



National College for Teaching and Leadership

Annual Report and Accounts

For the year ended 31 March 2017

An executive agency of the Department for Education





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Teaching & Leadership

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Performance report

1. Overview

- 1.1. This section details the Agency's organisational structure and performance, and its key issues and risks.

Accounting Officer's introduction and perspective on performance

- 1.2. This Annual Report and Accounts report (ARA) covers the fourth full year of operation for the National College for Teaching and Leadership (the Agency), as an executive agency of the Department for Education (the Department).
- 1.3. As set out in previous [Business Plans](#)¹ our focus continues to be on improving the quality of the education workforce and supporting the development of a school-led system.
- 1.4. The [Initial Teacher Training \(ITT\) census](#)² reporting on 2016/17 recruitment showed that compared to 2015/16, there were slightly fewer new entrants to postgraduate ITT (27,761 and 27,229 respectively). However, the combined Teacher Supply Model (TSM) that predicts need also dropped by a similar magnitude (611) over the same period. The 2016/17 ITT census showed that secondary postgraduate recruitment was at its highest level since 2011/12³. Compared to 2015/16, the primary school sector recruited fewer new entrants but we still met the TSM target; however, we failed to meet the overall numbers indicated by the TSM, achieving 93% of the total (primary and secondary combined) target. See paragraph 2.6 for breakdown by phase. Recruitment to ITT remains challenging and is likely to continue to be so especially in some secondary subjects, due to increasing pupil numbers in secondary, an improving economy creating opportunities elsewhere and an expected increase in hours taught in English Baccalaureate (EBacc) subjects, which will require additional teachers.

¹ <https://www.gov.uk/government/collections/national-college-for-teaching-and-leadership-nctl-business-plans>

² https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/572290/ITT_Census_1617_SFR_Final.pdf

³ Teach First recruitment has been included in ITT census data since 2015/16.

- 1.5. We continued to make Qualified Teacher Status (QTS) awards to individuals and manage the database of qualified teachers, which is available to all employers and teachers. In [2015/16](#)⁴, 91% of ITT trainees were awarded QTS. The details of the awards for 2016/17 will be published alongside the ITT profiles in summer 2018.
- 1.6. In September 2016, we published the allocations methodology for 2017/18. The Agency's objective in allocating places is to ensure that sufficient people undertake teacher training to meet the needs of the school system. While achieving this, we must also demonstrate efficient use of public funds.
- 1.7. We are aiming to transform how we approach school improvement. To do this we will be speaking to the sector as well as learning lessons from our current work programmes. The Department is currently undertaking work to significantly expand the number of teaching schools and national leaders of education, with a targeted approach focused on areas where they are most needed in order to create a comprehensive national network of school-led support for leaders to draw on as they choose. There is a commitment to ensure that all schools in all areas can access support, collaboration and best practice by ensuring full coverage of system leaders across the country. As at 1 April 2017, we had 752 Teaching Schools, representing 590 Teaching School Alliances (TSAs), and 1,279 NLEs. Around £7.5 million was awarded during 2016-17, to schools in need of school-to-school support, through the school-to-school support fund.
- 1.8. As stated in our previous ARA, we have refreshed our leadership development strategy. Licences were extended to the current licensees to deliver the National Professional Qualifications (NPQs) until September 2017. Between April 2016 and March 2017, licensees have recruited 8,129 participants to undertake an NPQ. We have convened leading school experts to review and redesign voluntary, world-class NPQs to prepare leaders more effectively for the full range of leadership roles in the new school system. The exercise to secure licensees to deliver the revised NPQs was launched on 6 February 2017, and the new NPQs began delivery in October 2017.
- 1.9. Following Peter Clarke's Report into the allegations concerning Birmingham schools arising from the 'Trojan Horse'⁵ letter our Teacher Misconduct Unit has been involved in processing these cases alongside the usual caseload. In June 2017, the Birmingham Schools cases were discontinued following a decision by the Park View Leadership case panel that the teachers involved could not receive a fair hearing. The Panel's judgement raised concerns about disclosure of

⁴[https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/632451/SFR38_2017_Text.p
df](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/632451/SFR38_2017_Text.pdf)

⁵ Concerns raised about a group of Birmingham Schools in a letter dated 27 November 2013, known as the Trojan Horse letter.

evidence and on that basis discontinued the cases. The cases were not dismissed on the basis of merit and no judgement either way was made by the panel in relation to this. Following this decision the Agency discontinued all the cases and did not proceed with the rehearing of the two teachers who had their prohibition appeals upheld. Further details about the Teacher Misconduct Units work is referenced in paragraphs 2.40-2.41.

- 1.10. In February 2016, The National Audit Office (NAO) published the [report](#)⁶ of its review evaluating whether the Department's arrangements for training new teachers represent value for money. On 7 March 2016, the issues raised in the report were addressed at the Public Accounts Committee (PAC). The PAC published a [report](#)⁷ with recommendations on 10 June 2016, which we responded to on 7 November 2016. Further information is at paragraph 3.64.

Statement of purpose and activities

- 1.11. Our purpose is to improve the quality of the education workforce and support the development of a school-led system.
- 1.12. We have responsibility, on behalf of the Secretary of State for Education ('the Secretary of State'), to improve academic standards by recruiting and developing a workforce to meet the needs of our school system, and to help schools to help each other to improve.
- 1.13. These two aims are underpinned by the Agency's commitment to provide high-quality services that represent value for money.
- 1.14. The Agency will also deliver other functions on behalf of the Secretary of State which, at present, include:
- supporting the quality and status of the teaching profession by ensuring that in cases of serious professional misconduct, teachers are prohibited from teaching
 - overseeing the induction process for teachers and awarding Qualified Teacher Status and Early Years Teacher Status
 - commissioning training for Educational Psychologists

⁶ <https://www.nao.org.uk/wp-content/uploads/2016/02/Training-new-teachers.pdf>

⁷ <https://www.parliament.uk/business/committees/committees-a-z/commons-select/public-accounts-committee/inquiries/parliament-2015/training-new-teachers-15-16/>

Structure of the Agency 2016-17

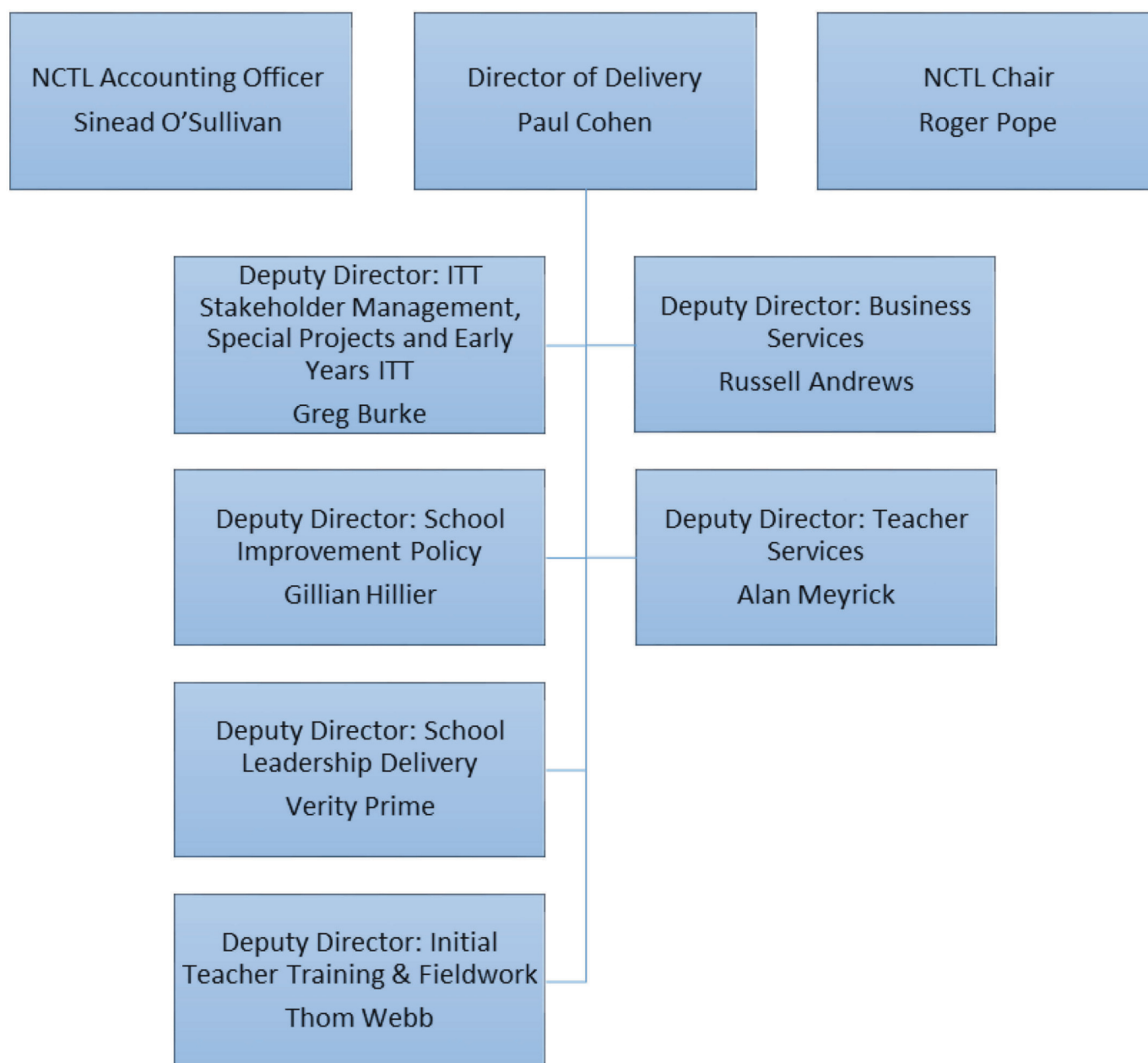


Figure 1: Structure of the Agency as at 31 March 2017.

Key issues and risks facing the entity

- 1.15. The Agency faces strategic risks that could cause our operational delivery to differ from desired outcomes. The table below shows three strategic risks, along with a summary of how we managed these in 2016-17.

Risk	Key factors	Mitigation
There is an ongoing risk that there will be an insufficient supply of high-quality new graduates and career changers entering the teaching profession to meet schools' requirements.	We manage the risk of not recruiting the required number of teachers on an annual basis. This risk turned into an issue again during 2016-17.	Mitigating activities have included: increasing bursaries in shortage subjects; increasing candidates' awareness by extensive marketing activity including TV advertising campaigns, newspaper, radio and digital advertising, supported by 22 'Train to Teach' events; continuing to strengthen school-led networks to support a collaborative approach to recruitment, including sharing of good quality applicants; candidate support for priority subjects through specialist candidate support advisers; funded school experience and subject knowledge enhancement training.
There is a risk of challenge to the processes of Teacher Regulation and the Agency's ability to make decisions on behalf of the Secretary of State, due to an individual's actions or successful legal challenge, causing adverse press and media scrutiny and/or a fundamental breakdown in the process. This risk is across all cases but can be particularly evident in cases that already have a high public profile.	We have managed this risk whilst dealing with increasingly complicated cases.	We work closely with the Department's Press Office team to manage communication issues that arise from the reporting of our hearings. Risks for individual cases are identified and discussed at a senior level. Close working relationships with the Department's Legal Advisers Office ensure potential issues are considered at an early stage to support a robust legal position.
There is a risk that ministers' ambitions for school-led school improvement activity are unfulfilled due to school leaders, system leaders and Multi-Academy Trusts (MATs) not having the capacity or desire to lead the system, resulting in the reach and depth of	We are managing this risk by running: regular designation rounds keeping system leadership designation criteria under review; continuing to maintain a high bar for the quality of designated system leaders; and by working closely with those	We now have effective links in place across all areas of policy and delivery that have an interest in this risk. We have made progress in developing designated system leadership capacity including ongoing approval of new teaching schools, national leaders of education and national leaders of governance. Our developing

Risk	Key factors	Mitigation
improvement efforts being compromised, specifically in particular geographical areas.	responsible for developing MAT capacity elsewhere in the Department.	school improvement operating plan and plans for the new Strategic School Improvement Fund should also enhance regional capacity including through the Teaching Schools Council regional structure. We are also building stronger links with the Regional School Commissioner's (RSC) offices to coordinate efforts across their regions and across all types of school.

- 1.16. Our programmes have robust governance arrangements in place to ensure the timely resolution of these challenges as well as the delivery of routine work (see paragraphs 3.29-3.32).
- 1.17. The Department's Estimate and forward plans included provision for the continuation of the Agency into 2017-18 and beyond.
- 1.18. The Department has recently [announced](#)⁸ plans for the majority of the Agency's functions to transfer into the Department. The reason for this transfer is to ensure even closer coordination between the work currently done in the Agency to recruit teachers, support leadership development and designate system leaders, and that work done in the Department to support the professional development of the teaching profession and to support school improvement. In many areas of our work Agency staff have been working more closely with colleagues in the Department over the past 12 months, and this change is a natural next step. All the activities of the Agency, pre-and post transfer, will still reside within the Departmental Group. It is therefore appropriate to prepare the Agency's accounts on a going concern basis for the period 2016-17.
- 1.19. The Agency will cease functioning as an Agency of the Department on 31 March 2018, and we will in due course publish an annual report for the 2017-18 financial year. Regulation of the teaching profession, including misconduct hearings, will continue to be handled by an executive agency of the Department. This new executive agency will be known in future as the Teaching Regulation Agency and will begin to operate from 1 April 2018.

⁸ <https://www.gov.uk/government/news/plans-to-further-boost-teacher-recruitment-and-development>

Performance summary

1.20. This year we have:

- provided over £244 million funding in the form of bursaries and grants, in order to incentivise recruitment to initial teacher training;
- ensured that most of the teacher trainees required to meet the needs of schools in England were recruited. This usually equates to just under 30,000 postgraduate initial teacher trainees per year;
- delivered a national teacher recruitment marketing campaign comprising TV, radio, outdoor, press, digital and social advertising to attract people into the teaching profession;
- delivered a range of projects to provide innovative solutions to the overall recruitment of teachers as well as subject specific recruitment in Science, Technology, Engineering and Mathematics (STEM) and Modern Foreign Languages (MFL);
- increased the number of TSAs to 590 to develop school-led initial teacher training activities, offer a range of Continuing Professional Development (CPD) opportunities for teachers, and lead on school to school support;
- increased the number of NLEs to 1,279 to support schools in challenging circumstances;
- worked with licensees to deliver NPQs to secure 8,129 participants into middle, senior or headship programmes;
- managed over 970 referrals made during 2016-17 to consider allegations of serious misconduct against teachers. Held 168 case hearings to consider whether individuals should be prohibited from teaching in any school in England.

1.21. We provide further information on our performance within the Performance Analysis section.

2. Performance analysis

Key organisational performance measures

- 2.1. The Agency did not publish a Business Plan for 2016-17; however, we have continued to measure: the delivery and impact of recruitment to ITT; quality and status of the teaching profession; programme delivery; and designation to system leadership roles. We measured these against a core set of key performance indicator targets, progress is shown in the performance summary below, and initiated contingencies when we were at risk of not meeting them. The measures are set within our performance framework, via our programme boards, and scrutinised monthly. These are linked to the Department's published [single departmental plan](#)⁹. The Director General for Educational Standards, supported by a Non-Executive Director, challenges all performance measures at our quarterly Strategic Performance Reviews.

Development and performance of the Agency

Objectives

- 2.2. The Department's overall vision is to provide world-class education and care that allows every child and young person to reach his or her potential, regardless of background.
- 2.3. The objectives of the Agency are listed in paragraph 1.11.

Performance

- 2.4. During 2016-17, we delivered:

Initial Teacher Training (ITT)

Recruitment/supply activity

- 2.5. The November 2016 provisional ITT census reported that the number of new entrants recruited to postgraduate ITT courses (including Teach First) during [2016/17](#)¹⁰ was 27,229, achieving 93% of teacher supply model target of 29,176.

⁹ <https://www.gov.uk/government/publications/department-for-education-single-departmental-plan-2015-to-2020/single-departmental-plan-2015-to-2020>

¹⁰ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/572290/ITT_Census_1617_SFR_Final.pdf

Additionally, there were also 5,195 new undergraduates starting ITT programmes in 2016/17.

- 2.6. The number of new entrants varied by phase and subject. When taken together, secondary EBacc subjects recruited 95% of the TSM, secondary non-EBacc recruited 75%, and Primary recruited 100%.
- 2.7. Some subjects filled more successfully than others. Within the EBacc subjects, Geography, Biology and History exceeded their TSM targets, filling at 116%, 115% and 112% respectively. For other EBacc subjects, recruitment performance against the TSM varied between 99% for Chemistry and 68% for Computing. English recruited 98% of the trainees required by the TSM target, and 84% of the required Mathematics trainees were recruited. Within non-EBacc subjects, recruitment performance varied between 110% for Physical Education and 41% for Design & Technology.
- 2.8. All of the above were achieved through a comprehensive marketing campaign and a range of interventions, which included support services focused at high-quality graduates in subjects traditionally difficult to recruit to. Applicants were also able to access one-to-one advice and events specially designed for them, bursaries, scholarships and school experience.
- 2.9. The 'Your Future | Their Future' marketing campaign seeks to raise awareness and consideration of teaching as a great career and convert enquirers to applicants for initial teacher training. The campaign works on an academic year cycle (September to August) and focuses particularly on attracting applicants in hard to fill secondary subjects, such as STEM subjects and languages.
- 2.10. The Agency employed a mix of mass media advertising, including TV, to achieve maximum reach and interest. This was supported by complementary offline and online marketing and an extensive events programme, allowing us to effectively communicate on a one-to-one basis with prospective trainees. In the 2015/16 campaign cycle, the campaign generated 148,000 registrations of interest, 30% more than in 2014/15 - exceeding our target by 18%.

Teach First

- 2.11. In October 2016, 1,375 first year Teach First¹¹ participants were training in schools. The geographical spread of Teach First now extends into every region of the country with trainees placed in schools in some of the most deprived and challenging areas, and increasingly in more rural and coastal areas.
- 2.12. Calibre of teacher trainees: The quality of entrants to ITT remains high, when measured by degree class, with 74% of all new postgraduate entrants (including Teach First) holding a 2:1 degree or better. In 2016/17, 18% of new postgraduate entrants to ITT had first class degrees, the same proportion as in 2015/16.
- 2.13. In the 2015/16 academic year, 95%¹² (23,380) of final year postgraduate ITT trainees awarded QTS were in a teaching post within six months, the same proportion as in 2014/15. There has been a general upward trend for employment rates since the 2010/11 academic year, but the rate has remained broadly stable in recent years.

Manage the early years initial teacher training (EYITT) programme

- 2.14. The Agency has continued to manage the EYITT programme that leads to the award of early years' teacher status (EYTS). To encourage applications, funding is provided for course fees and bursaries for eligible trainees. We also support employers with the costs of releasing graduates employed in their nurseries to undertake the training.

ITT providers

- 2.15. School-led routes have grown over the last few years. The total number of new postgraduate entrants on school-led routes into ITT (excluding forecast trainees¹³ of 176) was 15,061 in 2016/17 (56%). This comprises 3,057 in school-centred initial teacher training (SCITTs); 7,470 on School Direct (Fee) routes; 3,159 on School Direct (Salaried) routes, and 1,375 on the Teach First programme.
- 2.16. We have broadened the range of good quality training providers by expanding both School Direct and SCITTs. In 2016/17, 242 providers (201 in 2015/16) supported 820 School Direct lead schools (841 in 2015/16) to train 10,629 potential new teachers (10,252 in 2015/16).

¹¹ The Teach First programme aims to raise levels of pupil attainment in challenging schools. It is a two-year programme of ITT and leadership development that recruits high-quality graduates, mainly from Russell Group universities. For more details visit: <https://www.teachfirst.org.uk/what-we-do/our-impact>.

¹² https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/632451/SFR38_2017_Text.pdf

¹³ Forecast trainees are expected to start courses or have delayed for a short period.

- 2.17. In 2017/18, 246 ITT providers, SCITTs and Higher Education Institutions (HEIs) will deliver ITT.
- 2.18. There will continue to be an important place for high-quality universities in delivering ITT.

Allocation of ITT places to providers

- 2.19. The Agency's objective in allocating places is to ensure that sufficient people undertake teacher training to meet the needs of the school system. While achieving this, we must also demonstrate efficient use of public funds. In September 2016, we published the allocations methodology for 2017/18.
- 2.20. We understand the operational difficulties that some providers experienced under recruitment controls in recruiting to 2016/17, and we have devised a revised methodology – in dialogue with the sector – that addresses the key issues. In doing so we have implemented a more flexible system this year that is responsive to recruitment patterns in different types of subjects, uncapping harder to fill subjects to give schools and ITT providers greater freedom to recruit, whilst allocating to more popular subjects to give providers greater certainty within the year. We have also introduced three-year allocations for some providers. We will continue to discuss the future of ITT and three-year allocations with the sector over the coming months.

Improving trainee teachers' subject knowledge

- 2.21. Subject knowledge enhancement (SKE) programmes give potential trainees the depth of knowledge needed to teach a priority subject and meet the Teachers' Standards. Schools and ITT providers can now select their preferred SKE provider, and choose to nominate them to receive funding on their behalf, or develop and deliver their own SKE. The programme continues to be well used, with 39% of new entrants to ITT courses in priority EBacc subjects supported by SKE in 2016/17.

Leadership and development

Licensed provision

- 2.22. We have continued to support the school-led system to develop and train the next generation of strong school and system leaders, supported by highly skilled governing boards, and built capacity in areas where it is most needed. Working with the Department, we have convened leading school experts to review and redesign voluntary, world-class NPQs to prepare leaders more effectively for the full range of leadership roles in the new school system.

- 2.23. We awarded 30 licensee partnerships to deliver the leadership curriculum in their local context. Of these, 29 regional licences are in operation delivering the provision. The lead organisations for these partnerships include: nine teaching schools, nine schools, four charities, five universities and two businesses.
- 2.24. Currently 21,140 participants are undertaking a leadership qualification licensed by the Agency and 18,667 have graduated since the current programmes began in 2012. During 2016-17 providers recruited:
- 3,443 middle leader participants for the NPQ for Middle Leadership against the target of 2,500 by March 2017;
 - 3,172 participants for the NPQ for Senior Leadership against the target of 2,000 by March 2017;
 - 1,514 participants for the NPQ for Headship against the target of 1,000 by March 2017.
- 2.25. Eight licensees continue to deliver the 17 regional licences for the Chairs of Governors' leadership development programme, Clerks to Governing Bodies training programme and training workshops for governing body members. There is still demand for these programmes: 999 participants registered for the Chairs of Governors' leadership development programme and 723 registered for the Clerks to Governing Bodies training programme. Additionally, 4,053 have attended the three established training workshops for governing body members and a further 1,320 have attended the two new workshops: 'Disadvantaged pupils: What Governors need to know about Pupil Premium' and; 'Forming or joining a multi-academy trust', since their launch in December 2016.

Commissioned programmes

- 2.26. The High Potential Middle Leaders primary programme recruited 608 participants against the target of 663 (92%). The secondary programme recruited 402 participants against the target of 400.
- 2.27. The contract for the High Potential Middle Leaders (HPML) primary programme has been successfully extended for a further year. The extension will run to September 2019, and 600 participants will be trained across one additional cohort.
- 2.28. The Talented Leaders programme aimed to recruit and match outstanding leaders and place them in schools in challenging circumstances. A total of 313 applications were received of which 84 were successful at assessment centre and 29 of those were successfully matched with schools.

- 2.29. The Agency launched The National Teaching Service (NTS) pilot in January 2016. The pilot aimed to recruit and match motivated teachers and middle leaders to schools in the North West that were struggling to attract, recruit and retain high-quality teachers. 116 teachers applied to join the NTS. 54 of those were successful and 24 have been matched to schools. They started work between September 2016 and April 2017 with schools in Lancashire, West Yorkshire, Greater Manchester, Merseyside and Cheshire. Following a review of the pilot outcomes, the Department confirmed it would not be progressing with the further roll out of NTS. The Department is using lessons learnt from the pilot to secure a better understanding of how to support schools in the future.

School-led improvement

Teaching schools and system leaders

- 2.30. The Agency publishes a monthly update on the number of system leaders working in and across schools in England. It is available from the [Teaching Schools and System Leadership monthly report](#).¹⁴
- 2.31. As at 1 April 2017, there were 752 teaching schools, representing 590 alliances, increasingly focused on areas of greatest need.
- 2.32. As at 1 April 2017, there were 1,279 NLEs, increasingly focused on areas of greatest need.
- 2.33. Our recruitment strategy has increasingly focused on designating system leaders in areas of the country, and phases, where they are needed most. We have worked with the Teaching Schools Council and RSCs to address geographical gaps in teaching schools and NLE support and have worked to expand further the national network of teaching schools and their partners to provide high-quality and high-impact: ITT; evidence-based continuing professional development; succession planning and talent management; and support for other schools. To achieve this, we have collated and published good practice case studies to support improvements in the work of teaching school alliances. Leaders from some of the best teaching school alliances contribute to the induction of new alliances, sharing practical strategies for success. We have also supported regional dissemination conferences, led by teaching schools and system leaders.

Targeted School Improvement

- 2.34. Through the school-to-school support Fund (STSS), we have worked with RSCs and other stakeholders to identify those underperforming schools and academies most in need of support. This year we have awarded 739 grants to NLEs and

¹⁴ <https://www.gov.uk/government/publications/teaching-schools-and-system-leadership-monthly-report>

teaching schools totalling nearly £7.5 million enabling them to undertake focused support for these schools.

- 2.35. We aim to transform how we approach school improvement, learning from the sector and lessons learned to date. We will work with Local Authorities (LA), RSCs, Dioceses, the Teaching Schools Council, governors and school leaders to facilitate a shared understanding of what can and must be done to improve schools, creating a school improvement approach tailored to local contexts.
- 2.36. Our work to improve the quality of school governance has designated 492 NLG's over the course of the programme, against the maintenance target of 500. We have broadened the focus to include those with MAT and/or those with business expertise.
- 2.37. The Regional Targeted Support fund is supporting nine regional projects, aiming to increase the numbers of teachers becoming leaders and existing leaders to take the next steps, and 58 schools delivering leadership equality and diversity projects supporting teachers from under-represented groups. This year the Agency has enabled schools to apply for two years of funding instead of one.

Provide high-quality services that represent value for money

- 2.38. We have a commitment to deliver high-quality services that offer value for money.

Qualified Teacher Status (QTS)

- 2.39. We continued to make QTS awards to individuals following an accredited ITT course in England and Wales, and to trained teachers from the European Economic Area (EEA), Scotland, Northern Ireland or overseas countries where there is agreed recognition of qualified status. There were 4,795 QTS awards made to qualified teachers from EEA in 2015-16 (latest available data). This represents a 10% increase from 2014-15, where the number of awards was 4,351. The number of QTS awards made to teachers outside the EEA (Australia, Canada, New Zealand and the USA) was 2,031 in 2015-16. This is a 27% increase from 2014-15, where the number of QTS awards was 1,598, details are available in the [2016/17 ITT Census](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/572290/ITT_Census_1617_SFR_Final.pdf).¹⁵ The total number of induction passes registered from 1 April to 31 March 2017 was 30,081.

Teacher misconduct

- 2.40. The Agency sifted and screened all teacher misconduct cases referred to it, with 91% of referrals being concluded or referred to a hearing within 20 weeks (target 95%). During 2016-17, 977 teacher misconduct referrals were received and 1,032

¹⁵https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/572290/ITT_Census_1617_SFR_Final.pdf

cases have been concluded. 30% of teacher misconduct cases, where investigations have concluded, have been referred to a hearing and the average time to reach a conclusion (from initial referral) at a hearing is 46.4 weeks. 86 cases were subject to an interim prohibition order whilst they were investigated.

- 2.41. Ten teachers appealed to the High Court on the outcomes of their misconduct cases. Six were upheld (of those, two were granted a rehearing and one was referred back to the Agency for reconsideration). One was dismissed due to non-compliance of timescales, one was settled out of court and two were found in favour of the Agency.

Provision of high-quality doctorate training for educational psychologists

- 2.42. From the 2013 intake, 95% (121 of 127) of educational psychologist trainees have completed the training in 2016 and 5% (6 of 127) are awaiting the outcome of vivas. 98% (125 out of 127) have found employment in the educational psychology workforce. Ministers agreed to a joint Department for Education and Department of Health review of clinical and educational psychology training arrangements. The review explored ways the Agency and Health Education England (HEE) can commission and plan psychology training together, and scope for more flexible training between the professions. The report¹⁶ was published in March 2016 and all of the recommendations have all been implemented.

Finance

- 2.43. The Agency is consolidated into the Department and further information on the financial outcomes are given in the departmental group's ARA¹⁷, in the financial overview section. As such only a high-level analysis is provided here.

Statement of Comprehensive Net Expenditure

- 2.44. Funding is received directly from the Department, which the Agency uses to further its objectives.
- 2.45. During the year the following programmes were transferred from the Agency back to the Department for budgeting purposes:
- Educational psychology bursaries;
 - Early years teachers bursaries.
- 2.46. The grants are still reflected in the Agency's accounts (see note 5).

¹⁶https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/510725/Review_of_clinical_and_educational_psychology_training_arrangements_report.pdf

¹⁷<https://www.gov.uk/government/collections/dfe-annual-reports>

- 2.47. Income of £6.7 million (2015-16 £4.4 million) is recognised in relation to further education teacher training bursaries, for which the Agency makes the payments.
- 2.48. Staff costs have seen a slight reduction year-on-year, which has caused a budgetary underspend of £0.7 million. The Agency held a number of vacant positions that were not filled by the year-end.
- 2.49. Grant expenditure has increased by £12.7 million, with the main factor being a push in teacher recruitment.
- 2.50. Other expenditure has increased by £20.3 million due to programme costs and advertising campaigns for teaching.
- 2.51. Shared services costs of £9.7 million (2014-15: £8.9 million) are a notional recharge from the Department to the Agency, for which no budget allocation is made. The charge is an allocation of central costs made to enable an approximation to the full cost of the Agency to be disclosed.
- 2.52. Previously the Agency recognised a provision of £1.9 million for VAT costs. However, this is not expected to be realised, and as such has been released.

Statement of Financial Position

- 2.53. The Agency does not have any non-current assets, as it is included within the Departmental estate, only working capital of receivables and payables.
- 2.54. Similarly, the Agency is funded by the Department, and does not operate its own bank account.
- 2.55. Both receivables and payables have seen a reduction at year-end, due to improved invoice management and better profiling of grant payments.
- 2.56. There has been a reduction in the deficit of the Agency of £9.8 million. This is due to better budgeting and cost management during the year.

Long-term expenditure trends

- 2.57. The Department agreed a settlement with HM Treasury (HMT) for the next four financial years in November 2015, as part of the 2015 [Spending Review](https://www.gov.uk/government/publications/spending-review-and-autumn-statement-2015-documents)¹⁸. Following this settlement, the Department's Single Departmental [Plan](https://www.gov.uk/government/publications/department-for-education-single-departmental-plan-2015-to-2020)¹⁹ was published in February 2016. The figures for the Agency are included within the departmental spending plans.

¹⁸ <https://www.gov.uk/government/publications/spending-review-and-autumn-statement-2015-documents>

¹⁹ <https://www.gov.uk/government/publications/department-for-education-single-departmental-plan-2015-to-2020>

- 2.58. The Departmental accounts cover the expenditure trends for the whole of the Departmental Group.

Performance on other matters

Sustainability

- 2.59. We adopt the Department's policies on sustainability. We aim to manage our business in an environmentally sustainable way and the Department's ARA describes our performance. Further information on the Department's policies on sustainability is contained within their [ARA](#)²⁰.

Social and community issues

- 2.60. We are a customer-focused organisation delivering high-quality services through our skilled and effective people in an environment of continuous improvement, to support leaders to deliver the best services for children and young people.
- 2.61. The Department encourages its employees to take up volunteering opportunities in line with the Government's corporate and social responsibility agenda as well as supporting employees' continuing professional development. The Department allows employees a minimum of three special days leave for volunteering each year.
- 2.62. In addition, the Department encourages employees to be reservists for the armed forces. Employees can receive at least 15 days paid special leave a year to fulfil their commitments.
- 2.63. A number of Agency Deputy Directors are Heads of Site in the Department and sponsor charitable and community activities on behalf of the Department.

Sinead O'Sullivan
Accounting Officer

8 January 2018

²⁰ <https://www.gov.uk/government/collections/dfe-annual-reports>

Accountability report

3. Corporate governance report

- 3.1. This report includes details of the Agency's practices and processes by which it is directed and controlled.

The Directors' report

Directors

- 3.2. The Agency's Senior Management Team who served during the year are:

Sinead O'Sullivan	Accounting Officer
Brian Tytherleigh	Director of Operations (to 30 June 2016)*
Russell Andrews	Deputy Director, Business Services
Sara Aye Moungh	Deputy Director, Strategy and Implementation (to 18 May 2016)
Greg Burke	Deputy Director, ITT Stakeholder Management, Special Projects and Early Years ITT
Paul Cohen	Deputy Director, Initial Teacher Training & Fieldwork (to 20 January 2017) and Director (from 23 January 2017)
Gillian Hillier	Deputy Director, School Improvement Policy (from 31 October 2016)
Sarah Lewis	Deputy Director, Strategy & Implementation (to 30 October 2016)
Alan Meyrick	Deputy Director, Teacher Services
Verity Prime	Deputy Director, School Leadership Delivery (from 27 June 2016)
John Stephens	Deputy Director, Teaching Schools and School Improvement (to 31 December 2016)
Thom Webb	Deputy Director, Initial Teacher Training & Fieldwork (from 7 February 2017)

* The Director of Operations role was not replaced due to the review of Agency operations.

Progress

- 3.3. During this year, there has been a change to our governance arrangements due to changes in Government and structural changes within the Department. However, I have maintained the role of Accounting Officer throughout the year. From 23 January 2017, I also temporarily took over the role of Director of the Teachers and Teaching Group within the Education Standards Directorate. The Deputy

Director of Initial Teacher Training & Fieldwork stepped up to the role of Director for the Agency.

- 3.4. Roger Pope, Principal of Kingsbridge Community College, Devon, and CEO of Education South West, continues as Chair of the Agency. The Chair provides strategic advice to senior officials and ministers on all aspects of policy within the Agency's remit, and acts as an advocate for the school-led system and government policy on teaching and leadership. Further details can be found in the Agency's [Framework document](#)²¹.

Declaration of interest

- 3.5. Interests of the Directors are detailed in note 9 on page 78 and 80. Transactions with the parties are managed appropriately by undertaking risk assessments and removing themselves from decision-making where an interest has been declared.
- 3.6. We manage Roger Pope's potential conflict as Chair of the Agency and as Chief Executive Officer of Education South West (ESW) MAT as highlighted in the Agency's Framework Document and arrangements include:
- the Chair stepping down from roles where such conflicts may be perceived;
 - not providing advice on the specifics of delivery in the region in which he continues to be directly involved in another capacity;
 - playing no role in operational decisions about allocation of funds, designation of system leaders, or awarding of contracts/grants in the region in which he continues to be directly involved in another capacity;
 - maintaining a full record of any advice given where there is a likelihood that a conflict of interest could be perceived.
 - During 2016-17, Roger chaired the headteacher group that offered advice on the new NPQs, where one of the schools within ESW is a licensee. This conflict has been managed by Roger standing down as the Chair of the not-for-profit company that manages the licence, and by not having any involvement in the Departmental process of bidding and awarding of new contracts. He is not part of the bid to be a provider in the South West. Similarly, he has not been party to any bids that have been made by ESW or its schools for any funding streams.

²¹https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/478259/NCTL_Framework_Oct_15_-_FINAL_191115.pdf

- 3.7. The Agency maintains a register of interests that contains details of company directorships and other significant interests held by executive and Non-Executive Board members. Anyone wishing to view the register can [contact](#)²² the Department.

Report on personal information breaches

- 3.8. The Agency is 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.
- 3.9. 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 organisation holds whose release or loss could cause harm or distress to individuals, including as a minimum:
- information that links one or more identifiable living person with information about them whose release would put them at significant risk of harm or distress;
 - any source of information about 1,000 or more identifiable individuals, other than information sourced from the public domain.
- 3.10. We had no protected personal data related incidents that fell within the criteria for reporting to the Information Commissioner's Office in 2016-17 (2015-16: nil). See paragraph 3.88.

Complaints to the Parliamentary Ombudsman

- 3.11. The Parliamentary and Health Service Ombudsman can investigate complaints against the administrative actions of a wide range of government departments and other public bodies; or the actions of organisations acting on their behalf.
- 3.12. In 2016-17, there were two Agency related complaints (2015-16: nil). The first was resolved without investigation. The second was referred to the Parliamentary and Health Service Ombudsman but resolved by the Department.
- 3.13. We do not have our own complaints policy but adhere to the Department's process to respond within 15 working days. We monitor monthly the number of freedom of information requests, Parliamentary Questions (PQs) and Treat Official (TO) correspondence. In 2016-17, the Agency responded to 718 of 801 items within deadline, a response rate of 90%.

²² <https://www.education.gov.uk/contactus/df>

Statement of Accounting Officers' responsibilities

- 3.14. Under the *Government Resources and Accounts Act 2000*, HM Treasury has directed the Agency to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Agency and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.
- 3.15. In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual (FReM) and in particular to:
- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
 - make judgements and estimates on a reasonable basis;
 - state whether applicable accounting standards as set out in the FReM have been followed, and disclose and explain any material departures;
 - prepare the accounts on a going concern basis.
- 3.16. The Permanent Secretary as Principal Accounting Officer of the Department has designated me as the Accounting Officer of the Agency. 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 Agency's assets, are set out in *Managing Public Money* published by HM Treasury.
- 3.17. As Accounting Officer, I confirm that:
- there is no relevant audit information of which the auditor is unaware;
 - I have taken all the steps that I ought to in order to ensure that I am aware of relevant audit information;
 - I have taken all the steps that I ought to in order to establish the Agency's auditor is aware of the information.
- 3.18. I confirm that the ARA as a whole is fair, balanced and understandable, and I take personal responsibility for the ARA and the judgements required for determining so.

Governance statement

Scope of responsibility

- 3.19. As Accounting Officer, I have personal responsibility for maintaining a sound system of governance, internal control and risk management within the Agency. This supports the achievement of the Agency's policies, aims and objectives, whilst safeguarding public funds and departmental assets as set out in *Managing Public Money* published by HMT.
- 3.20. In my role as Accounting Officer, I am supported by the Chair who provides strategic advice to senior officials and ministers on all aspects of policy, within the Agency's remit, and acts as an advocate for the school-led system and government policy on teaching and leadership. The [framework document](#)²³ of the Agency sets out the arrangements for the governance, accountability and operation of the Agency, agreed between the Secretary of State, the Director General for Education Standards Directorate (ESD) and myself.

Governance, internal control and risk management

- 3.21. The system of governance, internal control and risk management is designed to manage risk to a reasonable level rather than eliminate all risk of failure in order to achieve policies, aims and objectives. However, this year the system clearly failed to manage risk appropriately in respect to the assurance of grant funding. There have been significant issues with key control processes in this area and these are addressed in detail in paragraphs 3.48 - 3.57.
- 3.22. In light of the above issues I have begun a full review of the assurance framework in operation within my area of responsibility. This includes reviewing the work of the Senior Civil Servants (SCS) within the Agency, who have accountability and responsibility, for the development and maintenance of their own assurance framework.
- 3.23. I have put in place arrangements for good corporate governance and I review the effectiveness of these arrangements to ensure compliance with *Corporate Governance in Central Government Departments: Code of Good Practice* (the Code) where relevant to the Agency and its remit. I have reviewed and maintained these arrangements including seeking assurance from our management board that our arrangements have been in operation for the whole year. I have not identified any departures from the Code.

²³https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/544033/NCTL_Framework_Oct_15_-_FINAL_191115.pdf

- 3.24. Every SCS in the Agency is required to complete and keep up to date an Assurance Framework Record to detail their compliance with the Departmental arrangements regarding risk, control systems, use of resources and to detail any issues. I am therefore able to provide the Department's Management Committee and Ministers with robust assurance, across the majority of our work, that we have managed our agenda well and will continue to do so while delivering efficiencies. We maintain financial information on the delivery of all programmes corporately and, where relevant, at programme level.

Governance at departmental level

- 3.25. As Accounting Officer, I am accountable to the Secretary of State for the performance, leadership and day-to-day management of the Agency, with the Department's Director General for ESD performing an oversight role, on behalf of the Secretary of State. My objectives are agreed by the Director General and aligned with Departmental objectives and the requirements for managing public money. I use them to set objectives for my Deputy Directors. All SCS objectives are agreed and monitored throughout the year.

Strategic performance review

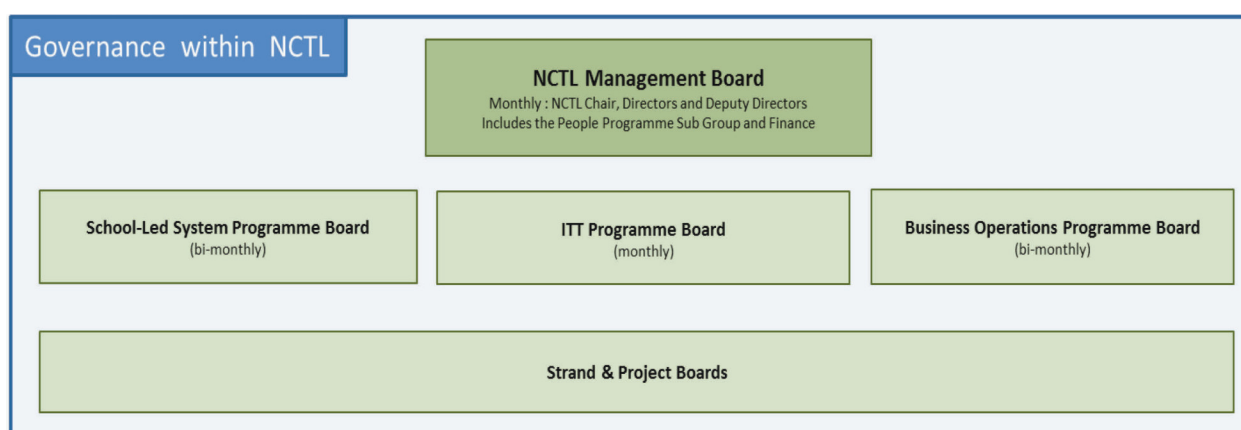
- 3.26. As stated in the Agency's Framework document, the Agency holds Strategic Performance Reviews (SPRs) quarterly. However, due to the structural changes within the Department, it was agreed with the Director General that only three meetings would be held during 2016-17. The meetings were chaired by the Director General to review and challenge progress against our objectives and performance measures, financial management and the management of risks.
- 3.27. All SPRs included an attendee independent from the directorate with expertise in the sector.

- 3.28. SPR meetings took place during 2016-17 on 24 August, 12 December 2016 and 21 March 2017. Attendees are shown in the following table:

Strategic Performance Review meetings		
Number of meetings in year		3
Member	Position	Attendance
Juliet Chua	Interim Director General, ESD (Chair) (from June 2016 to January 2017)	2/2
Paul Kett	Director General, ESD (Chair) (from January 2017)	1/1
Roger Pope	Chair (NCTL)	3/3
Sinead O'Sullivan	Accounting Officer (NCTL)	3/3
Paul Cohen	Director (NCTL)	1/1
Russell Andrews	Deputy Director, Business Services (NCTL)	3/3
Verity Prime	Deputy Director, School Leadership Division (NCTL)	1/1
Alan Meyrick	Deputy Director, Teacher Services (NCTL)	1/1
Susie Owen	Deputy Director, Early Years Providers and Regulation	1/1
Jenny Wright	Deputy Director, Teachers & Teaching Group	3/3
Marion Plant OBE	Departmental Non-Executive Director	2/3
Helen Stephenson	Director Children's Services, Equalities and Communications (CSEC)	2/3
Attendee	Position	Attendance
Tony Smith	Internal Audit	3/3

Governance at Agency level

- 3.29. The Agency has three high-level delivery programmes. They are: the School-Led System programme; the Initial Teacher Training (ITT) Delivery programme and the Business Operations programme. All Agency activity reports into these. A governance chart is set out below. Each programme is overseen by a programme board, which meets monthly, except for the School-Led System programme which meets bi-monthly. From January 2017, following a review, the Business Operations Board was also changed to run bi-monthly. As Accounting Officer, I have bilaterals with the Director General on a monthly basis to review progress across the Agency.



- 3.30. I was the Senior Responsible Owner (SRO) for each of these programmes until 27 January 2017. On that date, Paul Cohen (Director) was appointed as SRO for the ITT and School-Led System programme boards. I have retained oversight in my role as Accounting Officer through the monthly Management Board meetings ensuring progress using programme and risk management arrangements. Programme leads submit a monthly progress report to the Boards for advice, scrutiny and challenge. The Agency's Programme Management Office uses these reports to produce a status report for the quarterly strategic performance review with the Director General and our Non-Executive Board member. Additionally, the Management Board reviews the strategic priorities and direction of the work. We use additional routes to report to the Department, for example reporting to its Performance Committee on strategic risks.
- 3.31. In September 2016, the Management Board approved a change to governance arrangements following changes in accountability across the Directorate. It was agreed that the Leadership work area would report into a board outside of the Agency but that I would retain accountability for the financial and delivery performance of the work. The Business Delivery and Transformation Board was revised and renamed to the Business Operations Board to reflect the current Agency's operational priorities.
- 3.32. I am content with the effectiveness of the boards and their ability to manage the delivery challenges of the Agency.

The Management Board

- 3.33. The purpose of the Management Board is to oversee the strategic direction of the Agency and ensure that the best possible approach is being taken to deliver its aims and objectives.
- 3.34. The Agency's Management Board is chaired by Roger Pope and focuses on the strategic challenges faced by the Agency. It provides me with oversight as Accounting Officer of the strategic risks and issues facing the Agency. It takes

place on a monthly basis and oversees corporate performance, as well as the Agency's strategic projects, financial performance, staff management and strategic risks and issues. Membership of the Management Board comprises the Chair, Accounting Officer, Director and Agency Deputy Directors. Departmental finance business partners also attend the Management Board and wider departmental representation is sought where appropriate.

- 3.35. During 2016-17, the Management Board met 12 times, and continues to meet monthly.

Agency management meetings		
Number of meetings in year		12
Member	Position	Attendance
Roger Pope	Chair (NCTL)	12/12
Sinead O'Sullivan	Accounting Officer	11/12
Brian Tytherleigh	Director of Operations	2/3
Russell Andrews	Deputy Director, Business Services	11/12
Sara Aye Mounq	Deputy Director, Strategy & Implementation	1/1
Greg Burke	Deputy Director, ITT Stakeholder Management, Special Projects and Early Years ITT	10/12
Paul Cohen	Deputy Director, Initial Teacher Training & Fieldwork and Director	11/12
Gillian Hillier	Deputy Director, School Improvement Policy	3/5
Sarah Lewis	Deputy Director, Strategy & Implementation	6/7
Verity Prime	Deputy Director, School Leadership Delivery	7/9
Alan Meyrick	Deputy Director, Teacher Services	11/12
John Stephens	Deputy Director, Teaching Schools and School Improvement	8/9
Thom Webb	Deputy Director, Initial Teacher Training & Fieldwork	1/2

Their effective dates are referenced in paragraph 3.2

- 3.36. Topics discussed at the Management Board meetings included:

- strategic risks and issues;
- ministerial engagement;
- agency governance and performance;
- review of Agency's operation.

- 3.37. In December 2016, the role of the Management Board was reviewed following the establishment of the Departmental Transformation Board. Following a review, it

was agreed that the Business Operations Board would take place bi-monthly, alternating with the School-Led System Board (also held bi-monthly) and that oversight of finance and people reporting (previously managed by the Business Operations Board) would continue to be monitored on a monthly basis directly by the Management Board.

- 3.38. In line with the Agency's Framework document the Agency's operations were reviewed during 2016-17, managed through the Management Board, as part of the wider the Department's Transformation Programme, with a particular focus on supporting closer working with the Teachers and Teaching Group. Changes will be implemented in 2017-18.

Programme boards

- 3.39. I was the SRO until 27 January 2017 for each of the programme boards and the chair for one of the programme boards. As referenced in paragraph 3.30, Paul Cohen became SRO for the ITT and School-Led System programme boards. I have maintained oversight as Accounting Officer through monthly attendance at the Management Board. A Deputy Director chaired the other two programme boards. These boards include senior staff from each division who have responsibility for individual strands.

The remits of each programme are:

School-led system

- 3.40. The aim of this programme is to develop the self-improving school-led system where the best schools are at the heart of teacher training, school improvement, the development of new leaders and continuous professional development. The programme comprises three strands: system leadership; school improvement and quality assurance.

ITT delivery

- 3.41. This programme aims to ensure that there is a sufficient number of high-quality teachers in the right places, including for specialisms and for the very youngest children. The programme comprises ten strands: ITT recruitment; ITT allocations; early years; special projects; ITT marketing activity; managing the provider base; TSM; data and analysis; ITT funding and STEM and MFL (includes teacher subject specialist training and international recruitment).

Business Operations

- 3.42. The aim of this programme is to deliver the necessary capabilities and changes to enable the Agency to be an organisation that is focused on ministerial priorities and the delivery of activities that only the Government can carry out. The programme has six strands, which are: commercial activity; educational

psychology training; IT strategy; agency assurance; workforce planning and teacher services.

- 3.43. The boards ensure effective delivery of their programmes by monitoring, reviewing and challenging their performance and risks.

Audit and Risk

- 3.44. The Agency has received oversight from the Department's Audit and Risk Committee (ARC) and Performance Committee, which are both sub-committees of the Department's Board and chaired by Non-Executive Board members.
- 3.45. The role of the ARC is to support the Board by providing independent scrutiny and challenge of the Department's arrangements for governance, risk management and internal control. ARC advises the Permanent Secretary (as Principal Accounting Officer) and the Board on the adequacy and effectiveness of these arrangements and on the reliability and integrity of assurances used to inform the Governance Statement. The ARC also advises the Permanent Secretary on the structure and presentation of the Department's annual accounts.
- 3.46. The Performance Committee's primary role is to provide challenge and scrutiny of the Department's performance on its delivery priorities. Membership of and attendance at ARC, the Performance Committee and other committees of the Department are disclosed in the [Department's ARA](#)²⁴.
- 3.47. The Agency is scrutinised and challenged about its governance and control by the Strategic Performance Review, Education Standards Leadership Group meetings and through bilateral meetings between the Director General and myself. The ARC makes recommendations to me as Accounting Officer and the Board on the Agency's risk management and its ARA. In July 2016, I attended the ARC where the Agency's Risk Management Framework was reviewed. The committee found it to be fit for purpose with no significant issues identified.

Assurance

- 3.48. A system of internal control was in place within the Agency for the whole of 2016-17. The Agency's Financial Assurance Strategy Group (FASG) continues to oversee our financial assurance processes. Membership includes Departmental finance business partners and a representative from the Government Internal Audit Agency (GIAA), who scrutinise the Agency's work throughout the year. The

²⁴ <https://www.gov.uk/government/collections/dfe-annual-reports>

- Group oversees all assurance activity and is accountable to the Agency's Management Board, which is accountable to myself as Accounting Officer.
- 3.49. During the year, the Agency's Commissioning Board scrutinised all business cases seeking to issue grant funding. This included examining the grant distribution process. Additionally, the strategic overview, economic, commercial and financial case for each proposed grant was presented to the Board and, where necessary, challenged to ensure they fit the aims and objectives of the Agency (and the wider Department).
- 3.50. 2016-17 saw the Agency continue to implement its grant assurance framework, as approved by the Agency's Business Transformation and Delivery Board and the Department's finance business partners. Across the Agency, grant managers should use the framework to ensure that grant recipients are utilising funding as per the aims and objectives of the grant.
- 3.51. Annual Grant Returns (AGRs) were used to provide regularity assurance over Initial Teacher Training (ITT), Early Years ITT and Subject Knowledge Enhancement bursaries. These reports are pre-populated by NCTL with the funding provided and then signed off as confirmed by an independent reporting accountant, checking against provider records. Annex G certificates of expenditure were used to assure School Direct Salaried ITT, Collaborative Fund grants and all other grants. In the case of both AGRs and Annex Gs, assurance was provided on a lagged year basis. For these returns, when grants paid to the provider total more than £40,000, an independent accountant confirms the total provider spend which is pre-populated by NCTL. When grants paid to the provider total less than £40,000 NCTL selects a sample of providers to undertake desk-based audits, to check evidence supports the payments made. Additionally, assurance statements were provided from the Accounting Officers of HEFCE and EFA to assure the regularity of grant expenditure provided by the Agency and distributed by these organisations.
- 3.52. Unfortunately, the framework this year has only given me limited assurance that the £318 million of grant allocations have been used as intended. This has been due to a number of significant issues with key control processes. These issues should have been identified through our internal management controls; however, they were, in fact, first identified during the NAO's initial fieldwork visit which was completed on 5 May.

3.53. With regards to AGRs, 44 institutions were identified where further assurance work was required. Within these 44 institutions a risk-based assessment was made that 15 institutions required detailed scrutiny of their audit returns. The issues identified included:

- AGR documents submitted by the provider, with only the final page signed by the reporting accountant (providing opportunity for the provider to manipulate the document);
- some reporting accountants providing their own report or letter rather than a signed AGR statement;
- some instances where information in our data management system did not clearly reconcile with providers' AGR data;
- instances where Agency grant managers did not sense-check AGRs against other management information;
- a lack of clarity in the instructions given to reporting accountants, leading to inaccurate audit returns;
- a limited number of payments made based on inaccurate candidate withdrawal dates;
- a number of providers holding inaccurate student qualification details, leading to errors in payments to colleges and trainees;
- some providers being unable to produce schedules of student details to support their claims;
- the Agency did not use AGRs to support the Early Years ITT grants as the grant managers considered the AGR data sufficiently unreliable. Instead, they used the provider-generated trainee numbers submitted into the data management system.

3.54. With regards to Annex G certificates of expenditure, some additional issues have been:

- some instances of non or poor quality Annex G returns;
- a small number of cases where the Agency accepted data submitted by the grant recipient, rather than the data in the Annex G, without requesting evidence for this change from the grant recipient;
- eight instances of Annex Gs signed by non-independent individuals;
- for the Collaborative Fund desk-based audits, there were instances where no evidence had been submitted in support of activities undertaken to support another school or the time/costs the headteacher incurred.

- 3.55. The above issues and assurance gaps identified have caused the Comptroller & Auditor General to limit the scope of his regularity opinion on the 2016-17 financial statements. For more detail please see the Audit Certificate and Report on Accounts on pages 59 - 65.
- 3.56. These have been significant issues and the Agency should have engaged with NAO's emerging findings more quickly than we did. The Agency has, however, carried out considerable work to try to address NAO concerns. These included: revisiting 220 Annual Grant Returns and 800+ Annex G certificates to check that independent assurance had been obtained; visiting and contacting 60+ SKE, Early Year and Training Bursary providers to obtain evidence to provide financial assurance; assessing approximately 50 Collaborative Fund and School Direct grant claims to confirm that appropriate payments had been used for the purposes intended. Additionally, we have already started the following work to ensure these assurance gaps are addressed:
- work with the Institute of Chartered Accountants for England and Wales has developed revised AGR and Annex G guidance and templates, ensuring clarity of responsibilities, so that independent assurance is properly obtained;
 - a training programme for Agency grant managers is being developed to ensure that the control processes within the assurance framework are adhered to;
 - a systematic and documented process is being developed to assist Agency grant managers to review and rate AGRs;
 - revised EY ITT funding guidance is being drafted so that reporting accountants are clear as to how to reconcile all payments;
 - for providers, improved guidance and support will be provided to ensure they enter accurate information into our data management system.
- 3.57. Furthermore, a working group (chaired by the Department's Finance Director) has been established to ensure that Agency assurance is aligned to best practice from elsewhere in Government. The group will look to extend lessons learned across the whole of the Department including consideration of potential IT solutions and a review of Department-wide assurance frameworks.

Internal Audit

- 3.58. The Agency receives internal audit and assurance services from the GIAA. GIAA provides independent and objective assurance to me on the adequacy and effectiveness of the Agency's Framework of governance, risk management and control by measuring and evaluating the Agency's effectiveness in achieving its agreed objectives. All of the planned Agency reports have been completed and published and, in addition, the Agency uses GIAA to obtain assurance on process and control arrangements as appropriate.
- 3.59. The Agency is included in cross-Departmental compliance and themed audits where relevant, including for example, the DfE's arrangements for managing Conflicts of Interest.
- 3.60. Audits of the Agency's grant and contract commissioning processes and ITT funding payment arrangements were undertaken by GIAA in Quarters 3 and 4 of 2016-17.
- 3.61. From the two audits undertaken, 18 improvement actions were identified, 16 of which have been implemented (scrutiny and challenge of business cases with appropriate logs kept and a range of process changes related to ITT funding). The other two are part implemented related to: covering how the Grants Commissioning Board ensures independent assurance on decision-making and assuring value for money across grants. Additionally, the nine actions arising from the Agency's Fraud Assurance audit, undertaken in 2015-16, have been fully implemented.
- 3.62. The Head of Internal Audit has provided a Limited assurance to the Accounting Officer for the Agency. This reflects the fact that there are significant weaknesses in the framework of governance, risk management and control of grant payments, as set out in 3.53 - 3.54.
- 3.63. All of the audits undertaken in the Agency during 2016-17 received a moderate assurance rating. Actions arising are maintained and reviewed monthly at the FASG meeting, which includes GIAA representation.

External Audit

3.64. In February 2016, the National Audit Office (NAO) published a report [Training New Teachers](#)²⁵ following a review to determine whether the Department's arrangements for training new teachers are value for money. The issues raised were addressed at the Public Accounts Committee (PAC) meeting on 7 March 2016. The Department and the Agency accepted all of the recommendations in the PAC [report](#)²⁶ as set out in our [response](#)²⁷ published on 7 November 2016.

3.65. These included the following recommendations specific to the Agency:

Recommendation 1: The Department and the Agency should develop a clear plan for teacher supply covering at least the next 3 years, detailing how targets will be met, underpinned by better data on the accuracy of its estimates and independent testing of its teacher supply model.

Recommendation 2: The Department and the Agency should set out when and how they will talk more to school leaders - and not just those involved in their school-led training programmes - about the recruitment challenges they face and demonstrate how they will use that information to plan interventions more carefully, especially the future location of training places. They should also examine the impact of agency fees on school budgets and consider ways to manage this.

Recommendation 3: The Department and the Agency should work with the sector to provide clearer, more accessible information to prospective applicants (including where to study, the costs involved and the quality of training providers) to help them identify and apply for training that is best suited to them. This information should be in place for applicants from autumn 2016.

Recommendation 4: The Department and the Agency should work with school leaders to assess the impact of their policies on the quality of teachers and develop a richer understanding of what makes for good-quality teaching, whether its current approach of national allocation quotas is creating a rush to recruit resulting in lower quality trainees and whether School Direct schools have an unfair advantage when it comes to recruitment.

²⁵ <https://www.nao.org.uk/report/training-new-teachers/>

²⁶ <https://www.parliament.uk/business/committees/committees-a-z/commons-select/public-accounts-committee/inquiries/parliament-2015/training-new-teachers-15-16/>

²⁷ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/565426/57448_Cm_9351_Treasury_Minutes_Accessible.pdf#page=24

Risk management mechanisms

- 3.66. The Agency's risk management framework defines escalation between boards. The maintenance of risk registers is a key mechanism used to manage risk within the Agency, and these are used to record both operational and strategic risks within directorates, programmes and projects. Programme boards have a defined risk appetite that will determine whether any risks at programme board level need to be escalated to the Management Board. Generally, the Agency does not tolerate risks with high residual impact and high residual likelihood. The Agency's Management Board can decide to tolerate these risks on an exceptional basis. It is agreed by each board to tolerate risks at the appropriate level or escalate through the agreed routes. Following agreement by the Management Board, it is then added to the Agency's strategic risk register. The strategic risk register contains all strategic risks relating to delivery, stakeholder engagement, staffing and funding. Each risk has an agreed review date when the Management Board will review in detail its mitigations and contingency plans. All risks have a designated risk owner who is responsible for managing and reporting the risk. The Management Board considers any further actions to manage any residual risks that remain after mitigation action has been implemented.
- 3.67. Each of our three programme boards have risk management as a focus, and use a clear, timely route to escalate risks to the Management Board for their information, or to seek advice or action. Strategic risks are reviewed at monthly bilateral meetings with the Director General and at the quarterly SPR. The Agency's Programme Management Office conducts a review of all board and strategic risks each month, providing feedback and challenge to risk owners in advance of the programme board meetings.

Strategic risks

- 3.68. The Agency has responsibility for managing one of the Department's strategic risks in partnership with the Department's Teachers & Teaching Group. This relates to the 'Supply and quality of teachers and school leaders'. The Agency also contributes to the management of another Departmental strategic risk, which is monitored within the Department's Children's Services and Departmental Strategy Directorate. This relates to the 'Supply and quality of early years' leaders'.
- 3.69. Details of the Agency's strategic risks are included paragraph 1.15.

Shared services

- 3.70. The Department and its Agencies have an outsourced shared service arrangement for provision of certain areas of its internal finance, HR and procurement transactional processes. This arrangement has been in place since 2013.
- 3.71. There have been no significant failures of service during the year. However, the Department and its Agencies are keen to see an improvement in the service and process quality experienced by staff and in the use transactional service data to generate better quality management information.
- 3.72. During the year, the service provider's external assessment of the design and operation of controls (undertaken in accordance with International Standard on Assurance Engagements (ISAE) 3402) received a qualified opinion from its ISAE 3402 auditors, as a number of the controls in place at the service provider had not operated as expected.
- 3.73. This reduces the degree of assurance that the Department and its Agencies can place on the effectiveness of the controls operated by the shared service provider. However, the Department and its Agencies have been able to rely on the strength of their own internal processes and control environment to manage the risk of control failure with the shared service provider. I am comfortable that these controls continue to operate effectively.
- 3.74. Given the combination of service and control challenges, the Department and its Agencies will be reviewing the transactional service arrangements to ensure they operate processes that are fit for purpose, flexible, and offer the best possible support to the Department and its Agencies.

Business continuity

- 3.75. We have responsibility for managing our business continuity requirements and plans, aligning with the Department's wider arrangements. During 2016-17, the plan was reviewed quarterly. The plan provides detailed steps to take to ensure continuity of business critical activities. Business impact assessments are reviewed quarterly and further improvements were made in how we record the Agency's critical activities. A communications cascade test was carried out successfully in September 2016.

Operational policy development and delivery

- 3.76. We have worked in partnership with Departmental policy teams to embed clear protocols defining effective joint working to develop policy. Stakeholder consultation practice reflects strong skills and working relationships in this area.
- 3.77. I am content that the arrangements for governance, internal control and risk management of our programmes provided me with assurance that these are adequate to ensure policies meet ministerial intent. The Department aims to develop and appraise policies using the best available evidence analysed using sound methodologies, in conjunction with stakeholders and partners. The Department subjects policies to robust deliverability testing. I am content that Departmental policies the Agency implements provide good guidance and direction to those delivering services to children, young people and parents, and that the policies link clearly to our core values and objectives.

Programme and project management

- 3.78. I have a division leading on business services and it provides programme/project management support to the whole of the Agency.
- 3.79. A programme/project management approach is used to provide governance over all of our work and is applied appropriately to the scale and complexity of the particular task. Programme/project management is linked through to the wider management processes such as risk management and planning. Key programme management advice and templates were reviewed and communications sent to Deputy Directors and SROs to remind project teams of the need to ensure appropriate project management measures are in place for all projects.
- 3.80. Both project progress and financial status is effectively monitored through monthly reviews and progress properly documented. The Agency continues to monitor its project health indicators for each of the three programmes quarterly. The purpose of this is to be able to verify that we are implementing strong internal controls/processes for our work.

Financial management

- 3.81. I am confident that we have clear lines of accountability in place for all programme and administrative expenditure with support from finance business partners. We have put in place a number of systems to ensure adherence to Departmental processes, controls, risk management and fraud prevention so that propriety, regularity and value for money are achieved. The Agency's Deputy Director for Business Services reviews all funding lines monthly with the lead finance business partner. Deputy Directors have planned monthly meetings with finance business

partners (to identify risks early and to flag concerns) and receive high-level monthly budget reports. Quarterly challenge sessions are held to review divisional admin and programme budget positions and hold Agency SCS to account. In November, the Agency's Management Board conducted a review of future risks and pressures associated with all of the Agency programme lines. Deputy Directors performance management objectives all included a financial management objective and target that was reported upon during the performance year. This enabled Directors to monitor and challenge financial activity across the divisions. The Directorate finance business partner is invited to all programme boards and Management Board meetings.

- 3.82. We have continued to place a greater emphasis on financial forecasting. This is particularly relevant for our demand-led budgets where improved financial modelling is required as well as regular review windows to ensure any variance can be highlighted as soon as possible. Greater emphasis has been placed on budget holders to clarify their understanding/responsibility for the day-to-day maintenance of budget lines and anticipating any funding pressures/underspends.
- 3.83. In 2016-17, the Agency was alerted to four new cases of potential fraud. One relates to a local authority led intervention; the Agency have provided evidence and are continuing to liaise with the investigator. The remaining three whistle-blowing cases were investigated by the Agency, who have found no criminal wrongdoing has taken place. Additionally, the Agency has been handling one case of potential fraud relating to the academic year period 2005-13 and predecessor bodies. Whilst it has been found that there is no evidence to suggest that a fraud had taken place, the University involved, in receipt of Training Development Agency Postgraduate Professional Development Continuation funding between 2011 and 2013 academic years, have conceded that there is a £1.44m repayment to be made. This is due to a lack of appropriate evidence being in place to substantiate the claims the university made at that time.
- 3.84. We are unable to identify our share of the underlying assets and liabilities of the Principal Civil Service Pension Scheme (PCSPS). Details are available in the resource accounts of the Cabinet Office; [Civil Superannuation](#)²⁸.
- 3.85. As referenced in paragraph 2.45, the Agency transferred Educational Psychology and the Early Years teachers bursaries back to the Department for budgeting purposes. Further information is available in Note 5.

²⁸ www.civilservicepensionscheme.org.uk

Information: ICT management and data safeguarding

- 3.86. The Agency receives shared service IT support from the Department. General information systems are developed to meet internal and external standards and the needs of the business. The Agency's IT Strategy Group ensures all Agency IT projects are identified and prioritised. This group works with Departmental Security and IT teams to ensure compliance.
- 3.87. All staff undertake mandatory information assurance training annually.
- 3.88. During 2016-17, the Agency had no protected personal data related incidents that were judged significant enough to be formally reported to the Information Commissioner's Office.
- 3.89. The Agency's Data Strategy Group (DSG) was established in 2015 to improve the Agency's collection, storage, processing and use of data. The DSG continues to give assurance to me as Accounting Officer on the quality of the data we use and publish. An example of this is establishing the compliance of all datasets for secure storage and transfer of sensitive personal data. It has also disseminated guidance on transferring personal data, and identified and remediated a number of instances of non-compliance.

Information risk management

- 3.90. Arrangements have been, and are in place, to ensure that the Agency complies with the requirements of both HM Government and Cabinet Office policy and guidance in addressing risks to information and information systems. The Department's Director General of Insight, Resources and Transformation Directorate is the designated Senior Information Risk Owner with overall responsibility for the management of information security in the agencies.
- 3.91. The Agency has information assets which are essential to the effective and efficient operation of the organisation and the delivery of its strategic aims and objectives. Information Asset Owners have responsibility for protecting the information assets that are assigned to them. All Information Asset Owners completed an annual statement in March 2017, which confirmed that they had complied with their responsibilities.

People management

- 3.92. We are pleased that 94% of staff responded to the 2016 people survey and the overall engagement index increased from 62% in 2015 to 63%, compared to the Department average of 61%.

- 3.93. We aim to ensure that we attract, retain, build the capability of and motivate our people to enable them to deliver outstanding performance.
- 3.94. The Agency's People Programme sub-group (PPSG) oversees this work and includes representatives from each division meeting monthly. The purpose of PPSG is to ensure that all Agency staff are able to make a contribution to the business and to make the Agency a great place to work. It works to ensure that all of our people are effectively managed, that we have the skills and competencies we need and that our people are deployed flexibly.
- 3.95. The Agency reviews its workforce plan on a monthly basis; this allows us to meet our workforce targets.
- 3.96. The Agency adheres to the Departmental policies for performance management, underperformance, attendance and disciplinary issues. These are reported in line with other executive agencies and policy families within the Education Standards Directorate (ESD).
- 3.97. The Agency adopts the Department's policy and process for whistleblowing. In 2016-17, the Agency has demonstrated this adoption by continuing to capture whistleblowing allegations in a consistent manner. Reviews of allegations have been done in collaboration with the Department and GIAA. As a result, I am satisfied with this collaborative approach and the effectiveness of the arrangement, which has seen four cases investigated in 2016-17 (see paragraph 3.83).

Overall assessment

- 3.98. As Accounting Officer, I am satisfied that the majority of the Agency's internal control, risk management and governance arrangements are working effectively. As referenced in paragraphs 3.53-3.56 work is underway to improve the grant control processes. The Agency continues to deliver successfully across a broad range of delivery areas.

4. Remuneration and staff report

Accounting Officer and senior management team remuneration policy

- 4.1. The Accounting Officer and the Senior Management Team (SMT) are SCS whose pay is decided by the SCS Pay Committee, chaired by the Permanent Secretary, and comprising members of the Management Committee and a Non-Executive Director. 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.
- 4.2. As staff employed by an executive agency of the Department, the SMT's performance management and contractual terms are as described in the Department's ARA. As such, the Department manages performance management and non-consolidated performance award for members of the SCS within the framework set by the Cabinet Office. The contractual terms of the SMT also comply with requirements set centrally by the Cabinet Office. More on the Cabinet Office's framework and standards can be found on the [civil service website](#)²⁹.
- 4.3. Unless otherwise stated below, the officials covered by this report hold appointments that 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. Readers can find further information about the work of the Civil Service Commission on their [website](#)³⁰.

²⁹<https://www.gov.uk/government/organisations/civil-service>

³⁰<http://www.civilservicecommission.org.uk/>

Part 1: audited information

Remuneration (salary, bonuses and pensions)

	2016-17					2015-16				
	Salary £000	Bonus £000	Benefits -in-kind £	Pension benefits £000	Total £000	Salary £000	Bonus £000	Benefits -in-kind £	Pension benefits £000	Total £000
Director and Accounting Officer										
Ms Sinead O'Sullivan	95-100	-	-	64	160-165	90-95	10-15	-	97	200-205
Mr Charlie Taylor (left 4 September 2015)	-	-	-	-	-	60-65 (140-145)	-	-	26	85-90
Director										
Mr Brian Tytherleigh (retired 30 June 2016)	20-25 (85-90)	-	-	(5)	15-20	80-85	-	-	43	120-125
Deputy Director										
Mr Russell Andrews	130-135	-	-	20	150-155	130-135	-	-	55	185-190
Ms Sara Aye Moung (left on voluntary severance 18 May 2016)	10-15 (80-85)	-	-	1	10-15	80-85	-	-	22	100-105
Mr Greg Burke	70-75	-	1,155	11	80-85	70-75	-	1,200	29	100-105
Mr Paul Cohen	80-85	-	-	28	105-110	75-80	10-15	-	21	110-115
Ms Gillian Hillier (joined 31 October 2016)	25-30 (65-70)	-	-	26	55-60	-	-	-	-	-
Mr Alan Meyrick	85-90	5-10	-	13	105-110	85-90	5-10	-	20	115-120
Ms Verity Prime (joined 27 June 2016)	40-45 (55-60)	-	-	18	60-65	-	-	-	-	-
Mr John Stephens (left 31 December 2016)	80-85 (110-115)	-	-	32	115-120	110-115	-	-	44	150-155
Ms Sarah Lewis (left 30 October 2016)	40-45 (70-75)	5-10	-	16	65-70	70-75	-	-	27	95-100
Mr Thom Webb (temporary promotion to DD from 7 February 2017)	10-15 (65-70)	-	-	4	10-15	-	-	-	-	-

In the table above the full year equivalent is shown in brackets.

- 4.4. 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 Agency and thus recorded in these accounts.
- 4.5. Roger Pope was appointed Chair with effect from 12 October 2015. He is on secondment from his current role as Principal of Kingsbridge Community College, Devon, and CEO of Education South West. The Agency has arranged to pay his costs directly to the Academy. The total invoice value of payments for the period is in the range £90,000-£95,000 (2015-16: £45,000-£50,000).

Non-consolidated performance awards

- 4.6. The Agency awards bonuses as part of the performance management process, it sees effective performance management as key to driving up individual and organisational performance and providing greater value for money, to deliver high quality public services. The Agency follows the arrangements for the senior civil servants as set out in the Performance Management arrangements for the Senior Civil Service and the Agencies performance management framework for managing and rewarding performance throughout the year. Bonuses relate to the performance in the year prior to that in which they become payable to the individual. The bonuses reported in 2016-17 relate to the performance in 2015-16 and the comparative bonuses reported for 2015-16 relate to the performance in 2014-15.

Accrued pension benefits

- 4.7. 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 increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

Benefits-in-kind

- 4.8. The monetary value of benefits-in-kind covers any benefits provided by the Agency and treated by HM Revenue and Customs as taxable emolument. There are no benefits-in-kind to report. One board member received benefits-in-kind amounting to £1,155.

Fair pay disclosure

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

4.10. The Hutton fair pay disclosure for the Agency is as follows:

	2016-17	2015-16
Band of highest paid director's remuneration (£000)	130-135	130-135
Median (£)	31,159	31,471
Range (£000)	19-133	18-134
Remuneration ratio	4.3	4.2

4.11. The banded remuneration of the highest-paid director in the Agency in the financial year 2016-17 was £130,000-135,000 (2015-16: £130,000 -£135,000). This was 4.3 times (2015-16: 4.2) the median remuneration of the workforce, which was £31,159 (2015-16: £31,471).

4.12. In 2016-17, no employees (2015-16 nil) received remuneration in excess of the highest-paid director. Remuneration ranged from £19,000 to £133,000 (2015-16: £18,000 to £134,000).

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

Pension benefits

Civil service pensions

4.14. As an executive agency of the Department, the Agency's staff are members of the Principal Civil Service Pension Scheme (PCSPS) that provides pension benefits. The Department's ARA provide information on these arrangements, so we do not reproduce them here. Readers can find details on the scheme at the [civil service pensions' website](http://www.civilservicepensionscheme.org.uk/)³¹.

³¹ <http://www.civilservicepensionscheme.org.uk/>

Officials

	Accrued pension at pension age as at 31 March 2017 and (related lump sum at pension)	Real increase in pension and related lump sum at pension age	CETV at 31 March 2017	CETV at 31 March 2016	Real increase in CETV	Employer contribution to partnership pension account Nearest £000
	£000	£000	£000	£000	£000	£000
Accounting Officer						
Ms Sinead O'Sullivan	30-35 (80-85)	2.5-5 (2.5-5)	507	449	34	-
Director						
Mr Brian Tytherleigh	50-55	0	1,004	975	-5	-
Deputy Director						
Mr Russell Andrews	80-85	0-2.5	1,536	1,455	17	-
Ms Sara Aye-Moung	30-35 (100-105)	0-2.5 (0-2.5)	766	742	1	-
Mr Greg Burke	40-45	0-2.5	749	708	9	-
Mr Paul Cohen	30-35 (90-95)	0-2.5 (2.5-5)	621	570	24	-
Ms Gillian Hiller	25-30	0-2.5	390	363	10	-
Mr Alan Meyrick	30-35 (95-100)	0-2.5 (2.5-5)	660	620	11	-
Ms Verity Prime	0-5	0-2.5	8	0	5	-
Mr John Stephens	10-15	0-2.5	144	123	15	-
Ms Sarah Lewis	5-10	0-2.5	82	75	5	-
Mr Thom Webb	0-5	0-2.5	31	30	1	-

In the table above lump sum payments are presented in brackets.

- 4.15. The factors used to calculate the CETV were reviewed by the scheme actuary in 2015, so the tables of factors used to calculate the CETV in 2016 are not the same as those used to calculate the CETV in 2017.
- 4.16. For 2016-17, the Agency made employers contributions of £2.11 million to the PCSPS (2015-16: £2.19 million).
- 4.17. No individuals retired early in ill-health grounds (2015-16: one), the total additional accrued pension liabilities in the year amounted to nil (2015-16: nil).
- 4.18. Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £17,118 (2015-16: £11,806) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable earnings up to 30 September 2015 and from 8% to 14.75% of pensionable earning from 1 October 2015. Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £752 (2015-16: £528), 0.8% of pensionable pay up to 30 September 2015 and 0.5% of pensionable pay from 1 October 2015, were

payable to the PCSPS and CSOPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

- 4.19. Contributions due to the partnership pension providers at the balance sheet date were £1,944 (2015-16: £1,126). Contributions prepaid at that date were nil.
- 4.20. Sara Aye Mounq left the Agency under Voluntary Exit terms on 18 May 2016. She received a compensation payment of £90-95k.
- 4.21. See note 9 for related party transactions.

Civil service pensions

- 4.22. The Agency operates a range of pension schemes for its employees, dependent upon the employees' role. The schemes are described further below.

Principal Civil Service Pension Scheme (PCSPS)

- 4.23. Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015, a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme (CSOPS) or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date, all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the PCSPS. The PCSPS has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.
- 4.24. These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

- 4.25. Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all other members of alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the *Finance Act 2004*.

Partnership pension

- 4.26. The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% up to 30 September 2015 and 8% and 14.75% from 1 October 2015 (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary up to 30 September 2015 and 0.5% of pensionable salary from 1 October 2015 to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).
- 4.27. The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages).

- 4.28. Further details about the Civil Service pension arrangements can be found at the [website](#)³².

Cash equivalent transfer values

- 4.29. A cash equivalent transfer value 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 cash equivalent transfer value is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.
- 4.30. The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the principal civil service pension scheme. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. Cash equivalent transfer values are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from lifetime allowance tax, which may be due when pension benefits are taken.

The real increase in the value of the cash equivalent transfer value (CETV)

- 4.31. This reflects the increase in cash equivalent transfer value 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.

³² www.civilservicepensionscheme.org.uk

Staff report

- 4.32. The staff costs for Agency were £13.9 million (2015-16: £14.0 million) and the average number of full-time equivalent staff employed during the year was 289 (2015-16: 286).

	2016-17		2015-16
	Permanently employed staff £000	Others £000	Total £000
Salaries	10,269	420	10,689
Social security	1,083	1	1,084
Pension costs	2,128	1	2,129
	13,480	422	13,902
Less recoveries in respect of outward secondments	(179)	-	(179)
	13,301	422	13,723
			13,802

Senior civil service staff

Grade	Total
Chair	1
Director	2
Deputy Director	6
	9

Average number of persons employed

- 4.33. The average number of whole-time equivalent persons employed during the year was as follows:

	2016-17		2015-16
	Permanently employed staff Number	Others Number	Total Number
Directly employed	280	-	280
Other	-	9	9
	280	9	289
			286

- 4.34. The Agency pays a flat fee for agency staff, which includes social security, holiday pay, pension costs etc. This note discloses the total sum as wages and salaries.

Reporting of civil service and other compensation schemes

- 4.35. In both 2016-17 and 2015-16, the Department bore and managed centrally the exit costs of staff.

Staff exit packages: audited

Exit package cost	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
<£10,000	-	-	-	2	-	2
£10,001 - £25,000	-	-	-	7	-	7
£25,001 - £50,000	-	-	-	3	-	3
£50,001 - £100,000	-	-	-	3	-	3
£100,001 - £150,000	-	-	-	-	-	-
£150,001 - £200,000	-	-	-	-	-	-
Total number of exit packages	-	-	-	15	-	15
Total resource cost (£000)	-	-	-	470	-	470

4.36. During both 2016-17 and 2015-16, staff could choose voluntary exit under an early departure programme. As part of this programme, the Department meets the additional costs of benefits in respect of employees who retire early and of compensation payments payable to employees who take early severance.

4.37. The Agency has paid redundancy and other departure costs in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. The Department has accounted for exit costs in full in the year of departure. Where the Agency has agreed early retirements, it has met the additional costs and not the civil service pension scheme. The scheme has met the ill-health retirement costs and such costs are not included in the table.

Expenditure on consultancy

4.38. The Agency has spent £nil on consultancy in 2016-17 (2015-16 £nil).

Part 2: unaudited information

Analysis of staff policies and practice

Sickness absence

4.39. During 2016-17, we lost 1,826 days due to sickness absence (2015-16: 1,604). This equates to approximately 6.6 days sickness absence per employee per year (2015-16: 5.9 days).

People management

4.40. Our staff are a mix of civil servants and contractors. Our civil servants are employed by the Department on its terms and conditions. Responsibility has

been delegated to me for the recruitment of staff within the parameters provided by the Department's policies and procedures. Our staff profile, as at 31 March 2017, for full time equivalents, is detailed below.

Number of permanent staff at 31 March 2017

Grade	Male	Female	Total
Director	1	1	2
Deputy Director	3	2	5
Grade 6	4	9	13
Grade 7	16	25	41
Senior Executive Officer	29	38	67
Higher Executive Officer	25	45	70
Executive Officer	30	51	81
Executive Assistant	7	12	19
	115	183	298

Commitment to improving diversity

- 4.41. The Department's diversity delivery plan covers the Agency. This plan sets out the Department's objective to be an exemplary equal opportunities employer, to create a workplace that values diversity and to be free from unfair discrimination. The Department published its Equality, Diversity and Inclusion Plan in September 2015, reflecting the Civil Service Talent Action Plan (TAP). The TAP has a strong focus on women, including measures to improve the recruitment and promotion of talented women, and to provide greater support to ensure those on maternity leave or career break are not disadvantaged when they return to work.
- 4.42. Further research was commissioned to look at the barriers to progression for other under-represented groups. The Department plans to refresh the Equality, Diversity and Inclusion Plan to take account of the findings and analysis of these reports.
- 4.43. The plan sets out a number of specific actions that will help us take steps towards the development of a highly capable, diverse workforce, in which potential can be developed and equality and diversity can be embedded within the culture of our organisation.
- 4.44. The Department is determined to build an organisation which reflects the society we serve, with a workforce with representation rates of groups with protected characteristics which proportionately mirrors the population. Since the launch of the Equality, Diversity and Inclusion Plan in September 2015 the Department's representation rates have remained relatively stable. The table below shows the percentage change since we began implementing the Department's Review. We will continue to monitor rates going forward.

Addressing under-representation

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

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

- 4.46. The Department is making good progress on implementing the actions set out in the Equality, Diversity and Inclusion Plan. It is a leading Department in offering diversity and inclusion learning and has run more unconscious bias, mental health awareness and disability awareness training than the majority of other government departments. It is also a leading department on the Positive Action Pathway scheme, and has supported the first participant on the new talent programme 'Accelerate'. Furthermore, the Permanent Secretary, Directors General, and many directors have participated in successfully mentoring talented staff from under-represented groups. A number of staff networks have been established; the women's network's introductory events poll receiving nearly 400 responses from the Department's colleagues. Senior leaders are actively demonstrating their personal responsibility and accountability; each network is sponsored by an active SCS Champion, every Positive Action Pathway cohort has a senior sponsor and every Management Committee member will be participating in the Department's first Mutual Mentoring cohort.

Review of tax arrangements of public sector appointees

- 4.47. 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 March 2015 and 31 March 2016. The tables below set out this information.

Off-payroll engagements as of 31 March 2017, greater than £220 per day and that last longer than six months.

	Number
Number of Existing engagements as of 31 March 2017	6
Of Which the number that have existed for:	
less than one year at time of reporting.	6
between one and two years at time of reporting,	-
between two and three years at time of reporting,	-
between three and four years at time of reporting,	-
four or more years at time of reporting.	-
	6

- 4.48. 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.

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

	Number
No. of new engagements, or those that reached six months in duration, between 1 April 2016 and 31 March 2017	6
	Number
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.	6
No. for whom assurance has been requested.	6
Of which:	
No. for whom assurance has been received.	6
No. for whom assurance has not been received.	-
No. that have been terminated as a result of assurance not being received	-
	6

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

	Number
No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	-
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.	1

Staff relations and communications

- 4.49. The Agency adheres to all Departmental HR policies and receives regular weekly corporate communications. Good use is being made of staff survey results to focus on specific areas and instant rewards have been used to respond positively to team and individual effort. At Agency level, regular corporate communications help to build commitment to corporate goals. This includes a weekly all staff email from the Director, and monthly site briefings led by Deputy Directors on progress against objectives and potential issues and challenges (including external factors). The monthly Programme Boards also alternate between the Department's sites to allow Agency staff to attend and observe. Divisional sessions are also held throughout the year, which focus on aspects specific to their areas of work. Agency SCS hold teleconferences each week to share information and discuss progress on delivery.

5. Parliamentary accountability and audit report

Overview

5.1. This report includes details of the Agency's losses and special payments.

Parliamentary accountability disclosures

Losses and special payments: audited

5.2. The Agency's losses and special payments do not exceed the Managing Public Money reporting threshold (2016: £nil)

Contingent and remote contingent liabilities

5.3 There were no contingent or remote contingent liabilities in the year 31 March 2017 (2016: £nil).

Sinead O'Sullivan
Accounting Officer

8 January 2018

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

I certify that I have audited the financial statements of the National College for Teaching and Leadership for the year ended 31 March 2017 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report and the Parliamentary Accountability Disclosures that is described in those reports and disclosures as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the National College for Teaching and Leadership's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the National College for Teaching and Leadership; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Performance Report and Accountability 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 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.

Qualified opinion on regularity

In my opinion, except for the grant transactions referred to in the basis of qualified opinion on regularity paragraph below, in all material respects, the income and expenditure has been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Basis for qualified opinion on regularity

In the year to 31 March 2017 the National College for Teaching and Leadership recognise £318 million of grant expenditure in their Statement of Comprehensive Net Expenditure. The audit evidence available to me in respect of the regularity of these balances was limited as the National College for Teaching and Leadership was unable to demonstrate that this expenditure conformed with the *Education (Teacher Training Bursaries) (England) Regulations 2001 and Education Act 2002* due to failures in the design and operation of the assurance framework used to demonstrate expenditure conforms to the legislation and terms of grants issued. Where I was provided with evidence I identified a number of issues including ineligible transactions and inaccurate payments. The National College for Teaching and Leadership would need to utilise significant resources to obtain and provide the required assurances. The National College for Teaching and Leadership have judged this would divert resources from improving processes for future years. As a result I have concluded I cannot assess whether grant expenditure has been applied to the purposes intended by Parliament and are in accordance with the authorities which govern them. Further details of my modified opinion are provided in my report on pages 63-65.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the National College for Teaching and Leadership's affairs as at 31 March 2017 and of the comprehensive net expenditure for the year then ended; and

- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

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

Sir Amyas C E Morse

10 January 2018

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

1. The National College for Teaching and Leadership (NCTL) provides £318m in grants, mainly for training new teachers. The NCTL is an executive agency of the Department for Education (the Department). The NCTL is responsible for recruiting and developing the school workforce, and to help schools to help each other improve. It achieves this principally through the provision of grant funding to teacher training providers and schools.

2. As the independent external auditor I am required to give an opinion on regularity. When considering my regularity opinion, I consider whether, in all material respects, the income and expenditure recorded in the NCTL's financial statements for 2016-17 have been applied for the purposes intended by Parliament, and that the transactions recorded in the financial statements conform with the authorities that govern them.

3. I have qualified my opinion on the financial statements due to a limitation in the scope of my audit of the regularity of the NCTL's grant expenditure. As a grant giving agency, the NCTL is responsible for gaining sufficient assurance that grants are being used for the purposes intended. The NCTL has not provided me with sufficient evidence that grants paid to training providers and schools were used for the purposes intended, and conformed with the legislation relevant to grant streams, including the *Education (Teacher Training Bursaries) (England) Regulations 2001* and *Education Act 2002*.

4. The design of the NCTL assurance framework does not sufficiently address the risks of irregular grant expenditure. The NCTL provides me with evidence over the regularity of grant expenditure through grant returns that training providers must prepare and have certified by independent reporting accountants. However, the NCTL has not issued clear instructions defining the procedures it expects to support the certification of grant returns. As a consequence the nature, scope and amount of work undertaken by reporting accountants is likely to be inconsistent. In previous years, the NCTL has however carried out sufficient review and challenge of grant returns to demonstrate the regularity of grant expenditure as a result of the weakness in the design of the assurance framework.

5. The effectiveness of the NCTL's assurance framework deteriorated in 2016-17 and did not provide me with the expected level of assurance over the regularity of grant expenditure. The review and challenge of grant returns undertaken by NCTL grant managers did not identify a number of significant inconsistencies within grant returns. The NCTL's Early Years grants management team considered their own trainee number records more reliable than the numbers disclosed in independently certified grant returns, which they considered to be erroneous.

6. Reporting accountants raised concerns that the certification work that the NCTL asked them to carry out was not compliant with relevant professional standards. Some reporting accountants did not consider that the work they were undertaking was sufficient to provide the form of assurance that NCTL requested. In response to this, some reporting accountants (2016-17: 35%) did not sign the NCTL template assurance

certificate.

7. The NCTL tested student records directly but the results did not provide reasonable assurance that the value of any irregular payments would be immaterial. 40% of the training providers tested held inaccurate data at trainee level pertaining to student qualification details or candidate withdrawal dates, which can affect the amount of grant funding due. Of the training providers asked to support their grant claims by providing schedules of student details, 25% had variances exceeding £1,000 demonstrating that they couldn't fully substantiate their claims. The volume of testing conducted was not sufficient to confirm whether these weaknesses resulted in a material level of irregular payments, but indicated the potential for material irregularity remaining undetected by the NCTL. The NCTL are not undertaking further testing to determine whether the level of irregular payments would be material as it would require significant additional resources, and wish to focus its efforts on strengthening the control environment for future years.

8. The NCTL did not require grant recipients to maintain records that show students are eligible for the bursaries paid. I estimate 23% of providers have not retained full primary records and in these cases it is not possible for the NCTL to establish whether degree details were correctly recorded by the training provider, and consequently whether the trainee teacher and training provider were paid the right amount.

9. The NCTL are taking action to address the weaknesses in its control environment but its ability to improve controls for the 2017-18 financial year are limited. The NCTL has worked with the Institute of Chartered Accountants in England and Wales (ICAEW) to improve the assurance instructions for 2017-18 and will be issuing instructions that are in line with the understood requirements of a limited assurance engagement. A grants assurance working group is being established in the Department, chaired by the Department's Operational Finance Director and the NCTL Accounting Officer. This is looking to draw on best practice from other assurance teams and streamline approaches across the Departmental group.

Recommendations

I have identified significant weaknesses in the assurance mechanisms employed by the NCTL in 2016-17 to provide assurance over the regularity of grant expenditure. To improve processes in future years:

- a. The NCTL is taking forward my recommendations to strengthen the existing control arrangements for 2017-18, including to:
 - a. Provide clear instructions for reporting accountants to ensure that they provide the assurance required by the NCTL.
 - b. Work with professional bodies to ensure that the requested form of assurance complies with relevant professional standards.
 - c. Ensure that the assurance team has adequate capacity and capability to assist grant managers to fully review and challenge grant returns.

b. For future years the NCTL should review the design of the control framework to ensure that they:

- a. Understand the inherent risk of irregularity
 - b. Review whether the controls in place are sufficient and efficient to mitigate the identified risks;
 - c. Provide clear guidance to training providers on the records that they are required to retain.
- c. The Department should ensure that it establishes processes to identify and promulgate best practice in managing grants across the Departmental Group.

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

10 January 2018

Financial statements

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2017

	Note	2016-17 Total £000	2015-16 Total £000
Total operating income	3	(6,729)	(4,386)
Staff costs	4	13,902	13,988
Grant expenditure	5	317,716	305,006
Other expenditure	6	119,095	98,798
Total operating expenditure		450,713	417,792
Net operating expenditure		443,984	413,406
Comprehensive net expenditure for the year		443,984	413,406

The notes on pages 69 to 80 form part of these accounts.

Statement of Financial Position

as at 31 March 2017

	Note	2016-17 Total £000	2015-16 Total £000
Current assets			
Receivables	7	5,351	8,742
Total current assets		5,351	8,742
Total assets		5,351	8,742
Current liabilities			
Payables	8	(16,259)	(27,538)
Total current liabilities		(16,259)	(27,538)
Total assets less current liabilities		(10,908)	(18,796)
Non-current liabilities			
Provisions		-	(1,874)
Total non-current liabilities		-	(1,874)
Total assets less total liabilities		(10,908)	(20,670)
Taxpayers' equity and other reserves			
General fund		(10,908)	(20,670)
Total taxpayers' equity		(10,908)	(20,670)

Sinead O'Sullivan
Accounting Officer

8 January 2018

The notes on pages 69 to 80 form part of these accounts.

Statement of Cash Flows

as at 31 March 2017

	Note	2016-17 Total £000	2015-16 Total £000
Cash flows from operating activities			
Net operating cost		(443,984)	(413,406)
Adjustment for non-cash transactions	6	8,005	8,995
Decrease/(increase) in receivables	7	3,391	1,338
Increase/(decrease) in payables	8	(11,279)	2,627
Net cash outflow from operating activities		(443,867)	(400,446)
Cash flows from investing activities			
Purchase of intangible assets		-	-
Net cash outflow from investing activities		-	-
Cash flows from financing activities			
From the Consolidated Fund current year		443,867	400,446
Net cash inflow from financing activities		443,867	400,446
Net (decrease)/increase in cash and cash equivalents in the period		-	-
Cash and cash equivalents at beginning of year		-	-
Cash and cash equivalents at end of year		-	-

Cash payments and receipts are processed on behalf of the Agency by the Department. The Agency therefore does not operate its own bank account and has no cash or cash equivalents.

The notes on pages 69 to 80 form part of these accounts.

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2017

	Note	General Fund £000
Balance at 1 April 2015		(16,705)
Net Parliamentary Funding		400,446
Comprehensive expenditure for the year		(413,406)
DfE non-cash adjustments		
Notional shared service recharges	2.2	8,919
Auditor's remuneration	2.2	76
Balance at 31 March 2016		(20,670)
Net Parliamentary Funding		443,867
Comprehensive expenditure for the year		(443,984)
DfE non-cash adjustments		
Notional shared service recharges	2.1	9,669
Auditor's remuneration	2.1	210
Balance at 31 March 2017		(10,908)

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

The notes on pages 69 to 80 form part of these accounts.

Notes to the accounts

1. Statement of accounting policies

These accounts have been prepared in accordance with the 2016-17 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 2015. 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 Agency for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Agency for 2016-17 are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention.

1.2 Going concern

As referenced in para 1.17, the Departmental Group's Estimates and forward plans include provision for the Agency's continuation during 2017-18 and beyond, and it is therefore appropriate to prepare these accounts on a going concern basis for this period. The Department has published its intention to refocus the Agency, as the Teaching Regulation Agency, from 1 April 2018, by transferring the majority of the Agency's current activities into the core Department. No Departmental Group activities will either cease or be transferred out of the Group in this reorganisation. Consequently, the Agency considers it appropriate to continue to adopt the going concern assumption.

1.3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of these accounts requires management to make judgements, estimates and assumptions that affect the application of policies and reported values 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.

1.4 Adoption of FReM amendments

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

1. Statement of accounting policies (continued)

1.5 Early adoption

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

1.6 IFRSs in issue but not yet effective

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

Standard	Effective	FReM application	Impact
IFRS 9 Financial Instruments	1 January 2018	2018-19	<p>Change: This change simplifies the classification and measurement of financial assets, as well as amending when and how impairments are calculated and reported, moving from an incurred loss to an expected loss model. This will result in impairments being recognised earlier than under <i>IAS 39 Financial Instruments: Recognition and Measurement</i>.</p> <p>Impact on Agency: The adoption of IFRS 9 has not yet been agreed by HMT. Consequently, the Agency is unable to establish the impact.</p>
IFRS 15 Revenue from Contracts with Customers	1 January 2018	2018-19	<p>Change: The changes set out steps for revenue recognition along with requirements for accounting for contract costs.</p> <p>Impact on the Agency: For many contracts the accounting for revenue will remain unchanged.</p>

1.7 Segmental reporting

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

See note 2 for operational disclosures.

1. Statement of accounting policies (continued)

1.8 Income

The Agency receives the following income streams and accounts for it as follows.

Operating income and non-grant expenditure

The Agency recognises income and non-grant expenditure on an accruals basis. Income is stated net of recoverable VAT.

1.9 Grants payable

Grants made by the Agency are recorded as expenditure in line with any agreed payment profile; in line with any milestone agreement; or in the period in which the provider is successful in their grant application. The recognition of entitlement to grant varies according to the individual programme. Where grant funding cannot be directly related to activity in a specific period the notification of a successful grant application is deemed to be the only appropriate and measurable activity that truly creates an entitlement for the recipient.

1.10 Grant recoveries

Grant recovery policies vary according to which grant stream they relate to. Some of the grants that are paid to end users that are unspent at the year-end may be retained to fund future activity, at the Agency's discretion.

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

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

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

1. Statement of accounting policies (continued)

1.11 Pensions

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

For funded defined benefit schemes, the Agency 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 Agency has a legal or constructive obligation to make good the deficit in the scheme. The Agency recognises the pension scheme surplus (to the extent that the Agency considers the surplus to be recoverable) or deficit in full on the face of the Statement of Financial Position. The Agency recognises actuarial gains or losses from the scheme in reserves.

Where the Agency contributes to defined contribution and unfunded defined benefit pension schemes (for which there are no underlying assets and liabilities), the Agency recognises contributions payable in the Statement of Comprehensive Net Expenditure.

1.12 Early departure costs

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

The exit costs of Agency staff are borne and managed centrally by the Department. The exit costs shown in the accounts have been charged directly to the Department.

1.13 Financial instruments

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

Financial assets

Financial assets are classified where appropriate as loans and receivables; and financial assets at fair value through profit and loss. Financial assets include cash and cash equivalents, trade and other receivables and loans. The Agency 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 Agency does not have any financial assets that need to be classified as financial assets

1. Statement of accounting policies (continued)

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:

Trade and other receivables

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

Financial liabilities

Financial liabilities are measured at amortised cost. Financial liabilities include trade and other payables and loans. The Agency does not currently have financial liabilities measured at fair value through profit or loss; neither does it have derivative financial instruments. The Agency 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.

1.14 Contingent liabilities

The Agency states as discounted sums those contingent liabilities that the Agency discloses in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, where the time value of the contingent liabilities is material. The Agency states contingent liabilities that the Agency does not have to disclose under IAS 37 as the sums reported to Parliament.

1.15 Value added tax

Most of the activities of the Agency 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. Statement of accounting policies (continued)

1.16 Corporation tax

The Agency is exempt from corporation tax.

1.17 Shared services

The departmental group provides a number of corporate functions as a shared service reflecting the Department's operating model. The departmental group has provided the following services to the Agency:

- human resources;
- estates and facilities management;
- communications;
- legal services;
- information, communication and technology services;
- corporate finance and procurement.

The accounts include a notional recharge from the departmental group to the Agency to reflect the costs of these shared services. The departmental group makes direct charges in relation to these services that can be directly apportioned to the Agency whilst the remainder of the departmental group's recharge to the Agency is an apportionment of costs. The departmental group calculates the apportionment as a cost per full time equivalent employee within the departmental group multiplied by the number of the Agencies full time equivalent employees.

1.18 Equity funding

Draw down of supply from the sponsoring department

The Agency has recorded all draw down of supply by the Department as financing, as the Agency regards draw down of supply as contributions from the Agency's controlling party giving rise to a financial interest. The Agency records draw down of supply as financing in the Statement of Cash Flows and draw down of supply to the general reserve.

2. Statement of Operating Costs by Operating Segment

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

The Department controls the budget for the shared service recharge and the audit fee, therefore there is no budget allocated to the Agency in this respect.

2.1 2016-17

	Operations £000	Delivery £000	Admin £000	Total £000
Gross expenditure	72,928	355,434	12,472	440,834
Income	(6)	(6,573)	(150)	(6,729)
Budget net expenditure	72,922	348,861	12,322	434,105
Shared Service Recharge	-	-	9,669	9,669
Audit Fee	-	-	210	210
Total notional recharges	-	-	9,879	9,879
Net expenditure	72,922	348,861	22,201	443,984

2.2 2015-16

	Operations £000	Delivery £000	Admin £000	Total £000
Gross expenditure	49,587	346,419	12,791	408,797
Income	13	(4,213)	(186)	(4,386)
Budget net expenditure	49,600	342,206	12,605	404,411
Shared services recharge	-	-	8,919	8,919
Audit fee	-	-	76	76
Total notional recharges	-	-	8,995	8,995
Net expenditure	49,600	342,206	21,600	413,406

3. Income

	2017 £000	2016 £000
Administration income		
Miscellaneous income	150	186
Operational income		
BEIS funding of FE ITT bursaries	6,573	4,187
Other income	6	13
	6,579	4,200
	6,729	4,386

4. Staff numbers and related costs

	Permanently employed £000	Others £000	2017 Total £000	2016 Total £000
Wages and salaries	10,269	420	10,689	10,904
Social security costs	1,083	1	1,084	872
Pension costs	2,128	1	2,129	2,212
Staff expenditure	13,480	422	13,902	13,988
Less recoveries in respect of outward secondments	(179)	-	(179)	(186)
Net staff costs	13,301	422	13,723	13,802

Further disclosure relating to staff numbers and costs are detailed within the Remuneration and Staff Report in paragraph 4.32 onwards.

5. Grant expenditure

	2017 £000	2016 £000
Teacher recruitment	244,350	228,003
CPD and leadership	48,165	49,930
Educational psychology	2,211	1,917
School improvement	14,239	16,067
STEM	7,910	6,358
Repayment of teacher loans	661	2,205
School grants	180	526
	317,716	305,006

6. Other expenditure

	2017 £000	2016 £000
Contract programme expenditure	82,141	61,157
Professional services	7,949	19,832
Advertising and publicity	14,372	6,301
Other expenditure	6,628	2,513
	111,090	89,803
Non-cash items		
Shared services recharge	9,669	8,919
Auditor's remuneration	210	76
Release of provision	(1,874)	-
	8,005	8,995
	119,095	98,798

7. Receivables

	2017 Total £000	2016 Total £000
Trade receivables	1,455	5,795
Deposits and advances	12	7
Other receivables	98	52
Prepayments and accrued income	3,786	2,888
	5,351	8,742

8. Payables

	2017 Total £000	2016 Total £000
Other taxation and social security	279	236
Trade payables	3,361	6,440
Other payables	229	230
Accruals and deferred income	12,390	20,632
	16,259	27,538

9. Related party transactions

The Agency regards the Departmental Group as a related party. During the year, it had a number of material transactions with the Group and with other entities for which the Department is the parent department.

In addition, the Agency has had a number of transactions with other government departments and central bodies. Most of these transactions have been with HM Revenue and Customs and PCSPS.

The Agency's senior civil servants are each required to complete an Assurance Framework Record where they declare related party transactions. The Agency considers the following relationships as related parties and has disclosed the relationships in line with IAS 24:

- Roger Pope is Chief Executive Officer of Education South West (ESW) MAT and the Principal of Kingsbridge Community College.
- Sinead O'Sullivan, is School Governor at Greenleaf Primary School, London.
- Gillian Hillier has a family member who is a member and trustee of the Mercia Learning Trust, a small multi-academy trust operating six schools; NCTL have made payments to The Nether Edge Primary School and Valley Park Community School.

- Russell Andrews is an Independent Governor at Manchester Metropolitan University (MMU), an institution that the Agency funds for Initial Teacher Training. He is also Chair of Trustees at Brockington College and a member of the Diocese of Leicester CofE Education Trust (DLET).
- Greg Burke is a Trustee of the LEAP Academy Trust and has been seconded to Sheffield Hallam University.
- John Stephens accepted the post of CEO with Bright Futures Educational Trust during the autumn term of 2016; NCTL made payments to Altrincham Grammar School for Girls and Melland High School. He is also the Chair of Trustees for the John Greaves Irlam School Charity.
- Thom Webb is a School Governor at Greenvale School, London.

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

Organisation	Payments £000	Balance £000	2017 Receipts £000	Payments £000	2016 Receipts £000
Kingsbridge Community College	142	-	-	105	-
Mercia Learning Trust	7	-	-	-	-
The Nether Edge Primary School	6	-	-	-	-
Valley Park Community School	6	-	-	-	-
M.M.U	7,829	(54)	(360)	6,700	-
Sheffield Hallam University	4,553	5	(15)	-	-
Bright Futures Educational Trust	319	-	-	-	-
Altrincham Grammar School for Girls	116	-	-	-	-
Melland High School	6	-	-	-	-

For further information on remuneration, refer to the report on pages 44 to 57.

10. Events after the reporting period

The Accounting Officer authorised these accounts for issue on the date they were certified by the Comptroller & Auditor General. These accounts do not consider events after that date.

On 29 March 2017, the Prime Minister notified the European Council in accordance with Article 50(2) of the Treaty on European Union of the United Kingdom's intention to withdraw from the European Union. The financial effect of this event won't be known until after the reporting period and a reasonable estimate cannot be made at this time.

On 19 April 2017, the House of Commons voted to dissolve the sitting Parliament with a General Election to be held on 8 June 2017. The General Election returned the Conservative party as a minority government. The Department's role and policy areas remained broadly stable across the election, we do not anticipate significant changes in the forthcoming year.

On Tuesday, 14 November 2017, the Department announced plans for the majority of the Agency's functions to transfer into the Department. The Agency will be repurposed as the Teaching Regulation Agency, which will continue to lead on the regulation of the teaching profession, including misconduct hearings and the maintenance of the database of qualified teachers. The Teaching Regulation Agency will continue to be an executive agency of the Department and will begin to operate from 1 April 2018. All the activities of the Agency, pre- and post-transfer, will still reside within the Departmental Group; there will be no loss of activities to other departments.

Glossary of 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
AO	Accounting Officer
ARA	Annual report and accounts
ARC	Audit and Risk Committee
CEO	Chief Executive Officer
CPD	Continuous Professional Development
CSDSD	Children's Services and Departmental Strategy Directorate, a directorate of the Department
CSOPS	Civil Servant Other Pension Scheme
DfE	Department for Education
EA	Executive Agency
EFA	Education Funding Agency
ESD	Education Standards Directorate, a directorate of the Department
EYPS	Early Years Professional Status
EYTS	Early Years Teacher Status
FASC	Financial Audit Sub-Committee
FReM	Financial Reporting Manual
GIAS	Government Internal Audit Service
HEE	Health Education England
HEFCE	Higher Education Funding Council for England
HEI	Higher Education Institution
HMT	HM Treasury
IFD	Infrastructure and Funding Directorate, a directorate of the Department
ITT	Initial Teacher Training
KPI	Key Performance Indicator
LA	Local Authority
LLE	Local Leaders of Education
NAO	National Audit Office
NED	Non-Executive Director
NCTL	National College for Teaching and Leadership
NLE	National Leaders of Education
NLG	National Leaders of Governance
NPQH	National Professional Qualification for Headship

Abbreviation or term	Description
NPQML	National Professional Qualification for Middle Leadership
NPQSL	National Professional Qualification for Senior Leadership
NQT	Newly Qualified Teacher
NSS	National Support School
PCSPS	Principal Civil Service Pension Scheme
PPSG	People Programme Sub-Group
QTS	Qualified Teacher Status
RM	Resource Management
SCITT	School Centred Initial Teacher Training
SCS	Senior Civil Servants
SD	School Direct
SKE	Subject Knowledge Enhancement
SLS	School-Led System
SMT	Senior Management Team
SLE	Specialist Leaders of Education
SEN	Special Educational Needs
SENCO	Special Educational Needs Coordinator
SPR	Strategic Performance Review
SRO	Senior Responsible Owner
STA	Standards and Testing Agency
STEM	Science, Technology, Engineering and Mathematics
TSST	Teacher Subject Specialism Training
UCAS	University and College Admissions Service
UTT	University and Colleges Admission Service Teacher Training
2015-16 & 2016-17	Financial years, ending on 31 March
2015/16 & 2016/17	Academic years, ending on 31 August







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