



Department
for Education

Accounting Officer System Statement for the **Department for Education and Teachers' Pension Scheme** (England and Wales)

July 2021

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Preface

The Accounting Officer (AO) of a government department is accountable to Parliament for the effective stewardship of the resources allocated to the department. Details of an AO's responsibility (including with regard to regularity, propriety, value for money and feasibility) are set out in HM Treasury's [Managing Public Money](#)¹.

In 2016, the Public Accounts Committee recommended that all departments should prepare enhanced accountability system statements, covering all of the accountability relationships and processes within that department, making clear who is accountable and for what, at all levels of the system from the AO down.

In response, the Government agreed that the Principal Accounting Officer (i.e. where subsidiary bodies have their own appointed AOs) of each of the main central government departments should provide a statement of its accountability systems, including the relationships with its executive agencies, public bodies and third party delivery partners.

This is the Department's current Accounting Officer System Statement.

¹ <https://www.gov.uk/government/publications/managing-public-money>

Introduction

As Permanent Secretary, I am appointed by HM Treasury as the Principal Accounting Officer (PAO) for the Department. I am personally responsible to Parliament for safeguarding those public funds which fall under the auspices of the Department for Education and its consolidated group. As set out by HM Treasury in its Managing Public Money (MPM) guidance, my principal function is to ensure regularity, propriety and value for money.

This Accounting Officer System Statement sets out all of the accountability relationships and processes within my Department, making clear who is accountable for what at all levels of the system, including where I have appointed additional Accounting Officers, who will have in place their own systems of accountability.

Susan Acland-Hood
Permanent Secretary

Scope of the System

Scope of responsibility

The Department is a ministerial department and works with multiple agencies and public bodies (as illustrated in the diagram on page 7) to achieve its aims and objectives. The Chief Executive Officers (CEOs) of departmental and non-departmental bodies are responsible for the stewardship of resources allocated to them, as detailed in their appointment letters and letters of delegated accountability. Where these bodies produce statutory annual reports and accounts (ARAs), the CEO as the local accounting officer signs the governance statement that outlines the body's internal control system.

The Office of Standards in Education, Children's Services and Skills (Ofsted) and the Office of Qualifications and Examinations Regulation (Ofqual) are non-ministerial departments that fall within the boundary of the Department. They are, however, subject to separate funding authority from Parliament, each has its own AO, and their activities are not included in the Department's consolidated ARA. Their systems are not set out in this statement.

The Teachers' Pension Scheme (England and Wales) (TPS) is overseen by the Department, although funding is provided through a separate Parliamentary Estimate and financial performance reported in its own ARA. I am also the AO for the TPS, and so the systems that support its operations are included within this statement.

Statement of Accounting Officer responsibilities

In policy terms, my remit means that the Department is responsible for:

- teaching and learning for children in the early years, primary and secondary schools
- teaching and learning for young people and adults, in higher education
- teaching, learning and training for young people and adults in apprenticeships, traineeships and further education
- student loans
- supporting professionals who work with children, young people and adult learners
- helping disadvantaged children and young people to achieve more
- ensuring that local authority-led children's services are of the appropriate level and quality to protect and support children
- provide a defined benefit occupational pension scheme to eligible members of the teaching profession
- addressing barriers that prevent people fulfilling their potential, whilst fulfilling domestic and international obligations to protect and promote equality

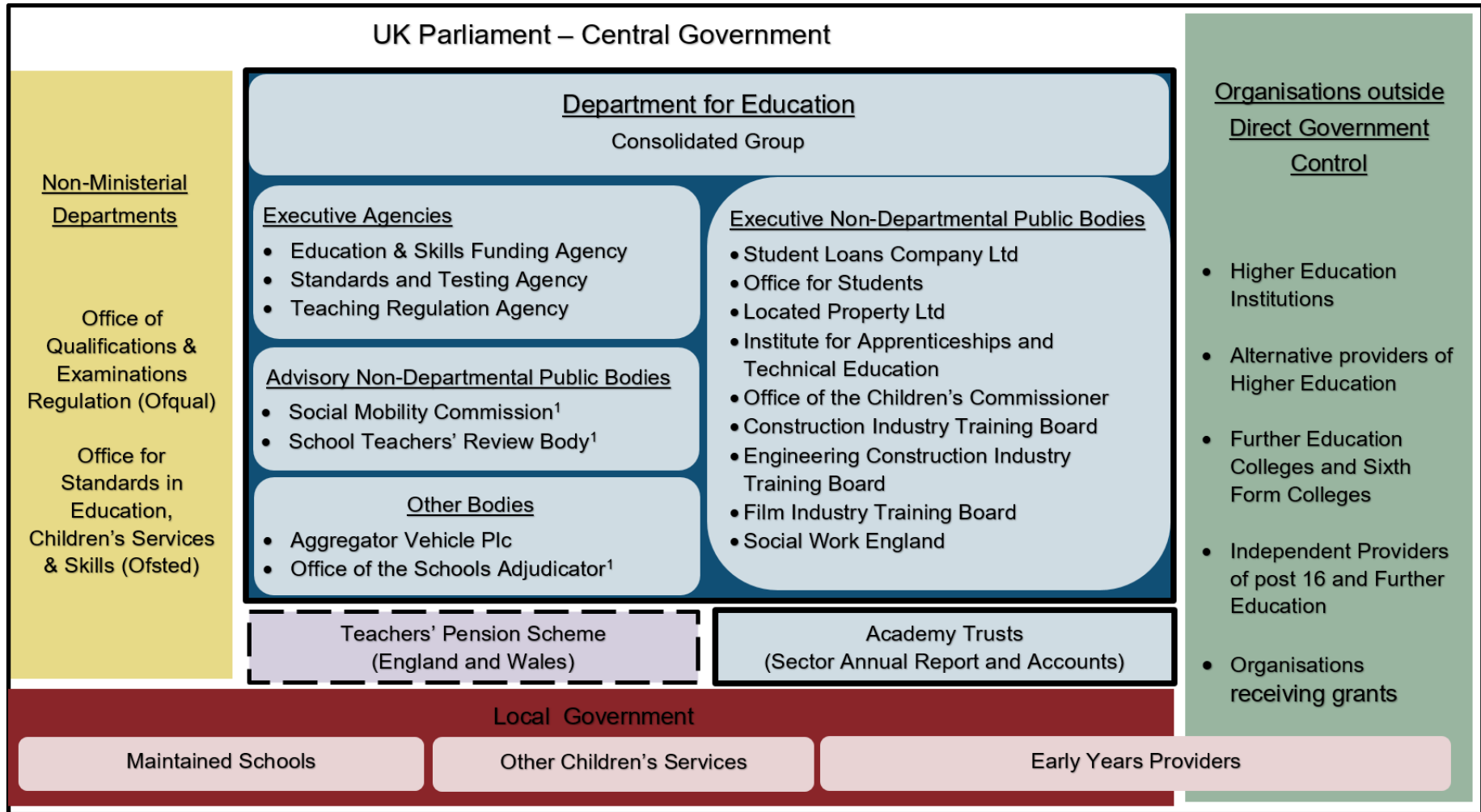
The Secretary of State for Education and other Departmental Ministers have a duty to Parliament, which means that they are held to account for the policies, decisions and actions of this Department, its agencies and other public bodies and the TPS. They look to me as PAO to manage and delegate within the Department and its partner organisations, to deliver their priorities and support them both in making policy decisions and handling public funds.

I am personally responsible for safeguarding the public funds delegated by Parliament through the [Estimates process²](#), for both the Department itself and for the TPS. Where I have appointed additional AOs, their responsibilities are referenced in this statement.

This document covers my core department; its executive agencies, other bodies and the TPS (Figure 1 illustrates the overall system). It describes accountability for expenditure of public money through my Department's Estimates, public money raised as income, and the management of other publicly owned assets for which I am responsible.

² <https://www.gov.uk/government/collections/hmt-main-estimates>

Figure 1: A diagram showing all parts of the system



¹ These bodies do not have an AO their expenditure is controlled through the core department.



Responsibilities within the core Department

As the lead official and PAO for the Department, I am accountable for the effective stewardship of its funds. I delegate responsibility and rely upon effective governance arrangements and internal controls to support decision-making and budget management. These controls include:

- clearly defined budgets and responsibilities
- a robust identification and management of risks
- mitigation of the risk of fraud, error and debt

Budget allocation and responsibility

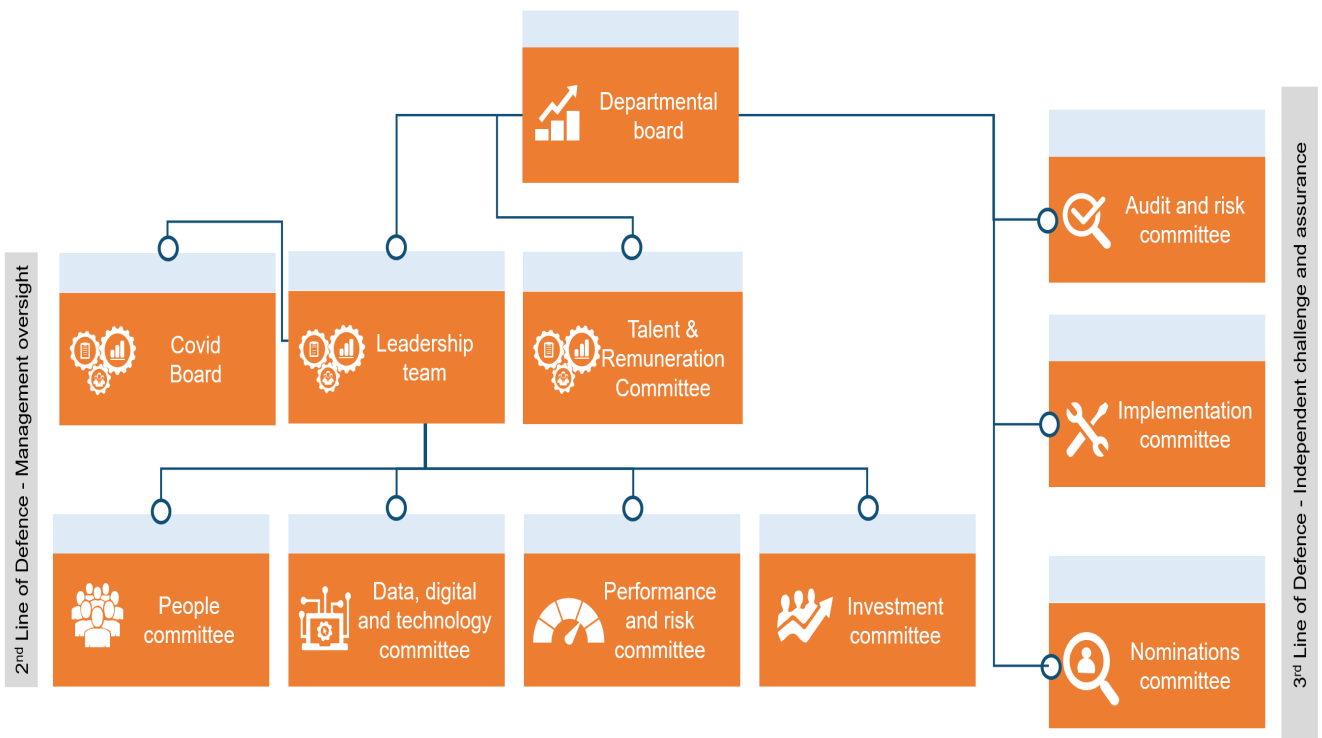
I am responsible for taxpayers' money (Parliamentary Supply), allocated to the Department by Parliament. I am required to ensure that the Department does not overspend against its allocated budgets ('control totals'); separate control totals are received for programme (both resource and capital) and administrative expenditure. Further controls or ring-fencing will be put in place by Parliament if required.

Ministers decide how the Department's funding is allocated between priorities, supported by the Departmental Board (the Board) and Leadership Team. I then delegate budgets to my Directors General in line with those priorities; they have responsibility for managing and reporting to me on their use of their allocations in delivering against those priorities. I delegate budgets for our ALBs to the Chief Executives of those organisations, with the exception of agencies, whose budget is delegated by Directors General.

Directors General have the authority to decide whether and how to delegate authority further to senior colleagues within their business groups. Directors General are each supported by a team of finance business partners as their primary support in financial management.

I rely on the Board and its supporting committees to bring key risks and issues to my attention. The structure of the Board and its committees is described below at Figure 2.

Figure 2: The Department's governance structure



Managing risks

Whilst the overall strategic direction on the approach to and management of risk is set centrally, our risk management approach is to devolve accountability to those best placed to manage it.

A corporate risk team acts as the central point for advice and guidance on effective risk management, covering all areas including digital and technology, and are responsible for the effective implementation of the Department's risk management framework. They also coordinate the Department's Top Tier Risk Register. They escalate the most significant risks to the Department's boards and committees; monitor and report near misses and unexpected issues, and ensure that steps are taken to reduce the likelihood of issues recurring.

We have a rigorous approach to risk management that considers three types of risk, i.e. those affecting systems, our delivery and organisational risks.

Audit and assurance

For all types of risk, we adopt the 'three lines of defence' approach to effective management, supported by strong governance arrangements employed by our boards and committees.

- **The first line of defence: management**, assurance comes direct from those responsible for delivering specific objectives or operation; it provides assurance that performance is monitored, risks identified and addressed, and that objectives are being achieved. We employ an effective use of Senior Responsible Owners (SROs) who, through programme governance and budget managers, monitor and manage risks relating to their specific area of responsibility. The central risk team works with individual SROs and project teams to help build capability and consistency in the management of their risks
- **The second line of defence: oversight**, assurance is separate from those responsible for delivery but not independent of the organisation's management chain. Using a cross-department monitoring and reporting framework, the leadership team is provided with quarterly updates of top-tier risks clearly setting out the action required by the committee. The Performance and Risk Committee is responsible for overseeing the implementation of the risk framework and the top-tier risk register

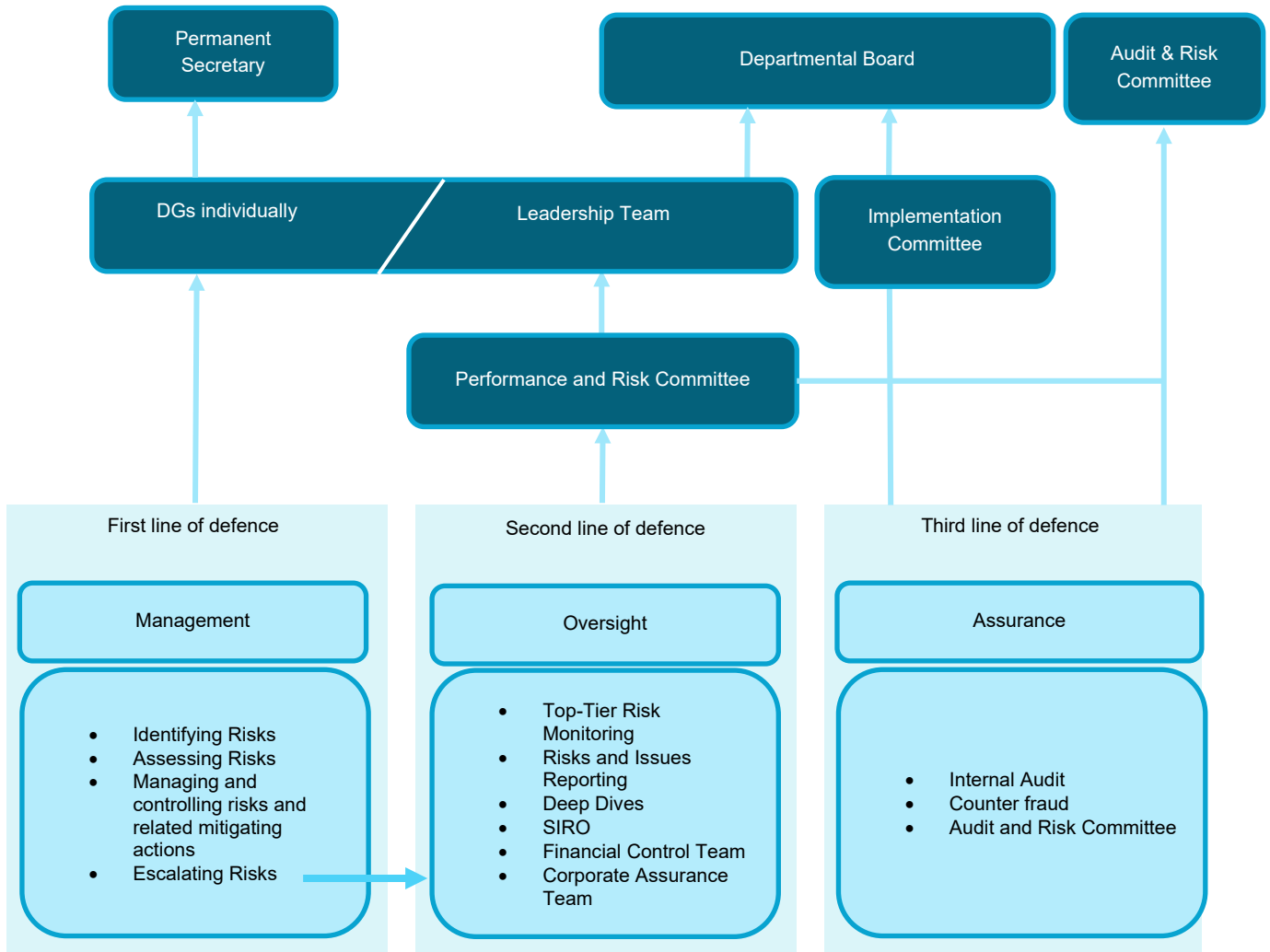
This is supplemented by other arrangements for ensuring effective oversight of first line of defence is carried out such as individual members of staff with responsibility for assurance eg health and safety, assurance teams and financial controls team. The financial control team reviews control processes across the Department, agreeing required actions with control owners and reporting this to the leadership team. This also forms part of the letter of assurance provided to me
- **The third line of defence: independent assurance**. My assurance comes from the oversight of the Board; the Government's Internal Audit Agency (GIAA) and the Departmental Audit and Risk Committee (ARC), which takes overarching responsibility and actively reviews assurance arrangements

The Department's internal audit function is provided by the Government Internal Audit Agency (GIAA), a cross government service which undertakes a programme of risk-based internal audits and advisory work to provide assurance to the Permanent Secretary, ARA, ARC and the Departmental Board. The Group Chief Internal Auditor provides an annual report and opinion concluding on the overall adequacy and effectiveness of the Department's framework of governance, risk management and control. This independent assurance provides a valuable link into the assurance needs of the Principal Accounting Officer.

The Department benefits from other independent assurance processes such as Major Project Reviews, National Audit Office (NAO) and Provider Market Oversight (PMO) studies that target areas of high risk or interest. Further information on PMO can be found on page 18.

A summary of the Department's risk management framework including the three lines of defence is shown below at Figure 3.

Figure 3: The Department's risk management framework summary



Counter Fraud, Error & Debt Activity

The Department works with Cabinet Office and across government to share experience and expertise to reduce fraud within the public sector.

Where an allegation of fraud has been made, it will be thoroughly investigated by the relevant team or body. If the investigation suggests that there has been fraud, bribery or corruption, trained investigators will pursue the case. This will involve the courts where necessary and my officials will seek to recover lost funds. A written report, detailing both the case and any recommendations for improvement, is provided in each instance.

The Department carries out a rolling review of controls designed to ensure that fraud, error and debt are minimised. Each of the Department's bodies has its own counter-fraud team to co-ordinate local efforts. The Department and its bodies take a risk-based approach in this area, to ensure that available resources and time focus on the highest-risk areas.

I receive details of these activities primarily through ARC and through escalation of significant issues.

Relationships with Arm's Length Bodies

The Department works with its ALBs to deliver services, regulation and advice. This section sets out the different types of bodies and the features of the Department's relationships with them. The following sections discuss in more detail the accountability system for the Department's significant funding streams, which are mainly channelled through the ALBs.

The Department applies the principles and standards set out in the Cabinet Office code of good practice on [Partnerships between departments and arm's length bodies](#)³ to its relationships with ALBs.

In common with other departments, the Department's ALBs take a number of different forms:

- Executive agencies
- Non-departmental public body (NDPB):
 - Executive NDPBs
 - Advisory NDPBs
 - Other public bodies
- Non-ministerial Departments

An explanation of their differing functions is set out in [Public bodies - GOV.UK](#)⁴

Along with the Secretary of State, as PAO I am responsible for appointing the permanent head or Chief Executive of the Department's executive agencies and other ALBs. The exception is for executive NDPBs, where typically the Chair of the Board appoints the Chief Executive. Following the appointment of the Chief Executive or permanent head, and where the organisation is required to produce Annual Report and Accounts, I will additionally appoint them as AO. Where there is no requirement to appoint an AO the NDPB's expenditure is managed through the Department.

Each AO takes personal responsibility for ensuring that the resources under their remit are managed in accordance with the standards and policies set out by HM Treasury. They

³ <https://www.gov.uk/government/publications/partnerships-with-arms-length-bodies-code-of-good-practice>

⁴ <https://www.gov.uk/guidance/public-bodies-reform>

support me in fulfilling my responsibilities across the whole Departmental group, by reporting on assurance in their areas of the business.

All appointments to the Department's ALBs are made in line with Cabinet Office standards for public appointments. A list of individual AOs appointed by me is available in the latest [Main Supply Estimates](#) published by HM Treasury. With the exception of Ofqual and Ofsted (who received their AO appointment letter directly from HM Treasury), all new AOs receive a letter from me setting out their responsibilities. This includes the use of resources to carry out the ALB's agreed functions as set out in their Framework Agreement (see Chapter 3 of MPM).

The relationships between the Department and its ALBs' AOs give me the necessary oversight and assurance of funds, whilst giving each ALB appropriate autonomy to deliver its agreed priorities. This autonomy is assured because:

- each ALB has its own governance structure. Where this includes having their own, separate audit and risk committee, these committees have either a direct or linked membership relationship with ARC. Generally, the ALB's chair and board appointments are made by Ministers
- funding for each ALB is agreed by the Leadership Team and approved by Ministers every year through the Department's business planning process
- each ALB has a Departmental sponsor, normally a named Senior Civil Servant with responsibility for the relevant policy area, to whom I delegate responsibility for overseeing the relationship and for monitoring the delivery of the ALB's priorities. Given its significance in the assurance regime, I have retained sponsorship of the Education and Skills Funding Agency (ESFA)

The sponsor role is an important one in the Department's assurance regime; sponsors ensure that suitable arrangements are in place to manage their ALBs and they will monitor performance and outcomes as specified in the ALBs' Framework Document or equivalent. This will include reporting financial performance and ensuring that the ALB is meeting its delivery objectives. The overall aim is that the relationship between the Department and the ALB should be open and transparent, based on a mutual understanding of risk

- the different categories of ALBs follow different practices for publishing annual reports and accounts as summarised below:
 - executive agencies and executive NDPBs produce their own annual reports and accounts and their financial results and performance are consolidated in the Department's group accounts
 - the income and expenditure for the advisory NDPBs are included as part of the core Department's activities within the Department's group accounts (as illustrated in Figure 1 at page 7)

The relationship with some other departmental bodies differs from that described above and is summarised below:

- Aggregator Vehicle Plc is governed by contract. The Department procured the establishment of the company to support the efficient delivery of privately financed school improvements through acting as a single source of market funding. Funding is derived from its market and not from the Department
- the three industrial training boards; Construction Industry Training Board (CITB), Engineering Construction Industry Training Board (ECITB) and Film Industry Training Board (FITB) were established to support relevant industry training. CITB and ECITB are individually funded by industry-based levies. FITB is a dormant NDPB, it does not have any employees and receives no funding from the department

Funding arrangements and Local Assurance

Overview

This section explains the accountability mechanisms supporting me as PAO. The Department's approach reflects: the four features of HM Treasury's 'ROCC' model (as set out in its [AOSS guidance⁵](#)):

- **resources:** there is a well-defined understanding of what resources were provided for
- **outputs and outcomes:** there is a mechanism in place for assessing the outcomes expected from the resources
- **check:** there is a robust check of spending and performance
- **challenge:** there is an efficient process to challenge those responsible for delivering the outcomes and spending the resources

The senior departmental officers and ALB sponsors will gauge the success of each funding strand based on its success in achieving its policy aim; the accountability system will supplement and support their determination of success.

The accountability system for maintained schools, early years and other children's services relies heavily on the well-established local government system of gaining assurance through Local Authorities (LAs) and local democratic accountability. Whilst the control regime shares much with that for Academy Trusts (ATs), the greater autonomy enjoyed by ATs, together with their greater financial freedoms and responsibilities, has

⁵ <https://www.gov.uk/government/publications/accounting-officer-system-statements>

rightly given rise to the development of stronger and more rigorous accountability mechanisms.

Funding arrangements

The Department's funding is disbursed through a number of grant streams. Those to LAs for onward allocation to schools, and those paid directly to ATs in line with their funding agreements are the most significant by volume and value.

The Department also has a well-defined process for awarding general grants to other bodies, such as voluntary and charitable organisations, public and private sector organisations. Grant managers are responsible for ensuring that grants are awarded in accordance with the principles of HM Treasury's Managing Public Money and Cabinet Office's [Grants Management Function Standards](#)⁶. They are also responsible for day-to-day grant management and administration throughout its duration.

Similarly, the Department uses contracts to outsource the delivery of services and achieve value for money, where these are seen to deliver the most effective utilisation of funds. On a day-to-day basis, designated contract managers manage each contract; senior civil servants are responsible for effective and compliant spend.

The Department pays a number of grant streams to LAs for allocation to individual schools, including DSG, Pupil Premium, PE and Sports Premium and Universal Infant Free School Meals (UIFSM). The DSG is the largest of these, and is distributed to local authorities via the separate Early Years, Schools and High Needs National Funding Formulae. The DSG is ring-fenced; LAs can transfer funding between DSG blocks (schools, high needs, early years), though a certain proportion of early year block funding must be passed directly to early years providers and the overall total allocation must be adhered to.

ATs are funded directly through the General Annual Grant (GAG), which provides DSG equivalent funding for academies. Other grants include funding for conversion and rebrokerage, as well as Pupil Premium and UIFSM.

Irrespective of the recipients, grant-funded and contractual activity in all cases is pursued in order to support the Department's objectives and provide financial support for the delivery of eligible outputs or broader outcomes. As PAO, I receive assurance from regular briefings and progress reports on our expenditure and the financial and academic performance of all schools.

⁶ <https://www.gov.uk/government/collections/grants-management-function>

The Department provides capital grant funding for the building of new schools; refurbishment of existing schools and assessment of the condition of the school estate. Schools capital expenditure is made up of a number of separate formulaic and demand-led programmes. Just under a third of expenditure is through direct delivery programmes, such as Free Schools and Building Schools for the Future Programmes, with the rest as grant funding.

I receive regular assurance of school capital expenditure through the Schools Capital Board (SCB). The Department is considering further strengthening its capital governance arrangements to involve a clearer role for non-schools capital programmes. Like other grant managers, capital programme SROs and spending managers ensure that Managing Public Money and Cabinet Office's Grant Standards are adhered to. Bid based grants and contracts are frequently reviewed to ensure capital expenditure is in line with agreed terms and conditions. GIAA provides independent review of that expenditure and approach. This is all in addition to the wider work of the Department's Provider Market Oversight function.

LA assurance responsibilities

A maintained school is one which is funded wholly by the Department through LAs and which sit within the control and accountability regimes of their parent LA. LAs are responsible for ensuring that they have adequate oversight of the schools' financial management and for holding them to account. The Department's [Governance Handbook](#)⁷ and its [Schools Causing Concern](#)⁸ guidance both set the priorities for effective governance, and reflect the importance attached to LAs understanding and having confidence in the quality of governance in the schools they maintain.

Under Section 151 of the Local Government Act 1972, every LA must appoint an officer (who must be a qualified accountant and who is usually the Chief Financial Officer) to be statutorily responsible for ensuring that the LA acts in accordance with its financial framework, and that it has adequate oversight of distributed funds to its maintained schools.

There are several responsibilities that LAs hold which cover pupils in both maintained schools and academies. LAs receive additional funding to allow them to take any necessary actions. These responsibilities include:

- prosecution of parents for non-attendance
- tracking children missing from education
- capital programme planning and functions relating to academy leases

⁷ <https://www.gov.uk/government/publications/governance-handbook>

⁸ <https://www.gov.uk/government/publications/schools-causing-concern--2>

- strategic planning of children’s services
- addressing special educational needs
- the safeguarding of pupils

Effective care and education for children and young people in early years providers, schools, colleges and other settings is often also dependent on support from public health services locally.

Special Educational Needs and Children’s Social Care

The Department ensures that the education and skills system is supporting children and young people with special educational needs to ensure that they are fully prepared for adulthood.

While the main funding for children’s social care services (and hence Accounting Officer responsibility) is provided by the Ministry of Housing, Communities and Local Government (MHCLG), the Department is responsible for ensuring the quality of children’s social care services provided by LAs or by children’s social care “trusts” on their behalf. A programme of reforms aims to improve quality at all levels in the system and the Department has specific intervention powers to secure improvement when LAs or trusts fail to discharge their duties effectively.

Academy Trusts

The primary responsibility for the oversight of ATs rests with the ATs themselves. Each AT must have its own AO whose responsibilities are set out in the Academies Financial Handbook ([AFH⁹](#)) published by the ESFA. However, accountability is founded on a clear framework communicated and regulated by the ESFA, with effective oversight and compliance based on proportionate risk assessment, and robust intervention when concerns arise. Where there is a risk to public funds, the ESFA will intervene in a way that is proportionate to the risk and preserves the effective education of children, including issuing a Financial Notice to Improve, or in the most serious cases termination of the AT’s Funding Agreement. Termination of the Funding Agreement results in the AT no longer receiving funding and the schools transferred to another AT.

ATs are independent charitable companies limited by guarantee, which means that their directors (who are also their charitable trustees) have statutory duties to act within their powers; exercise care, skill and diligence and avoid conflicts of interest. For the purposes of this document, ATs include various operational units eg free schools, university technical colleges, studio schools and special and alternative provision academies.

⁹ <https://www.gov.uk/government/publications/academies-financial-handbook>

The Department funds ATs and maintained schools using the pupil funding formula with allocations and payments for ATs' based on an academic year (ending 31 August), maintained schools' on the government financial year (ending 31 March).

Provider Market Oversight

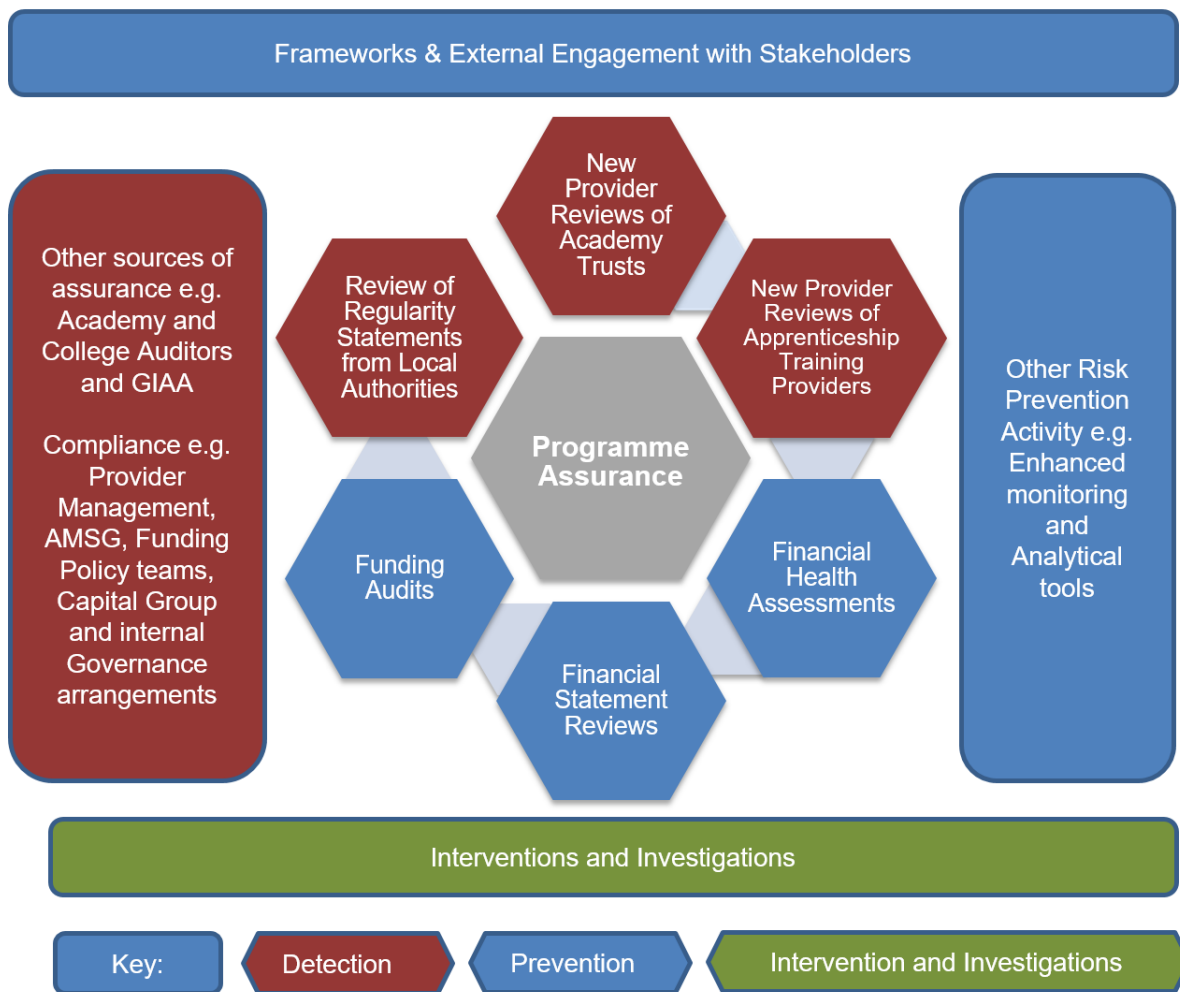
The Provider Market Oversight (PMO) assurance team play a role in providing assurance over the use of funds by ATs, colleges and other education providers. Undertaking a wide range of planned and reactive audit and other work, they provide assurance on the funds distributed, intervention support and investigations.

To support their provision of assurance, PMO:

- maintain the accountability frameworks: aiming to balance the autonomy of providers with accountability, they set out the guidelines for providers' behaviour
- carry out risk assessments and data analyses: they develop tools for the business to assess risk
- undertake an annual assurance programme: to provide assurance on regularity of funds i.e. that funds have been spent as intended by Parliament and the Department in making funding available to schools/providers
- investigate: they investigate allegations of fraud or irregularity at or by providers

Figure 4 below illustrates the assurance framework, using the three-stage Prevent, Detect, Investigation/Intervention approach.

Figure 4: PMO assurance framework



Regional School Commissioners

Regional School Commissioners (RSCs) have been appointed by the Department to increase its capacity to take decisions about ATs. RSCs operate within a defined decision making framework on behalf of the Secretary of State and, as they are based throughout the country, their work benefits from local knowledge. RSCs have powers of intervention in response to failure at ATs and LA maintained schools. These powers are set out in the Education and Adoption Act 2016; in the Schools Causing Concern guidance, and in individual academy funding agreements.

Their role also includes approving the progress of potential new free schools to the final funding agreement stage prior to opening. In reaching their conclusions, RSCs (who are accountable to the [National Schools Commissioner¹⁰](#)) will work closely with the local head teacher board (HTB). HTBs comprise experienced academy head teachers and other sector leaders who provide both advice and a 'challenge' function for RSCs. RSC decisions which do not wholly accord with HTB advice are reported to both the National Schools Commissioner and the Minister.

ESFA, RSCs and Ofsted

Ofsted independently assesses school quality and diagnoses issues with schools' performance, irrespective of whether they are maintained schools or academies. RSCs take operational decisions on behalf of the Secretary of State within the Government's clear intervention and support framework. The ESFA oversees the financial management and governance arrangements of ATs.

The ESFA and RSCs working together

The role of the ESFA goes hand in hand with that of RSCs. They work closely together to develop a coherent and joined up picture of a school, that considers both finance and governance (as led by ESFA) and educational performance (RSCs).

To achieve this I have:

- reviewed our approach to intervention to better understand how effective and consistent our approach to intervention is
- continued to improve data sharing and collection to provide a shared view of those academy trusts causing most concern
- improved communications to the sector, speaking with one voice and delivering a consistent message
- developed risk management and assurance activities to identify potential financial, governance and performance issues earlier

Ofsted

Ofsted is responsible for inspecting and regulating services that care for children and young people, and services providing education and skills for learners of all ages. All inspection reports are published and publicly available. In addition, Ofsted publishes an Annual Report to Parliament which provides an assessment of the performance of the sectors it inspects over the previous year.

¹⁰ <https://www.gov.uk/government/people/dominic-herrington>

Summary of sources of assurance

As PAO I draw assurance from:

- the AT AOs regular, wide-ranging discussions with and reports to the ESFA on academic and financial performance
- independent auditors' opinions of the accuracy and regularity of an AT's annual financial statements
- the auditors' conclusions (addressed jointly to the individual AT and the Secretary of State) on whether any matters of irregularity have come to their attention, and on each AT's level of compliance with accounting practices and governance arrangements across the sector
- School Performance Tables, which enable schools, parents and the wider public to make comparisons of education performance between schools. Both maintained schools and ATs use the tables to consider their efficiency and to identify areas where they could achieve greater value for money
- regular, independent assessments provided by Ofsted inspections on schools, early years providers and children's social care, where the impact of funding, the quality of provision, the effectiveness of the school's pupil premium strategy progress and the attainment of disadvantaged pupils are key factors in inspection outcomes. Through Ofsted's reports, the Department can monitor educational standards and trigger intervention where it is needed
- the annual LA assurance statement, provided by the CFO/Section 151 officer, covering its distribution of funds to schools and the expenditure thereof; and the section 251 returns by the LA on planned and actual spending for the financial year ahead
- external audit reports on each LA's own accounts
- information received by LAs from schools' governing bodies; head teachers; early years providers; comments or concerns raised by parents or other members of the local community
- the MHCLG, given the nature of the funding through LAs, MHCLG's AO is responsible for putting a framework in place to ensure that LAs act with regularity, propriety and value for money in the use of all of their resources
- information received by Voluntary and Community Sector (VCS) project partners
- reports from the Department's advisors and commissioners, where LAs are in intervention as a result of poor children's social care inspection results

If not satisfied by some or all of these assurance providers, the Department will challenge the relevant LA or AT, so as to understand the issues better and seek appropriate additional assurances.

Higher and Further Education

Higher Education

Providers of higher education

The Department provides a portion of higher education institutions' funding through the Office for Students (OfS).

The OfS has statutory duties in respect of the allocation of grant funding awarded by the Department as well as for assuring the quality of the provision it funds. The OfS ensures a rigorous test of a provider's readiness to enter the sector and OfS's [operating framework](#)¹¹ sets out how higher education providers are held to account and regulated in England. The OfS has also published [guides](#)¹² on how it allocates its funding and its accountability framework for higher education institutions and related bodies.

Alternative providers of higher education

All registered English providers of higher education (including Alternative Providers) are regulated by the OfS under its regulatory framework.

Data about the outcomes of alternative providers is gathered via the Higher Education Statistical Authority (HESA) and includes non-continuation rates (i.e. drop-out rates). Student number controls are also used to grow high quality provision, and to prevent poor quality provision from expanding, according to the outcomes achieved.

Throughout the year, the Alternative Provider Intelligence Unit engages with providers and gathers intelligence, to identify risks and inform sanctions to be taken, in the interest of protecting value for money.

The Unit raises concerns identified with the provider through regular engagement, and escalates as appropriate. Improvement notices and other sanctions may be used and, ultimately, providers can be removed if the concerns are severe.

Further Education and Apprenticeships

Organisations which receive funding for the delivery of further education and apprenticeship training are regulated by the Department.

The Department uses a broad range of evidence to assess the quality of delivery by a further education provider. This includes the provider's last Ofsted inspection grade,

¹¹ <https://www.officeforstudents.org.uk/media/189e6e2a-65eb-4cc5-9ad3-bfb149185b69/ofs-framework-document-review-2019.pdf>

¹² <https://www.officeforstudents.org.uk/publications/guide-to-funding-2020-21/>

performance against minimum thresholds and an assessment of the provider's financial performance.

Ofsted inspections establish provider quality using a wide range of criteria (for example, qualification achievement rates, learner attendance and the quality of teaching and learning) established in the Common Inspection Framework.

The Department and the ESFA sets national performance thresholds for FE providers, based on specified learner outcomes. However, performance thresholds applied to a provider will vary according to the courses they offer and the types of learner enrolled. The ESFA is also responsible for setting minimum standards of financial performance. It will assess and monitor the financial health of all providers, using established criteria.

Where independent training providers fail intervention thresholds for education or financial performance, they will normally have their contract terminated. Where further education colleges or LAs fall below the minimum educational or financial performance threshold, or receive a poor Ofsted inspection grade, they may be subject to intervention action. This may include escalation to the Further Education Commissioner (FE Commissioner).

The Department's arrangements for overseeing and supporting further education colleges that get into financial difficulty, including use of the college insolvency regime (in effect from 31 January 2019), are set out in April 2019's [College oversight: support and intervention](#).¹³ The Department has also put in place governance structures, drawing on independent expert advice, to consider decisions on college insolvency and any associated support. Final decisions on these issues are taken by Ministers.

The Further Education Commissioner

The FE Commissioner provides independent advice to the Minister for Apprenticeships and Skills and the ESFA AO, who in turn reports to me as PAO. The Commissioner's services are crucial in maintaining a sound accountability framework for further education, but statutory powers remain with the Secretary of State.

The 2019 policy guidance [College Oversight: Support and Intervention](#) describes the role of the FE Commissioner (FEC) and the way in which the FEC works alongside ESFA to deliver the following activities:

- diagnostic assessments to support colleges that are at risk from a quality and/or financial perspective by looking at their approach to managing the risks they face

¹³ <https://www.gov.uk/government/publications/college-oversight-support-and-intervention>

- intervention assessments to assess the capacity of the existing governance and leadership of a college to deliver rapid and sustainable improvements where serious weaknesses and risk of failure have been identified
- local provision reviews to examine options for achieving long term sustainable provision in a local area where the issues in a local area cannot be solved by looking at individual institutions in isolation
- structure and prospects appraisals to assess options to change a college's structure and/or provision in a clear, objective and evidence based way

The approach applies to further education corporations, sixth form colleges, designated institutions, and local authority maintained further education institutions.

Student Loans

Whilst the Department has overall responsibility and accountability for student support policy it delegates the day-to-day role of administering payments, repayments and account maintenance to the Department's ALB the Student Loans Company (SLC).

SLC is a company limited by shares and an executive NDPB of the Department. The Department is lead sponsor and the majority shareholder with 17 of the 20 issued shares. The other shares are held by the devolved administrations; SLC acts on their behalf for those students. SLC has delegated responsibility for carrying out various statutory functions relating to student loans and grants which are listed in its [framework document](#)¹⁴.

Maintenance grants or loans are paid directly to students through SLC, but are funded by the relevant administration (England, Scotland, Wales and Northern Ireland). Loans to students covering tuition fees are paid directly to higher and further education institutions. Student loans are recovered by HM Revenue and Customs, post-graduation, for borrowers earning above the relevant income thresholds.

The HE Funding Board is the Department's senior governance body for English HE student funding. It provides oversight of its funding for student support in higher education and for loans for tuition fee funding for students in higher and further education. It does so by:

- forecasting and monitoring expenditure
- assessing the value of the loan books, and managing any associated risks
- ensuring that robust controls exist in relevant areas of loan origination and repayments

¹⁴

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/790468/slc-framework-document.pdf

- ensuring the regularity of spend
- monitoring error rates and overpayments

The Department also has a Memorandum of Understanding with HMRC and SLC, which includes key performance indicators that are reported to another departmental board, the Repayment Board. The Repayment Board is chaired by the Deputy Director for Student Funding Policy and membership includes representatives from the Department, HMRC, SLC, the Devolved Administrations, and HM Treasury.

SLC's Main Board and Audit and Risk Committee has specific responsibilities for ensuring the accurate and efficient stewardship of loans and grant funding. Departmental representatives attend these meetings in the role of Assessor, ensuring guidance provided by HM Treasury's Managing Public Money and any further clarification notes issued by the Department are followed reporting back as appropriate. The Department also runs a number of other governance and scrutiny boards, including Quarterly Shareholder Meetings with finance colleagues, SLC and the Devolved Administrations.

I receive assurance for the SLC operations through:

- the annual audit of their annual report and accounts
- regular meetings between SLC's AO and the Department
- annual NAO audit of the student support budget
- Department officials' attendance at SLC Board meetings in their capacity as Assessors

Teachers' Pension Scheme

The Teachers' Pension Scheme (England and Wales) (TPS) is a statutory, unfunded, multi-employer defined benefit occupational pension scheme. The TPS has a separate funding agreement with HM Treasury and accordingly is not funded as part of the Department's Supply funding, but as the Departmental AO, I am also the AO for the TPS.

The TPS has its own governance arrangements but adopts the same approach to risk management as the Department, i.e. to devolve accountability to those best placed to manage it and through using a "three lines of defence" approach to manage, oversee and provide assurance on risks. The core details of those arrangements are summarised below, with full details described in the TPS annual report and accounts.

Following a competitive tendering exercise, Capita was awarded the contract to administer the TPS until September 2025. The Department manages the contract with Capita, who liaises at working and strategic levels with Departmental officials in order to discharge its duties under the contract.

The TPS is governed at three levels: management of day-to-day service delivery; strategy and oversight; and assurance.

- management – The Service Delivery Board is chaired by the Department's senior contract manager and is the hub for managing core pension administration delivery and performance against service level agreements; it also discusses and determines any points of escalation
- oversight – The Strategy Board, which meets quarterly, is chaired by a Departmental official (the Head of Planning and Assurance) and is the key focal point for monitoring and oversight of Scheme delivery and effectiveness. The work of the Service Delivery and Strategy Boards are in turn overseen by the Department's pension teams' Programme Management Board
- assurance – The Executive Review arrangements provide the initial layer of assurance for the Department, whereby the Senior Responsible Officer for the TPS meets with a member of the Capita Board to discuss progress and any significant strategy issues and mitigations. Where appropriate, issues are escalated for further consideration through the governance structure, ultimately to the Department Board if needed. The independently chaired Teacher's Pension Scheme Pension Board (TPS Board) adds an additional level of assurance, supplementing the assurance work of bodies like Capita Group Internal Audit, The Government Internal Audit Agency and the National Audit Office

The TPS Pension Board meets quarterly, and consists primarily of member and employer representatives, as well as two senior departmental officials. Issues can be escalated to appropriate departmental committees by the individuals who manage the relationship with the TPS Pension Board or by the departmental representatives on the Board. The Board provides an annual report on its work to the Secretary of State for Education, an annual statement on the governance arrangements which forms part of the Scheme's annual accounts, and can raise issues with the departmental board, or Ministers directly, at any point if it feels the need to do so.

In addition, the Department's Audit and Risk Committee provides assurance to me as the AO via oversight of the TPS governance model, challenge to the TPS annual report and accounts production project and the associated audit by the National Audit Office.

In summary I receive assurance for the TPS operations through:

- the arrangements whereby the Department's pensions team reports to all three "lines of defence" of the Department's governance arrangements e.g. to the Director General for Early Years and Schools Group at the management level; to the Performance and Risk Committee and ultimately the Departmental Board at the oversight level; and to the Audit and Risk Committee and the Departmental Board at the assurance level
- the annual audit of the annual report and accounts undertaken by the National Audit Office
- the Department's Audit and Risk Committee's oversight of the annual report and accounts process
- the additional independent assurance provided by the TPS Pension Board and other external bodies such as The Pension Regulator

Glossary

Abbreviation	Narrative
AO	Accounting Officer
AFH	Academies Financial Handbook
ALB	Arm's Length Body
AMSD	Academies and Maintained Schools Directorate
ARC	Departmental Audit and Risk Committee
AT	Academy Trust
CEO	Chief Executive Officer
CITB	Construction Industry Training Board
Department	Department for Education
DSG	Dedicated Schools Grant
ECITB	Engineering Construction Industry Training Board
EFS	Exceptional Financial Support
ESFA	Education and Skills Funding Agency
EYNFF	Early Years National Funding Formula
FE	Further Education
FITB	Film Industry Training Board
GAG	General Annual Grant
GIAA	Government Internal Audit Agency
HESA	Higher Education Statistical Authority
HTB	Head Teacher Board
LA	Local Authority
MAT	Multi-academy Trust
MHCLG	Ministry of Housing, Communities and Local Government
MPM	Managing Public Money
NAO	National Audit Office
NDPB	Non-departmental Public Body
Ofqual	Office of Qualifications and Examinations Regulation
OfS	Office for Students
Ofsted	Office of Standards in Education, Children's Services and Skills
PAO	Principal Accounting Officer
PMO	Provider Market Oversight
RF	Restructuring Facility
ROCC	Resource, Output and Outcomes, Check and Challenge
RSC	Regional Schools Commissioner
SLC	Student Loans Company
SRO	Senior Responsible Owner
TPS	Teachers' Pension Scheme (England and Wales)

Abbreviation	Narrative
UIFSM	Universal Infant Free School Meals
UKGI	United Kingdom Government Investment
VCS	Voluntary and Community Sector

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