under *Education Act 2010*).

A list of all operational ATs, and the schools they operate, is available on:
https://www.gov.uk/government/collections/dfe-annual-reports

24.2 Movements of bodies in the Group boundary

On 1 April 2014, there was a transfer of functions involving CAFCASS, the NDPB responsible for safeguarding and promoting the welfare of children who are involved in family court proceedings. The transfer of functions took effect on 1 April 2014 to Ministry of Justice (MOJ).

25. Transfer of Academy Trust schools

25.1 Group 2012-13

	Pre-1 April 2012 Converters		In year Converters		
	Local Authority £000	Non-local Authority £000	Local Authority £000	Non-local Authority £000	Total £000
NON-CURRENT ASSETS					
Property, plant and equipment	14,365,595	3,284,465	6,586,212	1,465,630	25,701,902
Intangible assets	720	21	536	78	1,355
Investments	34,125	7,483	-	5	41,613
Trade and other receivables	2,029	475	-	-	2,504
CURRENT ASSETS					
Inventories	2,682	628	113	25	3,448
Trade and other receivables	186,449	43,687	33,685	7,608	271,429
Cash and cash equivalents	748,806	175,452	106,867	24,135	1,055,260
CURRENT LIABILITIES					
Trade and other payables	(332,245)	(77,848)	(18,125)	(4,093)	(432,311)
NON-CURRENT LIABILITIES					
Other payables	(15,359)	(3,599)	(8,173)	(1,846)	(28,977)
Provisions	(847)	(198)	-	-	(1,045)
Pension scheme deficit	(1,092,445)	(173,786)	(487,761)	(88,300)	(1,842,292)
Net asset transferred on conversion	**13,899,510**	**3,256,780**	**6,213,354**	**1,403,242**	**24,772,886**

	Pre-1 April 2012 Converters		In year Converters		
	Local Authority Number	Non-local Authority Number	Local Authority Number	Non-local Authority Number	Total Number
Number of Academy Trusts in population	**1,403**		**705**		**2,108**
Number of operational academy schools	**1,378**	**286**	**911**	**248**	**2,823**

25. Transfer of Academy Trust schools (continued)

25.2 Group 2013-14

	In year Converters		
	Local Authority £000	Non-local Authority £000	Total £000
NON-CURRENT ASSETS			
Property, plant and equipment	3,562,496	937,639	4,500,135
Intangible assets	150	200	350
Investments	4	50	54
Trade and other receivables	149	-	149
CURRENT ASSETS			
Inventories	263	379	642
Trade and other receivables	16,303	7,161	23,464
Cash and cash equivalents	123,187	22,064	145,251
CURRENT LIABILITIES			
Trade and other payables	(7,849)	(6,697)	(14,546)
NON-CURRENT LIABILITIES			
Other payables	(93)	(136)	(229)
Provisions	-	-	-
Pension scheme deficit	(353,440)	(89,685)	(443,125)
Net asset transferred on conversion	**3,341,170**	**870,975**	**4,212,145**
Net adjustment for conversion settlements	**80,963**	**47,273**	**128,236**
Net assets	**3,422,133**	**918,248**	**4,340,381**

	In year Converters		
	Local Authority Number	Non-local Authority Number	Total Number
Number of operational academy schools	**730**	**352**	**1,082**

On conversion of a school to academy status from a pre-existing school (such as a local authority maintained school, foundation school, faith school, etc.) the assets and liabilities of the school will be transferred at cost to the AT that operates the school. For academy schools without a legacy school (such as free schools and studio schools) assets and liabilities may be inherited by the AT from third parties such as sponsors.

In either case the AT, and ultimately the Group, will account for all inherited assets and liabilities introduced to the Group on the opening of an academy school under absorption accounting. New Group assets and liabilities are not revalued to fair value on introduction but carried at net book value. Land and building assets and pension scheme valuations are adjusted arising from harmonising accounting policies for new Group assets and liabilities.

Transfer on conversion settlements occur in the year after conversion of an academy school when accounting estimates of transferred assets and liabilities are firmed up by ATs during their first audit.

26. Events after the reporting period

ATs have continued to be incorporated and open new academy schools throughout the period from the year end to the date of these accounts. The link in Note 24 includes all new ATs as well as those operational as at the year end.

These financial statements were authorised for issue on 16 January 2015 by Chris Wormald (Accounting Officer). With the exception of the above, there have not been any other post reporting period events that have required adjustment to the financial statements.

ISBN 978-1-4741-1193-5

9 781474 111935