Department for Education

Department for Education

Consolidated annual report and accounts

For the year ended 31 March 2021

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for Education

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Annual Report presented to the House of Commons by Command of Her Majesty

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

Ordered by the House of Commons to be printed on 16 December 2021

HC 907

This is part of a series of departmental publications which, along with the Main Estimates 2021-22 and the document *Public Expenditure: Statistical Analyses 2020*, present the government's outturn for 2020-21 and planned expenditure for 2021-22.

This publication is available at: www.gov.uk/official-documents

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

ISBN 978-1-5286-2955-3

E02676861 12/21

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by HH Global on behalf of the Controller of Her Majesty's Stationery Office

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Performance Report

Overview

This section sets out, at a high level, the Department's responsibilities, priority outcomes, key risks, the sectors we serve and how we performed during the year.

Who we are and what we do

The Department for Education (the Department) is a major government department providing education, training and care for everyone, whatever their background.

We are responsible for:

- teaching and learning for children in the early years and in primary schools
- teaching and learning for young people in secondary schools
- teaching, learning and training for young people and adults in apprenticeships, traineeships and further education
- teaching and learning for young people and adults in higher education
- supporting professionals who work with children, young people and adult learners
- helping disadvantaged children and young people and those with special educational needs or disabilities, to achieve more
- making sure that local services protect and support children and families

Our strategy and vision

As the government sets out to re-build the economy after COVID-19, the Department's focus now is to drive economic recovery, improve educational standards across our country, and level up opportunity for all.

Our vision and purpose: At our heart, we are the department for realising potential.

We enable children and learners to thrive, by protecting the vulnerable and ensuring the delivery of excellent standards of education, training and care. This helps realise everyone's potential – and powers the economy, strengthens society, and increases fairness. We will do this by focusing on the following four priority outcomes:

- driving economic growth: through improving the skills pipeline, levelling up productivity and supporting people to work
- levelling up education standards: so that children and young people in every part of the country are prepared with the knowledge, skills and qualifications they need
- supporting the most disadvantaged and vulnerable children and young people: through high-quality local services so that no one is left behind
- providing the best start in life: through high-quality early education and childcare to raise standards and help parents to work

Our business model

We are a ministerial department supported by 16 executive agencies (Agencies), non-departmental public bodies (NDPBs) and non-ministerial departments. Together the core department, Agencies and NDPBs make up the departmental group (Group) reported on in this annual report and accounts (ARA). The non-ministerial departments report their performance separately.

We work closely with:

- national and local agencies who look after children
- local authorities

- education providers, such as schools, academies, colleges, universities and independent training providers
- professionals who work in schools and further and higher education providers, children's services and health services

Key risks

During 2020-21 the Department continued to strengthen its risk management processes, and identified the key risks to successful performance presented in the table below. During the year, COVID-19 moved from an emerging risk to one fully embedded in the Department's risk management framework. COVID-19 has a distributed impact on the Group's activities across all educational sectors. Due to the distributed nature of COVID-19 risks arising from it have been managed as part of the risks identified below and later in the Performance Report.

A sustained cyber-attack could result in the loss of access to critical systems and services, as well as a loss of critical Departmental data
The Department's approach to addressing lost learning and the implementation of education recovery, digital strategy, and remote education, at school/college level may be insufficient to adequately respond to the lost learning that has occurred during the COVID-19 pandemic
Pupils have poor quality outcomes (particularly in challenging and/or disadvantaged schools) as a result of not having enough high-quality teachers
Widespread localised failure of the early years market, due to the impact of forced closure of settings
One or more higher education providers has to close due to financial failure, either unexpectedly because it has run out of cash, or involving a provider of such a scale that the event is not manageable solely as business-as-usual by OfS, as the Group's regulator of the higher education market
A significant number of further education (FE colleges) are not financially resilient enough to make the long-term investments needed to enable them to support the productivity of their local economies and to offer a comprehensive range of government priority programmes including: T Levels, apprenticeships, and the national retraining scheme

Our financial performance

The Group is financed through the annual Supply Estimates process managed by HM Treasury (HMT).

The Group also generates low levels of revenue from levies and fees raised by its industry training boards and regulators, as well as fees and income from other public bodies and third parties.

We are accountable to Parliament, HMT and the public for how we have used public funds during the year. Annually, the Department publishes its audited consolidated ARA to support parliamentary accountability by comparing the Group's actual financial performance (outturn) to its budgets (Estimate). The Statement of Outturn against Parliamentary Supply (SOPS), found in the Accountability Report, provides more detail on the Group's outturn against its Estimate.

In conjunction with the SOPS, we also publish our financial performance based on the government's accounting framework in the Statement of Comprehensive Net Expenditure which is found in the Financial Statements section.

The sectors we served this year

Below we have provided some statistics to provide some background to the size and range of educational sectors we support. Not all the statistics are as at the year end but all are the latest available. We have provided dates where the statistics are as at a date other than the year end.

Children's services, early years and wellbeing

2-4 year olds funded in early education
(January 2019: 1.4m)

Children subject to a protection plan
(31 March 2019: 52,000)

Looked-after children
(31 March 2019: 75,000)

Children in need
(31 March 2019: 400,000)

The sectors we served this year

Schools

Over
8,800
open academies

which includes
over **555**
open free schools

(Mar 2019: over 8,500 academies and 550 free schools)

Over 21,575

Total number of state-funded schools (March 2019: over 21,500)

3.5m

Pupils in state-funded secondary schools (Jan 2020: 3.4m)

461,000

Number of full-time equivalent (FTE) teachers in state schools (Nov 2019: 454,000)

43.2bn

Core funding for schools and high needs (2019-20: £40.7bn)

4.7m

Pupils in state-funded primary schools (Jan 2020: 4.7m)

1.4m

Pupils with special educational needs (SEN) (Jan 2019: 1.3m)

The sectors we served this year

Post-16 and skills

1.3m

Funded students in further education and sixth form colleges in 2019/20 (2018/19: 1.6m)

161,900

Apprenticeships starts (198,600 between August 2019 and January 2020)

2m
Applications for support (2019-20: 2m)

5m
Telephone calls handled (2019-20: 6m)

£19.0bn paid to around 1.4m students

In English student loans to students on higher education courses in 2020-21 (2019-20: £17.6bn to around 1.3m students)

which included over £10.1bn

Paid as tuition fees to providers in higher education (2019-20: over £9.4bn)

Our highlights this year

Social Care, Mobility and Disadvantaged Group

3,000

new social workers supported in their first year of practice

Dame Rachel de Souza

the new Children's Commissioner for England from March 2021

over 250

care leavers gained paid internships through the Civil Service Care Leaver Internship Scheme

Early Years and Schools Group

£99m

school transport to help children and young people return to school and college

£475m

supermarket vouchers to continue free school meals

£8m

to improve language skills of reception age children during 2020/21 academic year

Wellbeing for Education Return

£8 million training programme to tackle impact of COVID-19 on pupils, parents and staff

Our highlights this year

Education and Skills Funding Agency

T Levels

Introduced first 3 T Levels in design, surveying and planning for construction; digital production, design and development; and education and childcare

£836m

of additional funding which providers and employers have accessed 115,000 times

£58bn

main allocations of funding to education and skills providers with 100% accuracy

Data models

Models on learner attendance and COVID-19 related illnesses in settings, used across government to assess the impact of the R rate on opening and closing schools

Our highlights this year

Higher Education and Further Education Group

£70m

student hardship funding available to HE providers to help students impacted by COVID-19

Skills for Jobs

Published the White Paper for FE reform

Turing Scheme

Developed the Turing Scheme, delivering £110m for international student mobility for education

UK EU transition

Co-ordinated the Department's UK-EU transition and deal implementation activity

Our highlights this year

COVID Response and Recovery Group

COVID-19 response

Managed the Group's response to COVID-19 supporting the educational and social care sectors

£1bn

catch-up package announced: £650 million to tackle lost learning & £350 million for the National Tutoring Programme

Operations Group

x500

£1bn

fund announced to construct first 50 schools of ten year programme to build 500 schools

£388m

invested in Get Help with Technology programme, which includes £14 million for units held as inventory at year end

1.3m

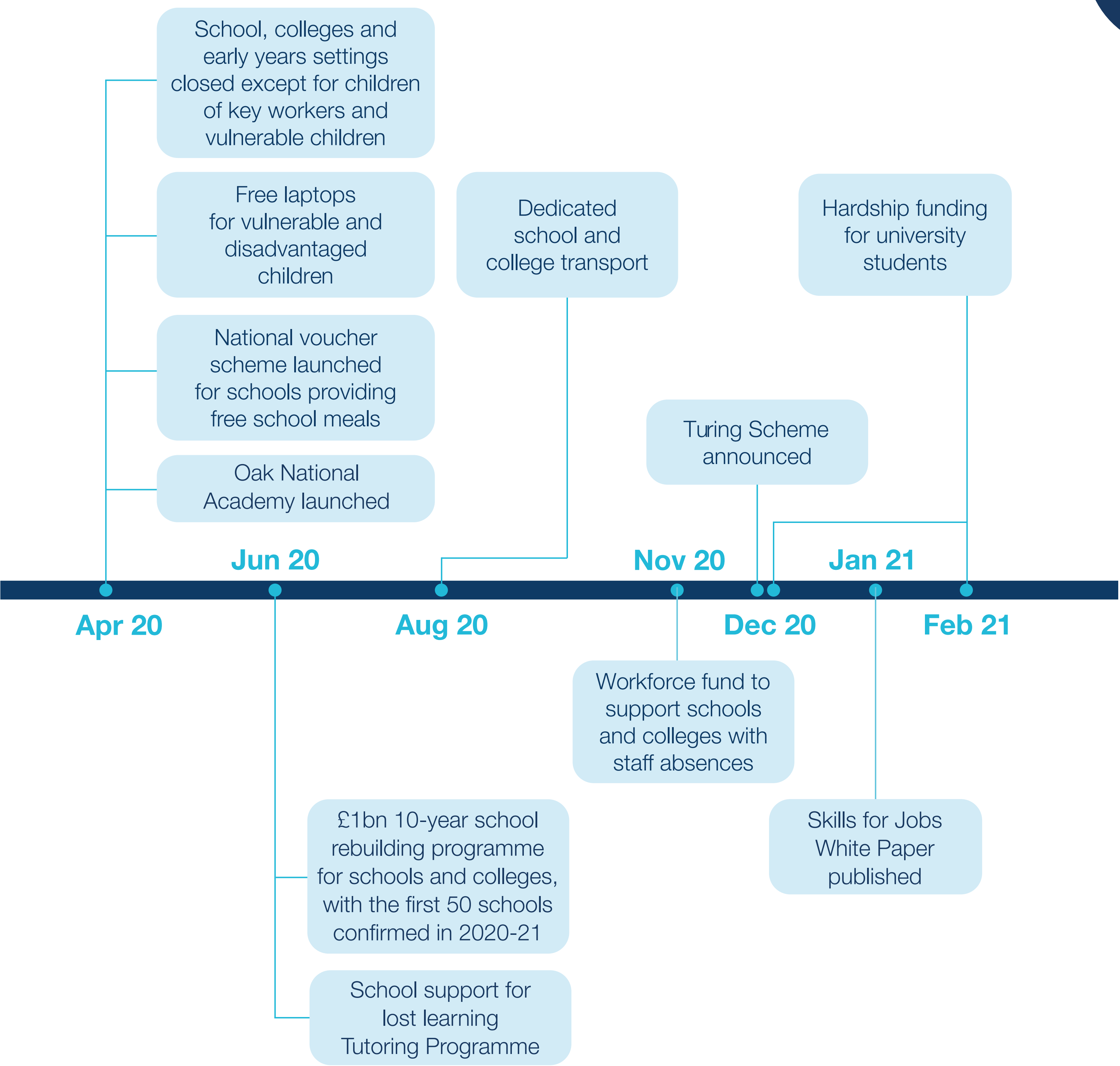
laptops and tablets delivered to help disadvantaged children and young people during COVID-19

Working from home

Supported staff in working from home, and also organised offices for those staff for whom office working was appropriate

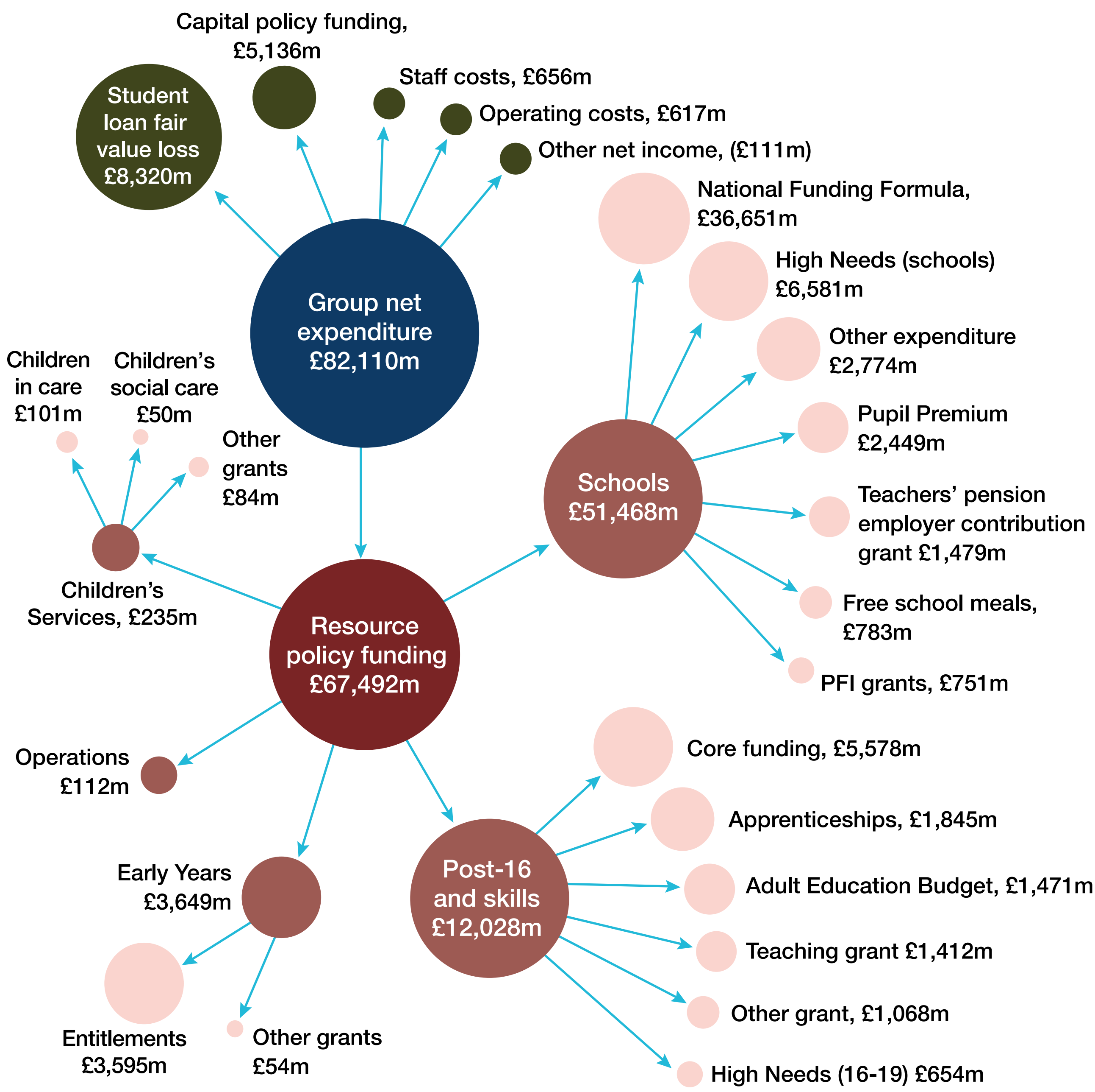
Timeline of major announcements

Below we present a summary of major announcements made by the Group across the year. Values presented below are not necessarily amounts spent in the financial year, but are the values included in the announcements.



Where we spent taxpayers' money

The figures below show the Group's net expenditure for the year analysed across the main expense types as presented in the Statement of Comprehensive Net Expenditure (SoCNE) as well as movements in further and higher education student loans (the main area of non-SoCNE spending). The totals reported in the graphics below may differ from those reported through the Group's budgetary framework (outturn) which is termed total managed expenditure (TME). The Financial Review of the Year (page 35-49) provides more detail on spending, variances between budget and actuals and a reconciliation between actuals and budget figures. Further details of the net expenditure can be found in the Financial Statements from page 183.

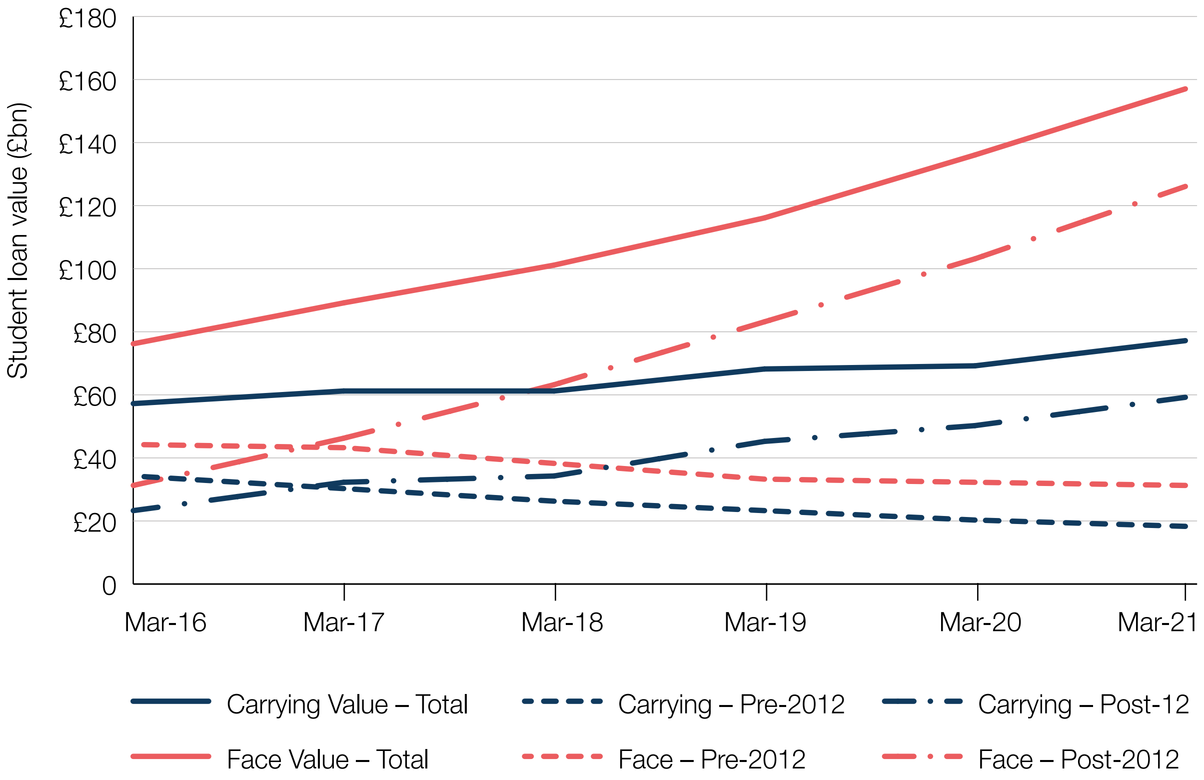


In addition to the expenditure described above, the Group also incurs outlay that generates assets away from SoCNE. The largest such activity is student loans, with new loan advances and loan repayments which are posted to the Statement of Financial Position (SoFP). As well as these cash movements there are also non-cash movements, the largest of which is the annual movement in fair value. The fair value adjustment reflects the reduction in the estimated fair value of student loans resulting from the revaluation of the loans at the financial year end. Note 13 describes the student loans and their annual movements in more detail.

Total student loans carrying value movements

The chart below compares the face value of student loans (which equates to what borrowers see) against their carrying value in the ARA, split into Pre-2012 and Post-2012 loan books, over the last five years. Notes 13.1 and 13.2 provide a reconciliation between face and carrying values. The table illustrates the closed nature of the Pre-2012 loan book, which is now in run-off, and the active status of the Post-2012 loan book which is still advancing loans. The face values have been corrected for the errors explained in note 2.

Comparison of student loan carrying value to face value



Forewords

Secretary of State's overview

This has been an unprecedented period for the country and the education system. These annual report and accounts continue the story of the Department's response to the COVID-19 pandemic. It also covers the Department's post-pandemic focus on driving economic recovery, improving educational standards across the country and levelling up opportunity for all, as we prepare to build back better and build back fairer.

Skills

Away from COVID-19, there have been significant achievements this year which are continuing to reshape the education landscape, as we roll out our programme of wide-ranging reforms to level up this country.

We have embarked on ambitious skills reforms, set out in the Skills for Jobs: Lifelong Learning for Opportunity and Growth White Paper. The focus is on enabling people to get the skills they need to secure the jobs they want.

The Skills and Post-16 Education Bill was a milestone that took the forefront in the Queen's Speech debates. The Bill supports the Prime Minister's vision for a Lifetime Skills Guarantee and will legislate for landmark reforms set out in the Skills for Jobs White Paper.

These reforms are a natural progression to the ground-breaking reforms we have already been rolling out, such as our T Level and apprenticeship programmes which are delivering growing numbers of skilled individuals to boost the post-pandemic economy and bring down unemployment.

I would like to acknowledge my predecessor, Gavin Williamson's passion to get technical education the recognition and respect it deserves, to make it the beating heart of local communities.

We have put skills right at the heart of our reforms to make sure our post-COVID-19 recovery has a sure and solid foundation. It marks a sea-change in skills training and will enable adults to access more high-quality alternatives to university degrees at a time to suit them.

We are putting employers at the heart of these skills reforms because we need to make sure there is a better balance between the skills that are being taught by colleges and other providers and those that local employers actually want from their workforce.

Our Institutes of Technology are continuing to develop and are delivering higher technical provision in STEM disciplines like engineering, manufacturing, construction and digital, as well as supporting people to reskill or upskill to meet local economic needs.

From September next year we will start launching newly approved Higher Technical Qualifications, starting with Digital. Construction, and Health and Science will follow in 2023 with a full suite of qualifications rolled out by 2025.

We intend to consult on further reforms to the higher education system and we will set this out in more detail in due course. We continue to consider the recommendations made by the Augar panel carefully, alongside driving up quality of standards and educational excellence and ensuring a sustainable and flexible student finance system.

We have also delivered on another manifesto commitment – to strengthen academic freedom and free speech in higher education. Our Free Speech Bill will help protect the reputation of our universities as centres of academic freedom by bringing in new measures that require universities and colleges to defend free speech and help stamp out the chilling effect of 'silencing'.

We continue to collaborate with other government departments, specifically the Department for Work and Pensions, on delivering the Plan for Jobs package. The National Careers Service also works closely with Job Centre Plus/Work coaches on making sure people are better informed about their options and better prepared to join the workforce.

Schools

Looking ahead, schools are set to benefit from improved facilities, thanks to almost half a billion pounds being invested in school buildings in 2021-22. £483 million from the Condition Improvement Fund will go to 1,199 schools. The North East and North West are set to receive the largest allocation of funding across all the English regions, with £93 million for 273 successful schools.

Many of the projects funded by Condition Improvement Fund will lead to more energy efficient buildings that will not only reduce energy bills but also help to meet the government's net zero target.

The new School Rebuilding Programme announced by the Prime Minister last year is also on track, with the first 50 schools – supported by £1 billion in funding – confirmed in February and another 50 schools given the go-ahead to rebuild in July.

Families

We continue to work hard to improve the lives of England's most vulnerable children. In January we announced an independent review of children's social care, which will help lay the foundation for a wholesale reform of the system, so that more children experience the benefits of a stable, loving home.

The Government is committed to championing the family hub model – as set out in our manifesto. We want to ensure that innovations such as family hubs are recognised and shared, and successful approaches can spread. Tackling inequalities and levelling up means ensuring that families in need have access to high-quality evidence-based services from conception onwards, where frontline professionals have the right tools and data to make a difference.

Pandemic response

During the year the Department continued to be central to the government's wider response through supporting education providers and children, and worked with other departments such as Department of Health and Social Care.

The way that all our education settings have responded to the various lockdowns by switching to online teaching has been remarkable. This has enabled children and students to carry on learning remotely and will undoubtedly shape how people learn in future.

Keeping our education communities safe and well during the pandemic has obviously been our No.1 priority and we continue to provide schools with support to restrict COVID-19 transmission, whether that is in terms of testing arrangements or in the latest guidance on hygiene.

Keeping communities safe is balanced with the need to get children and students back into classrooms. We have always been deeply conscious of the impact that repeated lockdowns have had on educational development and wellbeing in the young. We continue to meet this challenge with a concerted and targeted response.

A total of £3 billion is being invested in our massive catch-up programme for those who are at risk of falling behind. The Spending Review extended the amounts available to £4.9 billion, focused on those who need it most and interventions that have the most benefit to all students. This includes £1 billion to support up to 6 million tutoring courses for disadvantaged school children, as well as an expansion of the 16-19 tuition fund, targeting key subjects such as maths and English.

There will also be a £400 million training boost for teachers across the country to give extra training and support.

The Department continues to meet the challenges of the pandemic with resilience, creativity and great dedication and I am enormously grateful to have the backing of such a talented workforce. I am also greatly indebted to not only my ministerial colleagues who have recently joined me, but also those who have now moved on elsewhere for their outstanding efforts in this unprecedented year. I must also thank the Permanent Secretary, Susan Acland-Hood, for the huge contribution she has made in her first year in post.

Rt Hon Nadhim Zahawi MP
Secretary of State for Education

1 December 2021

Permanent Secretary's overview

2020-21 has been unlike any other year, dominated by our response to, and recovery from, the COVID-19 pandemic. The Departmental Group, the education system and all citizens have faced unprecedented challenges, which makes the work we did in 2020-21 all the more exceptional.

Initial response

Our priority throughout the year has been to support children and young people, as well as their parents and carers, through minimising lost learning while preserving their safety.

At the start of the year, education settings were closed to all learners except for the children of key workers and vulnerable children. We prioritised funding and effective communication for providers, while focusing on developing and expanding remote education.

We were able to support a return to classrooms, both in the summer term of the 2019/20 academic year and for the start of the 2020/21 academic year.

Our response actions helped support children and young people in many ways, including increasing access to online resources through the distribution of over one million laptops and other remote learning devices, enhanced provision of online learning resources including OAK National Academy, or continued access to free school meals.

We made an additional £70 million of student hardship funding available to higher education providers in England in 2020-21, and introduced funding to mitigate the impact of the pandemic on vulnerable children.

I must also reflect on the things that didn't quite go so well during our initial response. Summer 2020's A Level, vocational qualification and GCSE results processes led to widespread disruption, ultimately leading to government abandoning its approach to determine grades and instead relying on teacher assessments. Whilst the Group does not lead on the results processes, that remains the responsibility of Ofqual, the Department stepped in as part of the government's pivot to teacher assessments.

We have also learned a lot about how best to provide guidance to the public, especially when advice and guidance changes at short notice. We accept that there can be a conflict between issuing new guidance quickly against issuing the guidance at suitable times. One change we made across the year was to endeavour to only issue guidance on during working hours on weekdays.

Second lockdown

Throughout the first lockdown we learned a great deal about what worked and what didn't, which helped us refine our support to the public, when schools and colleges returned in September. We were also able to galvanise support and guidance more quickly and effectively when the second lockdown was announced.

We remobilised many of our response programmes from the first lockdown, refining them to take away the aspects that didn't work as well first time around and ensuring continuity of education wherever possible.

Our plans to re-open education settings in February 2021 included a cross-government operation to offer mass testing to teachers, children and young people across the education system. We hoped that extensive, regular testing would allow providers to stay open maintaining learning, and supporting the wider community of parents and carers.

This programme ultimately gave parents, teachers, children and young people the confidence to return to schools, colleges, nurseries and universities following the end of the second lockdown.

Recovery and legacy

We are determined not to reduce our focus on levelling up and improving in the long term. We intend our recovery to deliver improvements that will endure and drive economic growth.

Partway through the year our attention shifted to recovery of lost learning, and reversing the growth of the attainment gap between the most and least disadvantaged in our society.

As the year progressed, we learned more about the impact of the first and then the second lockdown. Despite the best efforts of online teaching, the pandemic is estimated to have led to the average pupil being 3-5 months behind. Some groups have been impacted more than others, including pupils who are disadvantaged.

As part of a wider £1 billion COVID-19 government response package, we launched the National Tutoring Programme (NTP) in June 2020, which aims to reach 250,000 learners this year. At the same time we announced support of £650 million to be available to schools to support education recovery of learners.

Education recovery is a key priority now and looking ahead into the next Spending Review; which directs public spending across future years. Sir Kevan Collins helped to develop the next stage on education recovery, including a major expansion in ambition on tutoring provision across the country that was announced in June 2021. The government is considering the right further steps, including closely looking at the evidence on the impact of additional time.

We have seen some more enduring outcomes from our COVID-19 response. Together with the education providers, we have made great strides in the quality and coverage of remote and online school-age learning. One of our ambitions now is to use the experience garnered from OAK National Academy and roll-out stronger online learning tools to other education sectors such as further and higher education. We have seen more parental or carer involvement in the education of children; and we have also proven that flexible working is not only possible, but productive for our staff.

While our response to the pandemic dominated the year, there are so many other examples of exceptional work throughout this report, including the establishment of the Turing Scheme to replace Erasmus+, the first full year of operation of our professional regulator (Social Work England) and the impact of our work in Opportunity Areas. Not least the continuation of vitally important role of allocating and providing regular funding to education providers through various grant schemes. I am proud that we were able to assure the timely and accurate payment of funds to schools, colleges, universities and nurseries throughout the year.

To the future

We will continue to deliver this government's plan for education recovery and to support families, children and young people in England. We will ensure citizens can acquire the right skills to do the jobs that contribute to a growing economy. We have clear plans to do this, and to emerge from the pandemic in the best possible shape to help the country realise its potential.

Over the next year I am looking forward to seeing the early impacts of our education recovery actions and progressing our work on FE reform. The pandemic has made our ambition of levelling up more complex, but I am keen that we go as far as we can and as fast as we can to achieve it.

During this time, we will also be thinking about how we can better organise ourselves to deliver so that we can be even more effective, even more efficient, and even better joined up to serve the citizens of the country.

Finally, I wanted to say how immensely proud I am of our staff. The Group has achieved amazing things at a time when our work has never been more important. Our staff have responded magnificently both to the disruption to our working practices, and to the myriad of challenges we've faced on a daily basis to keep things going.

There will of course be more challenges and obstacles to overcome as we go, but I know that hard work and effort from colleagues across the Departmental Group will help us to lay strong foundations for an education system that will be truly fit for the future.

Susan Acland-Hood
Permanent Secretary

1 December 2021

Lead non-executive's overview

It has been an honour to start a second tenure as lead non-executive at the Department. The last twelve months has been dominated by the Department's response to COVID-19 which has brought with it challenges, rapid change, and opportunities to innovate. I have continued to support the Department as it responds and learns whilst continuing its work to deliver an ambitious programme of delivery.

In May 2020 the Leadership Team created the COVID Portfolio Delivery Board to provide advice, scrutiny and assurance on the decisions taken during its response to the pandemic. The remainder of the Department's governance structure has remained largely the same during the reporting year, and the committees have worked well.

The effective operation of the Department's governance structure over the course of this year has been strongly supported by the sponsorship and commitment of our then Permanent Secretary, Jonathan Slater, and since September 2020 by Susan Acland-Hood.

Full information on the membership changes and the roles of committee can be found in the Governance Statement.

Departmental Board

The Board met four times during the reporting period and considered the action taken by the Department to safely re-open education settings and how to manage risks of the pandemic that could impact vulnerable children and young people. The Board also supported the Department's response to the 2020 Spending Review and provided support and advice to colleagues developing the *Skills for Jobs White Paper.*

I am grateful to the Chair of the Board, Rt Hon Gavin Williamson CBE MP for recognising the importance of the Board to the Department and the expertise and contribution of individual members. I would also recognise the Rt Hon Nick Gibb MP for his strong contribution to the work of the Board.

There have been changes in the Department's senior team. The Board welcomed Susan Acland-Hood to the Board from September 2020 and Tony Foot attended his first meeting as Strategic Finance Director in March 2021.

The membership of the non-executive board members has not changed since last year and the team provide continuity and support to the Department by offering challenge, valuable expertise, and an independent voice across a range of key priorities.

Committees

The Audit and Risk Committee (ARC) has been active and has met six times throughout the reporting period. The ARC has provided independent challenge and scrutiny, helping improve the way that the Department approaches risk and provided assurance of the controls environment. The ARC has actively fostered links with the ARC communities across the Departmental Group and the network for audit committee chairs from the arm's length bodies met twice this year allowing best practice to be shared.

Implementation Committee has met twice this year. The frequency of meetings was reduced to allow the Leadership Team to concentrate their efforts on the COVID-19 response which was co-ordinated through the COVID Portfolio Delivery Board. When it met the Implementation Committee considered challenges relating to the Department's key delivery priorities, its COVID-19 response and its reform programme.

Nomination Committee met four times during the year to support the Permanent Secretary in talent management and succession planning for the Department's most senior officials. The committee continued to provide assurance on the Department's public appointment process.

Leadership Team and its sub-committees continued to meet regularly throughout the period. At the beginning of the reporting period an additional sub-committee was formed, COVID Portfolio Delivery Board, to provide effective and robust decision during the first wave of the pandemic. This committee has been maintained throughout the Department's COVID-19 response.

Looking ahead

I will continue to work with my fellow non-executive board members to improve our governance systems. In future the Board will meet six times a year and its work will be aligned to the key priorities of the Department and support its transformation goals. I look forward to implementing the recommendations of the 2021 Board Effectiveness Evaluation to enhance effectiveness of the Board in setting and overseeing the strategic objectives of the Department.

I am also keen to continue work though with Chairs and ARC Chairs across the Department's NDPBs to build a stronger working relationship and share best practice.

I look forward to working with the Permanent Secretary to ensure that the team of non-executives supports the Department as it faces the unprecedented challenges and opportunities in the year ahead.

I am the interim Chair of the recently established Skills Reform Board at the Department. The Skills Reform Board provides governance and oversight for the delivery of commitments within the white paper. I will continue to act as chair until a public appointment is made to take this work forward.

The work of the Department has never been more crucial too as the DfE takes a step change in the scale of our reform programme to support children and learners and to laying foundations for an education and care system that is fit for the future.

I look forward to working with my fellow non-executive board members and the wider Department to continue to promote effective support, challenge and guidance, and to continually work to improve our governance system.

Richard Pennycook
Lead non-executive board member

1 December 2021

Structure of the Departmental Group

The Department is led by the Secretary of State for Education who is responsible to Parliament for the Group as a whole.

Ministers look to the Department's Accounting Officer, the Permanent Secretary, to delegate within the Group to deliver their decisions and to support them in policy-making and managing public funds.

Public sector bodies are classified based on the level of control the Department has over them. Executive agencies act as an arm of the Department, undertaking executive functions, rather than giving policy advice.

The other bodies in the Group are separate legal entities, but the Department usually sets their strategic framework. The Department also normally appoints the body's Chair and all non-executive members of the board, and is consulted on the appointment of the body's CEO.

Education and Skills Funding Agency (ESFA): responsible for improving education and skills; administering funding; rolling out the apprenticeship, technical education and qualifications reform programmes.

Standards and Testing Agency (STA): develops and delivers assessments for children in education between reception and the end of key stage 2. It is also responsible for managing the general qualifications logistics service provided to exam centres and examiners.

Teaching Regulation Agency (TRA): responsible for the regulation of the teaching profession, including misconduct hearings, and the maintenance of the database of qualified teachers.

Construction Industry Training Board (CITB): responsible for helping the construction industry attract talent and to support skills development in England, Scotland and Wales.

Engineering Construction Industry Training Board (ECITB): responsible for working with employers and training providers to give the engineering construction industry workforce the skills it needs to meet the challenges of the future.

Film Industry Training Board (FITB): non-operational training board originally set up to manage a statutory levy in the film industry to develop training in the film industry. The statutory levy was never enacted, it remained a voluntary levy by Screenskills. The Department formally wound up FITB on 14 April 2021.

Institute for Apprenticeships and Technical Education (IFATE): responsible for developing, approving, reviewing and revising apprenticeships and technical qualifications with employers. This includes responsibility for T Levels delivery and implementing an approval process for higher technical qualifications.

Located Property Limited (LocatED): responsible for selecting and developing sites for new schools in England.

Office for Students (OfS): the independent regulator of higher education in England which also disburses government funding to the higher education sector.

Office of the Children's Commissioner (OCC): supports the Children's Commissioner who promotes and protects the rights of children, especially the most vulnerable, and stands up for their views and interests.

Social Work England (SWE): regulates social workers in England, and is committed to raising standards through collaboration with everyone involved in social work.

Student Loans Company (SLC): a non-profit making government-owned organisation that administers loans and grants to students in colleges and universities in the UK on behalf of the Department and Devolved Administrations.

School Teachers' Review Body (STRB): makes recommendations on the pay, professional duties and working time of school teachers in England and reports to the Secretary of State and the Prime Minister.

Social Mobility Commission (SMC): exists to create a United Kingdom where the circumstances of birth do not determine outcomes in life. The SMC moved to Cabinet Office from 1 April 2021.

Aggregator Vehicle PLC: acts as a single source of market funding to support the construction of new buildings for local authority maintained schools and academies.

Office of the Schools Adjudicator: helps to clarify the legal position on admissions policies in schools.

Non-Group bodies

As well as the Group bodies included in this ARA, the Department works alongside three other public sector bodies in the educational sector: Ofqual, Ofsted and the Teachers' Pension Scheme (England and Wales) (TPS), to achieve our objectives.

These three bodies control their own policies and operational activities including their own Accounting Officers and Estimates processes. Consequently, the three bodies are judged to be not controlled by either the Department or Secretary of State, and so are not consolidated into this Group ARA. ARAs for these bodies can be found on GOV.UK.

Teachers' Pension Scheme (England and Wales)[1]: is a statutory, unfunded multi-employer, defined benefit occupational pension scheme.

Ofqual[2]: is a non-ministerial department separate to the DfE, that regulates qualifications, examinations and assessments in England.

Ofsted[3]: is a non-ministerial department separate to the DfE, that inspects services providing education and skills for learners of all ages as well as inspecting and regulating services that care for children and young people.

1 https://www.teacherspensions.co.uk/
2 https://www.gov.uk/government/organisations/ofqual/about
3 https://www.gov.uk/government/organisations/ofsted/about

Operational structure

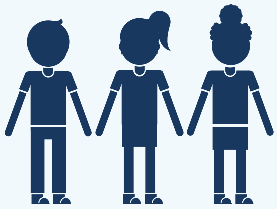
The Department separates its strategic responsibilities and priorities into six operational groups (business segments), one of which (ESFA) is also an executive agency of the Department. We have organised performance reporting in this ARA to present information in a consistent approach based on operational groups to improve clarity and readability to users of the ARA.

The lowest level of financial information presented in this ARA is the sub-consolidation of the core Department and its three Agencies, presented as "Department & Agencies". The full consolidation ("Group") is the core Department and Agencies together with the NDPBs named above and in note 24.

At the year end, the operational groups had the following responsibilities:

Business Group	Responsibilities	Contributing bodies
Social Care, Mobility and Disadvantage Group (SCMD)	Overall responsibility for oversight of social care, mobility and disadvantage, including: • promoting outcomes of disadvantaged pupils and young people • development and delivery of the special educational needs and disabilities (SEND) strategy • delivering major reforms to children's social care • increasing social mobility through Opportunity Areas around the country • management of the private offices for the Secretary of State, ministers and the Permanent Secretary • management of the communications directorate including the ministerial and public communications division	OCC SMC SWE

The business group changed its name to Children's Services, Communications and Strategy Group (CSCSG) after the year end. For the purposes of this ARA we will continue to use the name the business group used during the financial year.

Business Group	Responsibilities	Contributing bodies
Early Years and Schools Group (EYSG) 	Responsibility and oversight for early years and schools, including: • early years • academies, free schools and regional delivery • the curriculum and qualifications • school accountability and safeguarding • supply and retention in the teaching workforce • school funding, policy, analysis and infrastructure • school strategy	Office of the Schools Adjudicator STA STRB TRA
Higher Education and Further Education Group (HEFE) 	Overall responsibility for oversight of higher education, further education and international education, including: • student finance • funding for 6th forms and the adult education budget • careers advice • student choice • implementing the higher education primary legislation • the Post-18 Review • EU Exit and deal implementation • bilateral education partnerships and multilateral representation	CITB ECITB FITB OfS SLC

Business Group	Responsibilities	Contributing bodies
Education and Skills Funding Agency (ESFA)	Responsibility for supporting education and skills through operational delivery, expert grant allocations and impactful market oversight, including: • funding of independent training providers • correct and timely allocation of block funding across education providers • provision of assurance around how Group funds are deployed • oversight and intervention in respect of financial and governance matters • delivery of technical and vocational education qualification reforms • to enable all employers in England to recruit and manage the apprentices they need to meet their skills needs • National Careers Service	IFATE
COVID Response and Recovery Group (CRRG)	Overall responsibility for: • the co-ordination of the Department's COVID-19 approach, working closely with colleagues in SCMD, EYSG and HEFE • leading the response and recovery priorities for COVID-19 in schools	None
Operations Group	Overall responsibility for: • ensuring the Department is sufficiently resourced (people, data/information, finance and IT) and organised to deliver its business objectives • ensuring that efficient and effective systems and processes, driven by customer needs, underpin our services • delivering the Department's objectives for the school estate so that all children can access a good school place and learn in good quality, safe environments	LocatED Aggregator Vehicle PLC

Financial review of the year

Introduction

The priority for this year has been to ensure that we have a tight grip on Group finances in light of pressures due to COVID-19, and are able to demonstrate our ongoing commitment to delivering value for money in everything we do, whilst continuing to support education providers in these exceptional times.

This review will focus on the financial performance achieved by the Group in 2020-21 including a focus on:

- significant events that occurred during the year
- financial outturn

Significant events

EU Exit

During the financial year the Group continued to loan staff to other government departments to support work on EU Exit during and after the transition period expired.

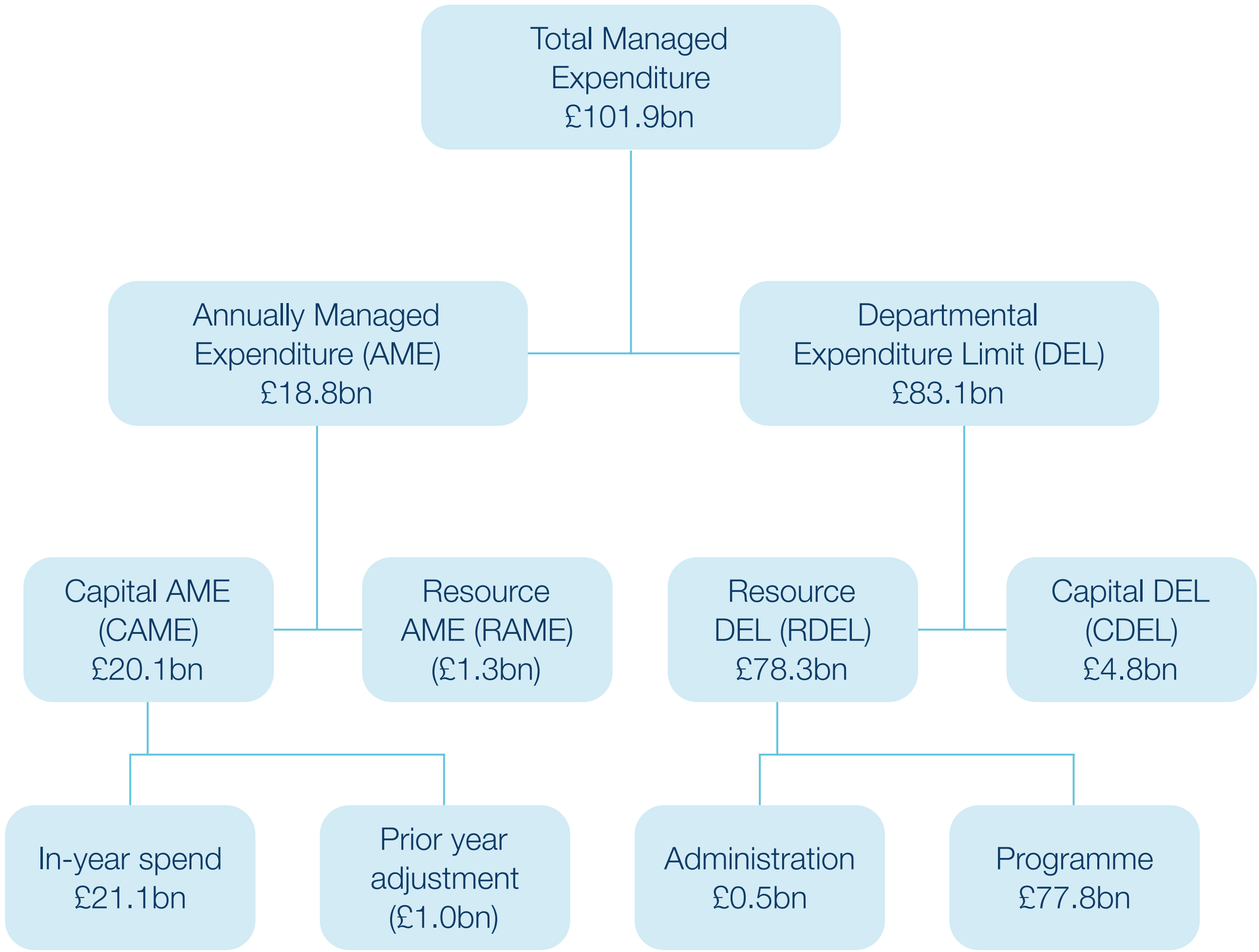
COVID-19

The Group is actively supporting the education and children's social care sectors through COVID-19. This has included supporting the initial closure of a majority of education settings, whilst others remained open to support vulnerable and keyworker children.

COVID-19 has had a significant and well-documented impact on the economy post-year end. The lower longer-term economic forecasts have depressed the carrying value of the Group's student loans through its impact on graduate employment prospects and earning potential. Note 13.4 has more information.

Outturn by budget type

The following diagram and table explain the different budgets managed by the Department and their purpose. The balances provided below are the actual outturn for the year with figures in brackets representing income. Summary explanations of the budget types are provided below. For more detailed explanations see HMT's *Consolidated Budgeting Guidance*.


Total Managed Expenditure £101.9bn
Annually Managed Expenditure (AME) £18.8bn
Departmental Expenditure Limit (DEL) £83.1bn
Capital AME (CAME) £20.1bn
Resource AME (RAME) (£1.3bn)
Resource DEL (RDEL) £78.3bn
Capital DEL (CDEL) £4.8bn
In-year spend £21.1bn
Prior year adjustment (£1.0bn)
Administration £0.5bn
Programme £77.8bn

Budget type	Summary description
TME	Total Managed Expenditure (TME) – the total amount that the Group spends. TME is split into two categories: DEL and AME, which in turn consist of resource and capital sub-divisions.
DEL	Departmental Expenditure Limit (DEL) – captures spending that is subject to limits in the Spending Review, which departments may not exceed. DEL budgets are firm, planned annual budgets set for multi-year Spending Review periods. DEL is the default budgetary category for spending. DEL budgets are split into resource and capital budgets.
AME	Annually Managed Expenditure (AME) – captures spending that is subject to HMT control. AME budgets are volatile or demand-led in a way that the Department cannot fully control. The majority of the Group's AME expenditure is derived from student loans. AME budgets are split into resource and capital budgets.
Resource	Resource budgets capture current expenditure (including depreciation, which is the current cost associated with fixed assets). It is paramount for HMT to retain control over the level of current spending. Within the resource budget some transactions will have an immediate or near-immediate impact on fiscal aggregates, for example pay and procurement. Other transactions will only have an effect in future periods, for example the take-up of provisions. Resource budgets are further split between programme and administration budgets.
Capital	Capital budgets capture new investment and financial transactions. It is important to control capital budgets alongside resource budgets because spending in this budget increases public sector net debt and government's borrowing requirements. Capital budgets are wholly programme.
Programme	Programme budgets capture expenditure on front-line services such as schools, colleges and social work.
Admin	Administration budgets comprise non-programme spending; which covers the running costs of the Group including back office staff, buildings, depreciation and ICT.
RDEL	Resource DEL is current expenditure in DEL, which can be split between programme and admin.
CDEL	Capital DEL is spending on assets and investment such as colleges, universities and schools.
RAME	Resource AME budgets include effective interest on student loans, non-cash costs of provisions and for budgetary purposes only, costs of provisions and resource costs of levy bodies.
CAME	Capital AME budgets cover student loan origination, repayments and capitalised interest, plus the capital cost of levy bodies.
Prior year adjustment	Outturn that is recognised in this year's TME but is accounted for by restating last year's balances reported in the financial statements. More details of the restatement can be found in note 2.

2020-21 financial outturn

In 2020-21 the Department's TME limit was £115.5 billion (2019-20: £107.5 billion) against which the Group spent a total of £101.9 billion (2019-20: £103.5 billion). The table below shows the Group's performance against its 2020-21 control totals as agreed by Parliament in the 2020-21 Supplementary Estimates.[4]

		2020-21				2019-20
Type of spend	**Estimate**	**Outturn**	**Variance**	**Estimate**	**Outturn**	**Variance**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Departmental Expenditure Limit	**92,626**	**83,109**	**9,517**	**85,853**	**84,274**	**1,579**
Resource	87,248	78,279	8,969	80,941	79,410	1,531
Programme	*86,720*	*77,770*	*8,950*	*80,432*	*78,920*	*1,512*
Admin	*528*	*509*	*19*	*509*	*490*	*19*
Capital	5,378	4,830	548	4,912	4,864	48
Annually Managed Expenditure	**22,920**	**18,818**	**4,102**	**21,650**	**19,243**	**2,407**
Resource	4	(1,291)	1,295	(889)	(1,739)	850
Capital						
in-year spend	22,916	21,144	1,772	22,539	20,982	1,557
prior year adjustment	-	(1,035)	1,035	-	-	-
Total Managed Expenditure	**115,546**	**101,927**	**13,619**	**107,503**	**103,517**	**3,986**

The table above is a summary of the more detailed analysis of outturn to Estimate presented in the audited Statement of Outturn against Parliamentary Supply (SOPS), and associated notes (see pages 156-165). The SOPS is the primary element of Parliamentary accountability by comparing actual performance (outturn) with expected activities (Estimate) authorised through the Parliamentary voted totals (controls totals) process.

As shown in the table above the Group underspent by £13.6 billion across all budget categories, with the bulk of the underspend being in Resource DEL programme – £9.0 billion. Across the next pages we provide more detail by budget category about in-year Estimate to outturn variances and also across the last five years.

At Supplementary Estimates the Department secured a £19.5 billion uplift to authorised spending. The majority of the increase (£15.2 billion) was allocated to Resource DEL programme, with £4.0 billion of the remaining uplift given to Resource AME. The Department explained the changes to budgets and expected spending at Supplementary Estimates to the Education Select Committee.[5]

4 https://www.gov.uk/government/publications/supplementary-estimates-2020-21
5 https://committees.parliament.uk/publications/4771/documents/48189/default/

Discussion on in-year Estimate to outturn variances

Resource DEL Programme

As noted above, the Department secured an uplift of £15.2 billion at Supplementary Estimates for Resource DEL programme, of which £13.6 billion was ring-fenced for student loan impairment costs. The remaining £1.6 billion uplift was to support our COVID-19 response. The large student loan increase is an annual movement at Supplementary Estimates because the Department is unable to forecast the student loan year end position in time for inclusion at the Main Estimates.

Note S1.1 (from page 158) breaks down the overall Resource DEL underspend of £8,969 million by Estimates lines which approximate operational areas. The overall underspend can be split further between DEL-programme (£8,950 million) and DEL-admin (£19 million). Of the overall underspend, £8,024 million (before and after virements) is held by the Higher Education Estimates line which is driven by student loan impairment. The remaining £945 million underspend is mostly in the EYSG (£335 million before and after virements) and ESFA (£400 million before and after virements) Estimates lines. The EYSG and ESFA underspends are the result of lower demand than expected for COVID-19 responses; which for ESFA presented as lower apprenticeship demand.

Calculating student loan valuations, for either year end accounting purposes (note 13) or to support the Estimates claim, is inherently difficult and different to commercial loan portfolios. Unlike commercial mortgage books (similar in duration) the student loan portfolios do not have stable monthly contract repayments allowing for easily modelled repayment profiles. Instead, student loan repayments are sensitive to economic conditions such as employment levels, RPI and salary growth; all of which drive expected repayments through the PAYE system. None of the year end valuation inputs are known to the Department to support either Estimates process (Mains or Supplementary).

In addition, the very large size of the student loan portfolio (£157 billion face value, note 13.2) also brings with it problems. Whilst the Department recognises student loans at fair value, annual costs such as impairment or capitalised interest are based on the face value balances. So even if the percentage movement in a valuation input is minimal, the size of the portfolio's face value means that the overall budgeting Estimate or accounting value can be very large, with the ability to drive large variances of Estimates to outturn. See note 13.4 for more explanation on valuation model input sensitivities; and note 9 records the annual movement in fair value.

Consequently, the Department is prudent when it prepares its Supplementary Estimates claim for spending cover for student loan balances across all budget categories. Hence large year end Estimate to outturn variances are typically a product of over prudence and do not indicate a lack of control over the accounting values.

Resource DEL Admin

The underspend of £19 million is primarily driven by unused budget cover ring-fenced for depreciation and impairment. Further underspends (mainly travel and subsistence, and recruitment) materialised across other expenditure lines as a result of COVID-19 and the lockdowns on normal business operations.

Capital DEL

The underspend of £547 million is primarily due to a combination of unused budget cover made available at Supplementary Estimates to cover higher education restructuring (loan funding that may be required for higher education providers) and the purchase of Get Help with Technology devices. Capital spend was also lower than anticipated on a number of capital programmes due to changes in delivery timelines where spending spans more than one financial year.

Resource AME

As shown in note S1.1, the Group reported an overall underspend of £1,295 million, of which £1,180 million was found in the Estimates Higher Education line, other lines' variances were immaterial by contrast. The large higher education variance arose from too much income (£1,282 million) compared to an Estimate cover of £31 million. The split in SOPS and note S1.1 between gross (effective interest) and income (capitalised interest) is slightly disingenuous. Both types of balance relate to student loan interest recognised, the split is driven by how the balance is calculated. Interest income (£4,603 million) is that capitalised to loan balances (which is also reported against Capital AME from the increase to loan principal balances); whereas most of the gross element (£3,310 million) is a bookkeeping entry to follow the required budgetary treatment.

As noted above, the Department secured £4 billion at Supplementary Estimates for student loan interest income. The difficulties described above in Resource DEL also apply to forecasting student loan interest income which are categorised as Resource AME. The year end Estimates to outturn variance is predominantly an over prudent Estimates claim.

Capital AME

The underspend of £1,772 million is a result of unused budget cover set aside at Supplementary Estimates to cover the difficulties in forecasting student loan principal movements (loan advances, capitalised interest and repayments). The higher education Estimates line had an underspend of £1,770 million, compared to the overall underspend of £1,772 million. These year end balances are dependent on macroeconomic forecasts, published by the Office for Budgetary Responsibility (OBR) after Supplementary Estimates are finalised; which leads the Department to be prudent in its budgeting.

A prior year adjustment was recognised in 2020-21 in relation to student loan capitalised interest. Whilst the error was corrected in 2019-20 comparative balances through a restatement (see notes 2 and 13), the effects on the Group's performance against budgets are recognised in-year. The error was valued at £1,035 million which has been recognised in this year's outturn above. The impact on budgets did not cause a breach or Excess Vote since it represented an outturn underspend against Estimate.

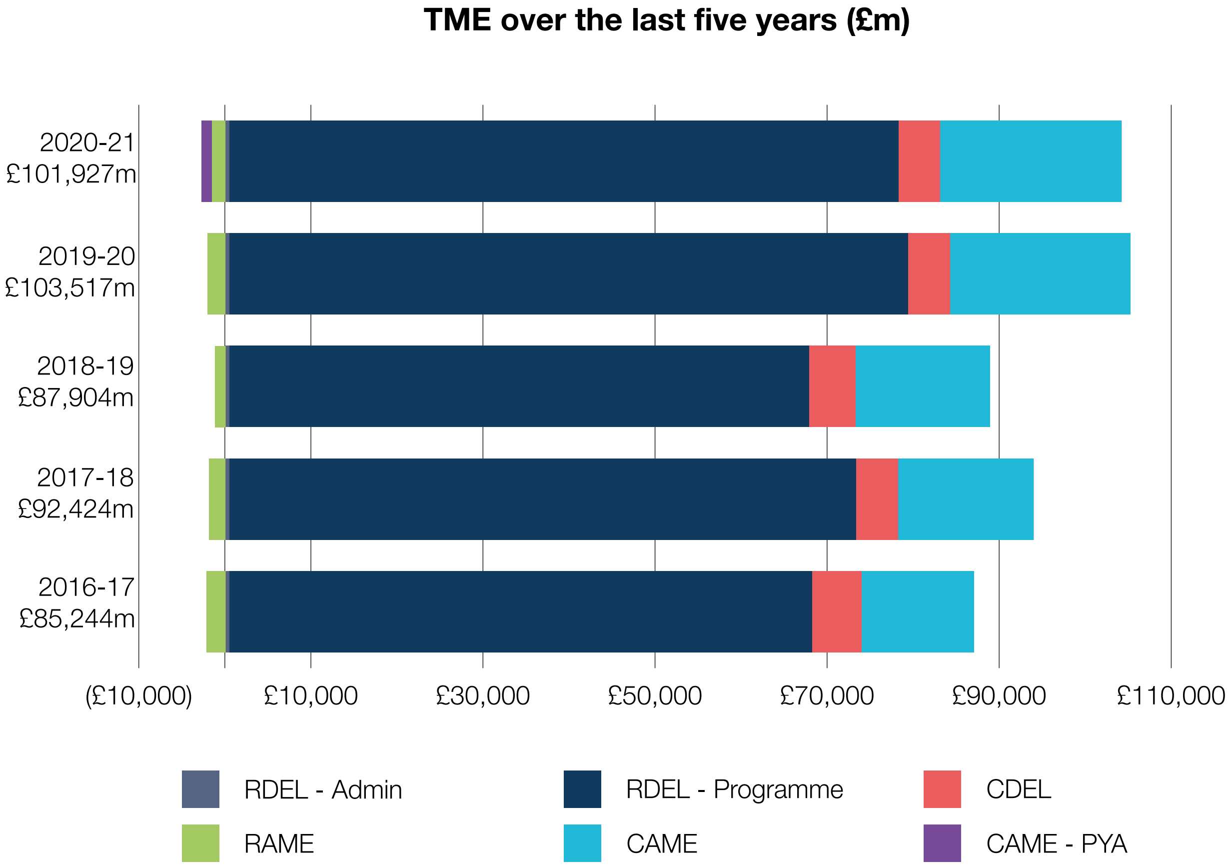
Trends in TME

The table and charts below present a five year summary of the movements in the Group's outturn analysed by budget type. The table and charts are summarised versions of the detailed Core Tables presented in annex C, from page 264.

In recognition of the impact of student loans on specific budget types, the Group's financial performance presented below has been split between non-student loan activities and student loan activities. Student loan activities are judged to be the loans themselves and include loan advances, repayments and interest. Other costs incurred by the team managing student loans, such as payroll and debt sale liabilities, are included in non-student loan activities.

Type of spend	2020-21 Outturn £m	2019-20 Outturn £m	2018-19 Outturn £m	2017-18 Outturn £m	2016-17 Outturn £m
Departmental Expenditure Limit					
Administration	**509**	**490**	**491**	**529**	**510**
non-student loan activities	*509*	*490*	*491*	*529*	*510*
student loan activities	-	-	-	-	-
Programme	**77,770**	**78,920**	**67,409**	**72,806**	**67,771**
non-student loan activities	*68,097*	*63,141*	*60,976*	*59,755*	*59,105*
student loan activities	*9,673*	*15,779*	*6,433*	*13,051*	*8,666*
Capital	**4,830**	**4,864**	**5,402**	**4,907**	**5,732**
non-student loan activities	*4,830*	*4,864*	*5,400*	*4,907*	*5,732*
student loan activities	-	-	*2*	-	-
Total DEL	**83,109**	**84,274**	**73,302**	**78,242**	**74,013**
non-student loan activities	*73,436*	*68,495*	*66,867*	*65,191*	*65,347*
student loan activities	*9,673*	*15,779*	*6,435*	*13,051*	*8,666*
Annually Managed Expenditure					
Resource	**(1,291)**	**(1,739)**	**(1,029)**	**(1,589)**	**(1,841)**
non-student loan activities	*(3)*	*(41)*	*(53)*	*63*	*47*
student loan activities	*(1,288)*	*(1,698)*	*(976)*	*(1,652)*	*(1,888)*
Capital	**20,109**	**20,982**	**15,631**	**15,771**	**13,072**
non-student loan activities	*(1)*	*18*	*2*	-	*(2)*
student loan activities					
in-year spend	*21,145*	*20,964*	*15,629*	*15,771*	*13,074*
prior year adjustment	*(1,035)*	-	-	-	-
Total AME	**18,818**	**19,243**	**14,602**	**14,182**	**11,231**
non-student loan activities	*(4)*	*(23)*	*(51)*	*63*	*45*
student loan activities	*18,822*	*19,266*	*14,653*	*14,119*	*11,186*
Total Managed Expenditure	**101,927**	**103,517**	**87,904**	**92,424**	**85,244**
non-student loan activities	*73,432*	*68,472*	*66,816*	*65,254*	*65,392*
student loan activities	*28,495*	*35,045*	*21,088*	*27,170*	*19,852*

Presenting the table graphically produces the following graph:

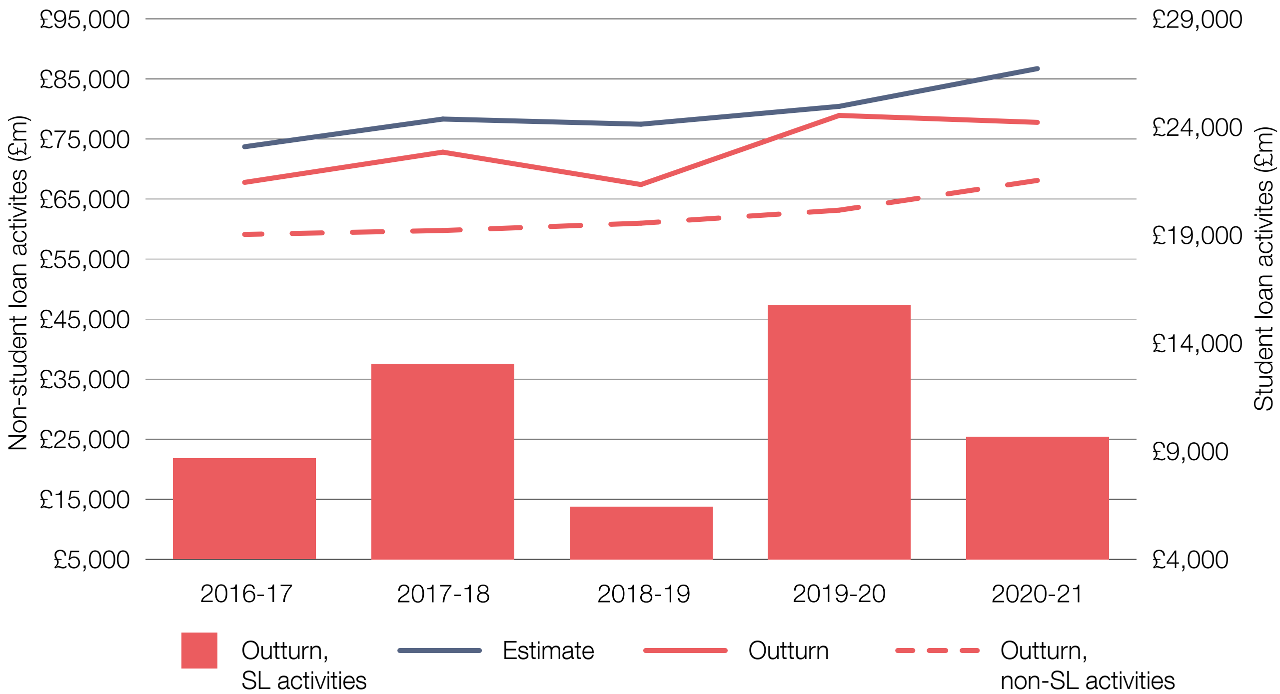


The next section provides an analysis of each of the main budget types across the last five years; with outturn split by non-student loan and student loan activities. Where one outturn type is negligible it has been removed from the graphs and commentary for simplification. Reporting units used on the graph axis vary across the graphs due to the range of spending across the budget types.

Resource DEL Programme

The graph below presents a comparison of Estimate to outturn for RDEL programme across the last five years. The outturn values have been split between non-student loan activities (left hand axis values) and student loan activities (right hand axis values).

Estimate to Outturn, 5-year comparison (£m)



Background

Programme spend represents the majority of the Group's spending to support its policy responsibilities across the education and children's social care sectors. Programme costs cover both cash grants to third parties and non-cash entries such as impairment and both student and non-student loan interest income.

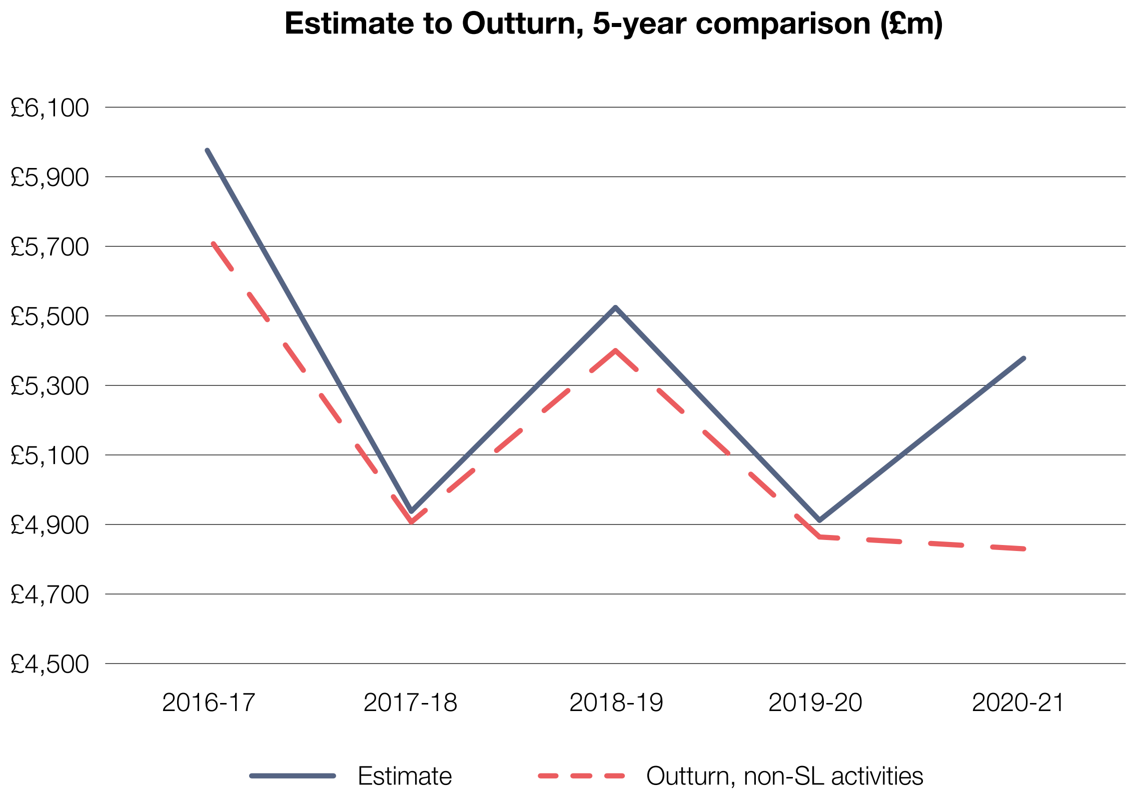
As shown in the graph above non-student loan activities have risen across the extended period from approximately £60 billion in 2016-17 to £68 billion this year. As expected the student loan outturn shows more volatility since outturn is dependent upon macro-economic conditions outside the control of the Group. The increase in 2019-20 was the result of COVID-19's impact on the economic forecasts applied to value student loans as at 31 March 2020. The economic assumptions applied to value the loan book as at 31 March 2020 were depressed due to COVID-19 resulting in a larger than normal impairment charge of £15.8 billion, compared to other years of approximately £8 billion. The smaller impairment uptick in 2017-18 was the result of policy changes, the most significant of which was the raising of the repayment threshold from £21,000 to £25,000. The increase in threshold reduced and delayed forecast repayments since it placed more borrowers in the non-repayment phase prior to their earnings breaching the repayment threshold. The lower forecast repayments drove a lower than previous carrying value through a higher than previous impairment cost.

The movement in student loan impairment is dependent on the year end student loan carrying value; which is itself dependent upon the OBR's macroeconomic forecasts, including earnings, RPI and the Bank of England base rate. All of these year end valuation inputs are published after Supplementary Estimates are finalised.

The timing means there is the risk that the economic forecasts used to drive the Estimates claim (which is reflected in budgets) will not match the actual economic scenarios used to calculate the year end loan carrying value.

Capital DEL

The graph below presents a comparison of Estimate to outturn for CDEL across the last five years. Since there is no meaningful CDEL spend on student loan activities, the graph below only presents non-student loan activities.



Background

The bulk of the Group's CDEL spend arises from our work improving the school estate; either through renovating existing buildings or funding the construction of new free schools. CDEL spend has remained broadly stable around the £5 billion mark. School estate programmes are generally multi-year programmes which provides a smoothed outcome across multiple financial years.

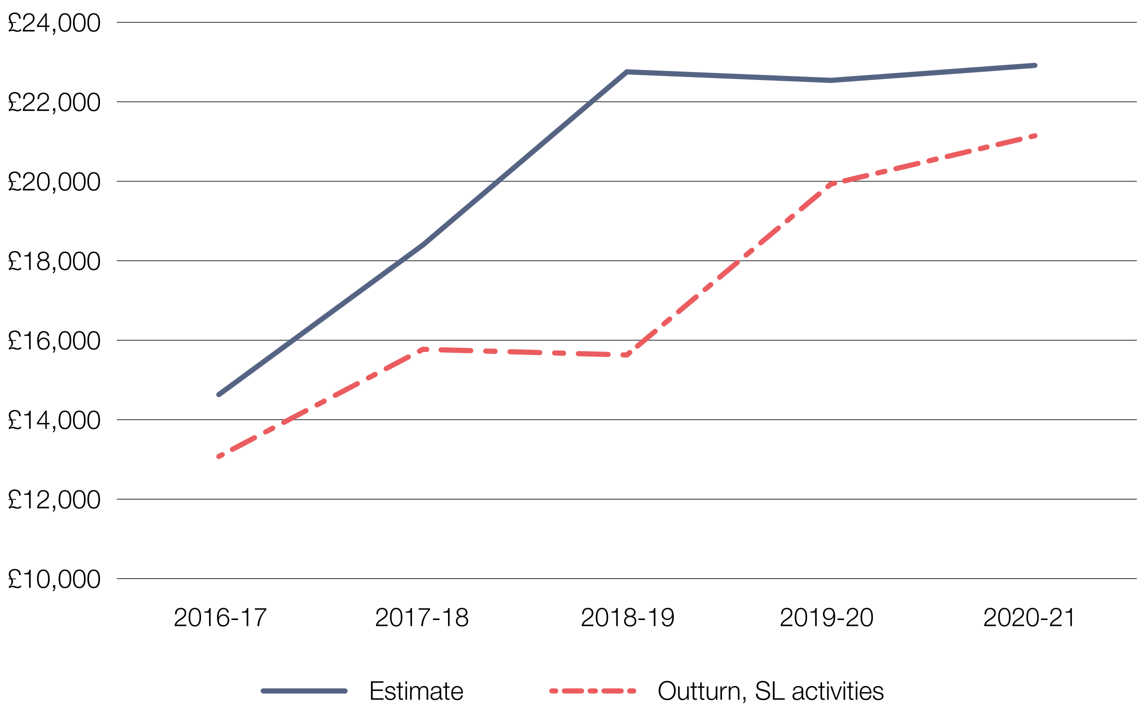
The uptick in Estimate in 2020-21 was to cover additional school condition spending and also our COVID-19 responses such as Get Help with Technology.

Part of the peak in 2018-19 was the purchase of a £100 million retention note as part of the student loan sale. The Group has retained a small interest in the sold student loans in compliance with securitisation regulations requiring loan originators to retain a small economic exposure to their sold assets.

Capital AME

The graph below presents a comparison of Estimate to outturn for CAME across the last five years. There is no meaningful CAME spend on non-student loan activities. Consequently, the graph below only presents student loan activities. In addition, the 2019-20 SL outturn balance has been reduced after including the £1,035 million prior year adjustment identified in 2020-21.

Estimate to Outturn, 5-year comparison (£m)



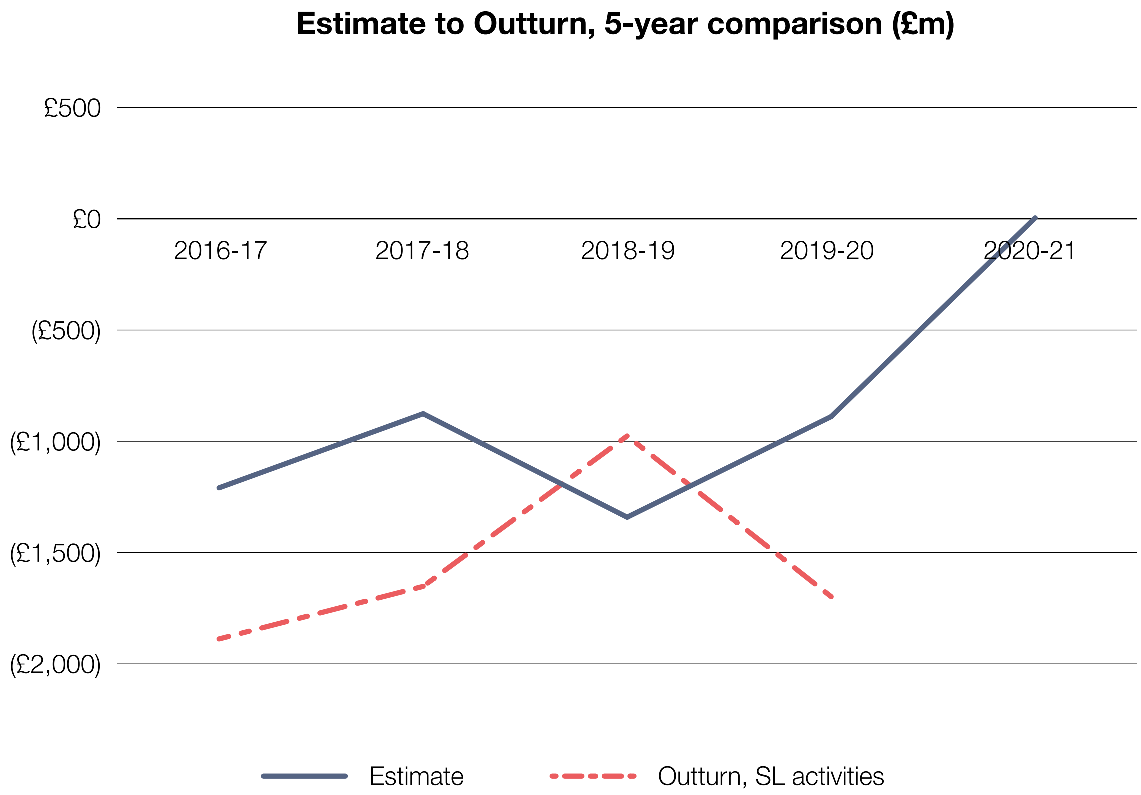
Background

The increase in CAME over the period (2015-16: £13.1 billion to 2020-21: £21.1 billion) has been driven by the student loan portfolio. CAME spend is the net increase in student loans (new loans, capitalised interest and repayments), so as the size of the higher education and further education sectors increase so will the Group's reported outturn.

The flat move between 2017-18 and 2018-19 was caused by the £3 billion loan sale disposal that depressed the CAME outturn. Without this movement the 2018-19 CAME balance moves to be on trend across the four years to 2019-20.

Resource AME

The graph below presents a comparison of Estimate to outturn for RAME across the last five years. Since there is no meaningful RAME spend on non-student loan activities only student loan outturn is presented below.



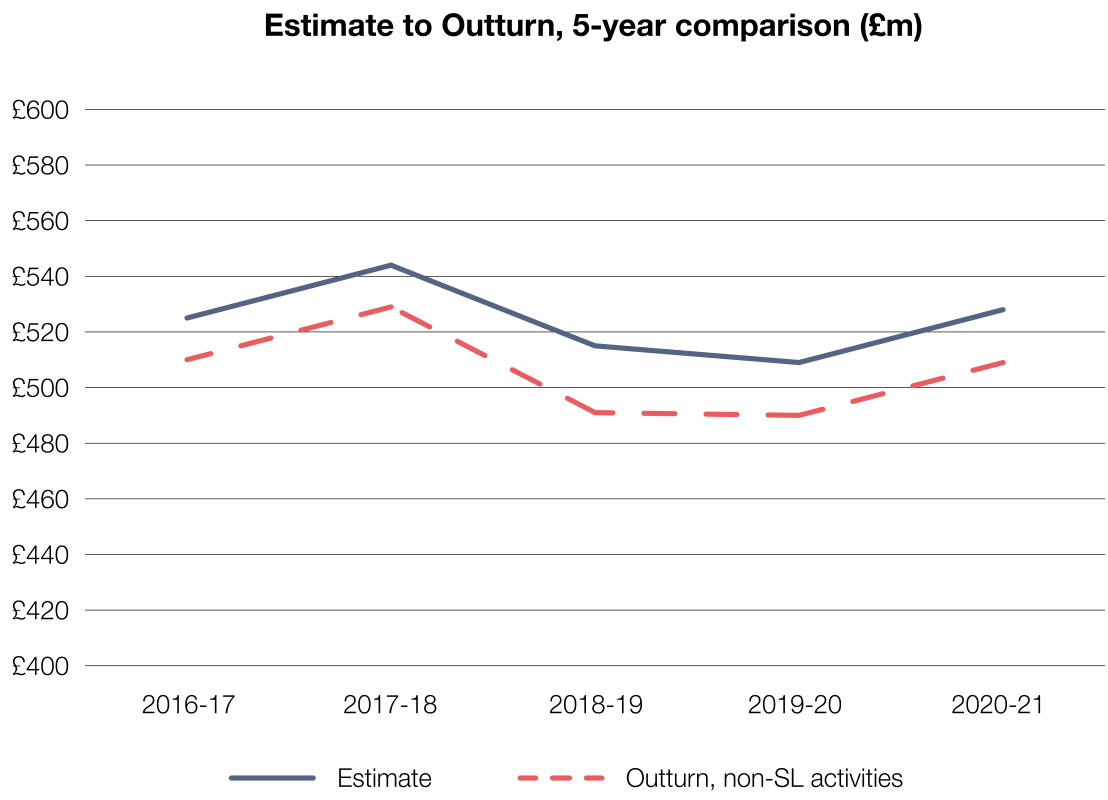
Background

The overall negative RAME balances (income) reported above are driven by student loan interest income which swamps the Group's levy-funded bodies (CITB and ECITB) which report all of their activities as AME.

In 2018-19 the Group recognised a breach in RAME, outturn was larger than Estimate. The Group incurred an excess of Resource AME because there was an unexpected downward movement in the RPI used to calculate that year's student loan balances against the RPI forecast by the OBR that was used to set the budget for the assets in the Supplementary Estimate. The change in RPI had an impact on student loan effective interest income, which continues to be recognised for budgetary purposes for student loans. This meant there was a lower level of effective interest created than expected which gave rise to the higher control total.

Resource DEL Admin

The graph below presents a comparison of Estimate to outturn for RDEL Admin across the last five years. Since there is no meaningful Admin spend on student loan activities, the graph below only presents non-student loan admin activities.



Background

The Admin budget supports the cost of running the Group, and is strictly controlled by both the Department and HMT, and is by far the smallest budget allocation provided to the Group. The budget has remained broadly stable across the last five years from a high of £529 million (2017-18) to the low of £490 million (2019-20).

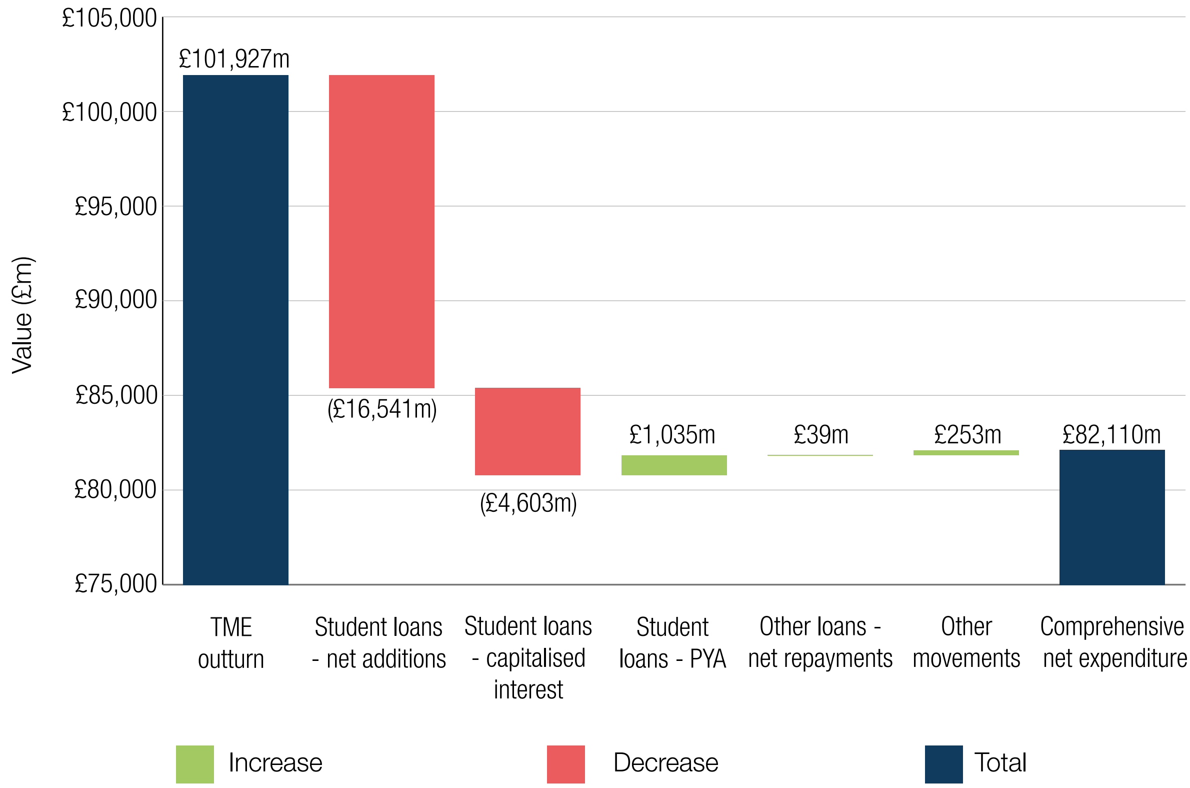
Reconciliation to financial statements

The table below presents a high level reconciliation between TME (Estimates/budgeting framework) and net expenditure for the year (accounting framework). The TME total includes all areas of spend that are reported against budgets, which will include spending that is posted to just SoFP, or both the SoCNE and SoFP. Owing to the size of the student loan portfolio, the most significant part of the reconciliation is student loan movements. There are two separate types of reconciling items here:

- the first is spend that is only recognised on SoFP so needs to be removed from TME to align to SoCNE; which covers student loan additions and repayments
- the second is to partially remove spend that is double counted in TME to allow for the single recognition in SoCNE; which includes fair value movements that are reported against both their SoCNE (cost) and SoFP (reduce asset values) entries

As well as the expected reconciling items we also have in 2020-21 the prior year adjustment that is recognised in TME. As noted more fully in notes 2 and 13, the prior year adjustment has not had any significant impact on balances reported in the financial statements. The effect of the adjustment is limited to the face value of student loans which is not presented in the financial statements; student loans are carried at fair value.

2020-21 reconciliation of TME outturn to net expenditure



Explanatory note on student loans

Valuations

Student loans are recognised in these financial statements at fair value, the calculation of which includes external factors such as the state of the economy now and during the long life of the loans. Economic strength influences the valuation through multiple factors such as forecast graduate salaries which directly influence the numbers of borrowers who earn more than the repayment threshold. There are also longer-term impacts such as salary growth, that will drive repayment levels over the period of the loans.

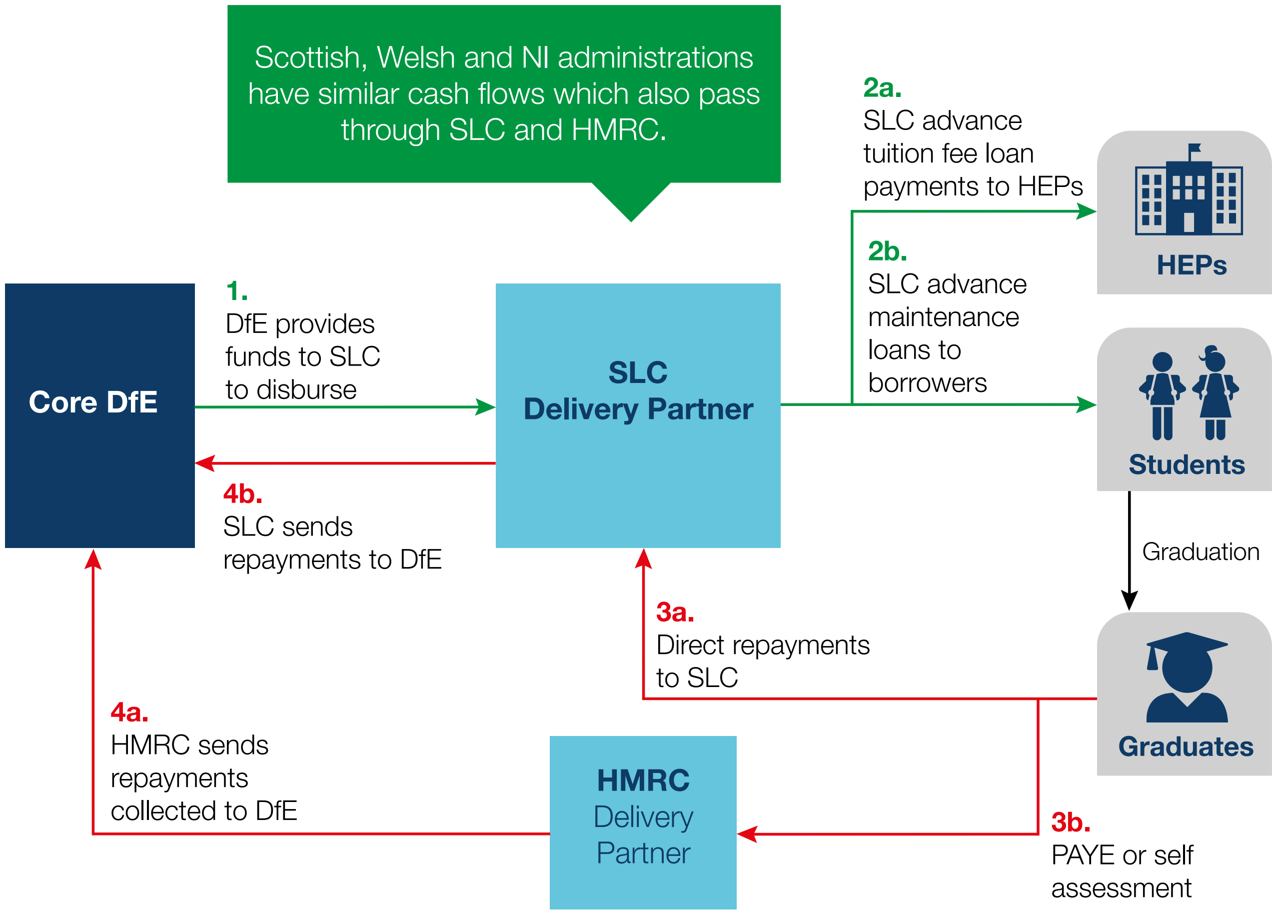
Notes 1.3.5 and 13.4 provide more information as to how the student loan valuation is performed.

Cash flows

Student loan cash flows and related accounting are complex and involve several Group bodies and other public sector bodies. To improve understanding the graphic below shows the cash flows generated by the origination and repayment of student loans between the Department, SLC, HMRC, students and higher education providers (HEPs).

SLC administers student loans for the Department – issuing tuition fee funds to HEPs (on behalf of borrowers) and maintenance loans and grants directly to borrowers. SLC also administers student loan portfolios for the Scottish, Welsh and Northern Irish devolved administrations.

Student loan repayments made by borrowers are mainly collected by HMRC through the tax system (PAYE/self-assessment), with loan repayments then being passed on to the Department. Direct repayments may also be made to SLC through voluntary repayments, and SLC collects repayments directly from borrowers living overseas. Acting as loan servicer, SLC forwards the direct repayments collected onto the Department and updates borrowers' loan accounts with the latest information on repayments collected by HMRC or directly by SLC itself.



Performance analysis

The Performance Analysis section of the ARA sets out in greater detail than the previous overview the Group's performance against its objectives. We report performance by business group to follow operational reporting lines. COVID-19 measures are reported under the CRRG even though spend has been retained in the underlying business group. As well as financial performance, we also include non-financial performance under a separate heading.

Our vision

World-class education, training and care for everyone, whatever their background.

Our priorities

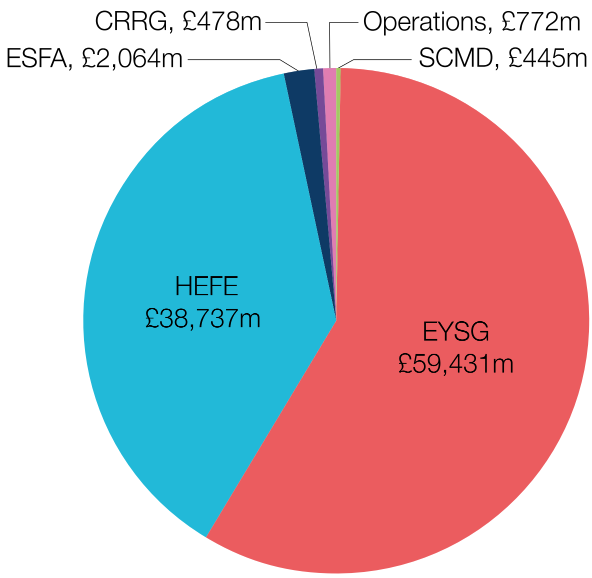
The Department did not publish a single departmental plan for 2020-21, HMT allowed departments to forgo publishing plans to free up space for COVID-19 responses. As well as focusing on COVID-19 and EU Exit, we have continued to address four long standing strategic priorities which also framed our 2020 Spending Review settlement, which are as follows:

- **driving economic growth**: through improving the skills pipeline, levelling up productivity and supporting people to work
- **boosting and levelling up education standards**: so that children and young people in every part of the country are prepared with the knowledge, skills and qualifications they need
- **support for the most disadvantaged and vulnerable**: to maximise opportunity and reduce dependency, supported by high quality local services
- **providing the best start in life**: high-quality early education and childcare to raise standards and help parents to work

Outturn by business group

The figure below shows the amount spent by each of the Department's six business groups. This section provides commentary to support the financial statements and the Group's performance during the past year and should be read in conjunction with the financial statements (including notes) that are set out from page 183.

2020-21 TME (£101,927m) split by business group



Note 3 details total outturn (spend as shown in the Statement of Outturn against Parliamentary Supply and calculated under the budgetary framework) by operating segment. The note also reconciles segmental outturn to segmental net expenditure as calculated in the financial statements and notes 4-9 set out expenditure and income in detail.

Performance against our priorities

The Group's activities are aligned by the strategic outcomes described above, but action against those aims is managed through the Group's six business groups. Below we describe the outcomes reached this year against our delivery areas organised by business segment.

Impact of COVID-19

Resource spending (RDEL-programme)

Response measure	Business group	Additional Estimates budget	Existing Group budget	Group Outturn (see note 7)
		£m	£m	£m
Home to school transport	EYSG	158	-	99
Free school meals vouchers and funding	EYSG	653	-	475
Education catch-up:				
universal catch-up	CRRG	249	90	376
16-19 tuition	HEFE	37		
National Tutoring Programme	CRRG	77	7	84
(Nuffield) Early Language Intervention	EYSG	6	2	8
Plan for jobs (skills recovery package):				
National Careers Service	ESFA	7	-	7
traineeships	ESFA	72	-	-
18-19 classroom offer	ESFA	47	-	-
sector-based work academies	ESFA	17	-	-
HE restructuring	HEFE	35	-	-
Free school meals supplementary grant	EYSG	116	-	116
Holiday activity funding	EYSG	20	-	20
Exam contingency	CRRG	6		-
Keeping schools/colleges open (workforce):				
schools	EYSG	60	-	6
colleges	HEFE	5	-	-
Vulnerable children and young people charities funding (Family Fund Trust)	SCMD	16	-	14
Higher education hardship funding	HEFE	70	-	68
Exceptional costs incurred by schools in response to COVID-19	EYSG	-	139	139
Post-16 core funding	HEFE	-	69	69
Universal free school meals	ESFA	-	50	50
Apprentices	ESFA	-	44	44
Adult education budget	HEFE	-	14	14
Additional teaching fund	HEFE	-	10	10
Train to retain (ECITB)	HEFE	-	9	9
Wellbeing for education return (mental health)	EYSG	-	8	8
Adoption support funding	SCMD	-	7	7
Free school meals: bursary funding	HEFE	-	7	7
Initial teacher training retrieval placements	EYSG	-	7	7
Unaccompanied asylum seeking children funding	SCMD	-	6	6

Response measure	Business group	Additional Estimates budget	Existing Group budget	Group Outturn (see note 7)
		£m	£m	£m
EdTech	Operations	-	6	6
Voluntary adoption agencies support	SCMD	-	5	5
Oak National Academy	EYSG	-	4	4
Other	Mixed	-	15	15
		1,651	**499**	**1,673**

Capital spending (CDEL)

Response measure	Business group	Additional Estimates budget	Existing Group budget	Group Outturn (see note 7)
		£m	£m	£m
HE restructuring	HEFE	260	-	-
Get Help with Technology	Operations	100	374	374
Student number controls	HEFE	-	10	10
		360	**384**	**384**

The two tables above provide an analysis of the cost of the Group's COVID-19 responses split between additional funds supplied through Supplementary Estimates (column headed "Additional Estimates budget") and budgets previously agreed at Spending Review (column headed "Existing Group budget"). Where the outturn exceeds the funds agreed at Supplementary Estimates, the additional cost was absorbed by existing budgets when the spending was judged to be appropriate by management. More details of Group outturn is provided in notes 6 and 7.

In addition to £374 million expense for Get Help with Technology disclosed above and in note 7, the Group also incurred £14 million on devices that were not distributed as at the year end. Such cost and devices are recognised as inventory as at the year end.

The Group was restricted in its use of the additional funds, each portion could only be applied to the named response measures. As can be seen from the tables, demand for a number of response measures did not materialise. Unused additional funds were not disbursed and were returned to HMT for use elsewhere across the wider government responses.

The Department's bid at Supplementary Estimates was finalised early in 2021 before the vaccine roll-out gained pace and at the start of the third lockdown. The Department's bid for additional funds was based on a worse expectation of COVID-19's impact than actually transpired. Consequently, some responses such as HE restructuring were not required because COVID-19 did not the weaken the HE sector as feared at the turn of the year.

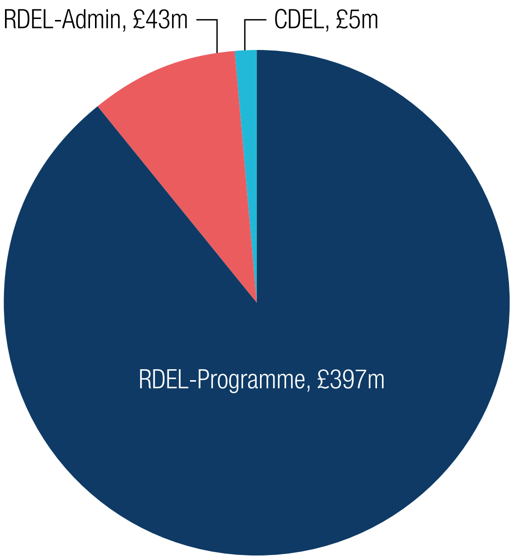
Social Care, Mobility and Disadvantage Group

Director General – Indra Morris

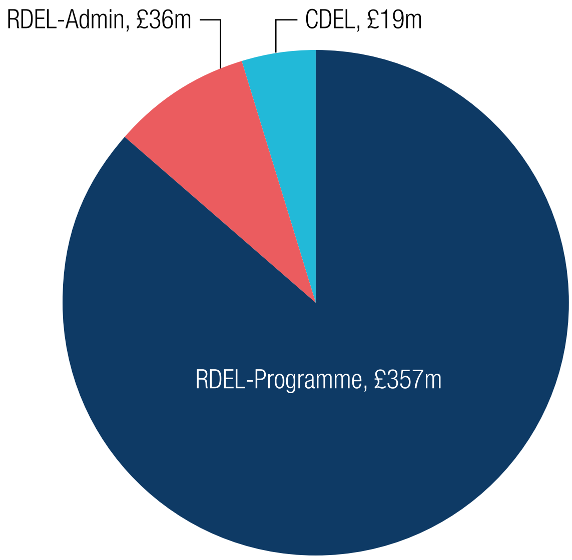
Responsible for leading work to deliver major reforms to children's social care and increasing social mobility through Opportunity Areas around the country. SCMD is also responsible for providing essential corporate services including overseeing ministers' private offices, communications and department of state functions.

Analysis of outturn

2020-21 Outturn - £445m



2019-20 Outturn - £412m



COVID-19 response

£23 million was allocated to projects in response to COVID-19. This provided support to:

- the Vulnerable Children National Charities Strategic Relief Fund[6] to support national charities who provided critical frontline services affected by the pandemic and who experienced financial hardship delivered through the voluntary and community sector, including:
  - £14 million to the Family Fund Trust to help low-income families with severely disabled children
  - £4 million to boost the capacity of Childline to receive calls from children and young people and to boost the NSPCC adult helpline to ensure additional call volumes arising as a result of the pandemic could be met
  - £5 million to support voluntary adoption agencies to continue to play their important role in the adoption system

The Alternative Provision Transition Fund[7] was launched in June 2020 to support Year 11 pupils make the transition from secondary school into post-16 education, work or training. Only £2.8 million of the £7 million fund was spent as providers had little time to use the fund before the end of the 2019/20 academic year. However, HMT has approved £8 million in the 2020/21 academic year to allow providers to continue to access the fund.

£7 million from the existing Adoption Support Fund[8] were used to meet new pressures arising from the pandemic for families within the adoption system, reflecting the extra pressures on families as a result of a range of restrictions put in place.

Key outcome: Support for the most disadvantaged and vulnerable

Social work improvement

Social workers directly support the most disadvantaged and vulnerable children in society. During 2020-21:

- the Group's professional regulator, Social Work England, completed its first full year of operations
- fast track programmes to recruit social workers attracted over 1,100 high quality participants
- 23 teaching partnerships covering 113 local authorities and 54 higher education institutes continued to strengthen training for social work students
- supported 3,000 new social workers in the first year of practice
- trained 660 practice supervisors to lead effective social work practice
- launched the 'Upon' programme aimed at increasing the pool of future Directors of Children's Services

The Department invested £29 million to work with local authorities where children's services were inadequate or at risk of failing, in order to rapidly improve the social care given to vulnerable children and families. 26 local authorities received support from improvement experts and 12 received direct grants to accelerate their improvement plans.

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6 https://www.gov.uk/government/publications/vulnerable-children-national-charities-strategic-relief-fund/vulnerable-children-national-charities-strategic-relief-fund-prospectus
7 https://www.gov.uk/government/news/7-million-for-vulnerable-pupils-leaving-alternative-provision
8 https://www.gov.uk/government/news/covid-19-adoption-support-fund-scheme-to-help-vulnerable-families

Care leavers

The Group continued to prioritise support to improve the outcomes of young people leaving care, including providing additional support to help care leavers meet the challenges resulting from the pandemic.

The cross-government Care Leaver Covenant Board continued to drive improved outcomes for this vulnerable group of young people by providing funding of over £47 million to:

- Staying Put and Staying Close, programmes that provide a more gradual and supported transition for those leaving foster care and children's homes
- provide extra support to care leavers at risk of rough sleeping
- fund the care leaver covenant where organisations from the private and voluntary sectors provide support to care leavers aged 16-25 to help them live independently

During the year, over 250 care leavers gained paid internships through the Civil Service Care Leaver Internship Scheme. These are aimed at helping care leavers to develop skills and competencies that support them into long-term jobs.

Children's Commissioner

In December 2020, the Secretary of State announced the appointment of Dame Rachel de Souza as the next Children's Commissioner for England. She took up her post in March 2021 and replaced Anne Longfield OBE who held the post since 2015. The Secretary of State thanked Anne Longfield for all her work and dedication over almost six years.

Dame Rachel de Souza has more than 25 years' experience working in education and has been at the heart of delivering academic and organisational changes across a multitude of different schools. Most recently she was the Chief Executive at Inspiration Trust, a multi-academy trust based in Norfolk and north Suffolk including 14 academies, which is recognised as one of the country's best comprehensive schools' groups with a reputation for turning around underperformance.

Key outcome: Boosting and levelling up education standards

Opportunity Areas

Since 2017, we have invested £72 million in the Opportunity Areas programme (OA) with an additional investment of £18 million this year to improve the life chances for children and young people in 12 of the most challenging areas of England.

Each OA has made significant investment in school improvement including teacher recruitment and retention, professional development and early years provision.

The programme continues to produce promising results. For example, phonic results for all pupils improved in 10 of the 12 OAs and early years outcomes for disadvantaged pupils improved in 9 of the 12 OAs.

The OAs are also involved in wider support programmes including mental health, attendance, and extra-curricular activities including during school holidays. These have had a positive impact; for example, expulsion rates have dropped dramatically in a number of OAs.

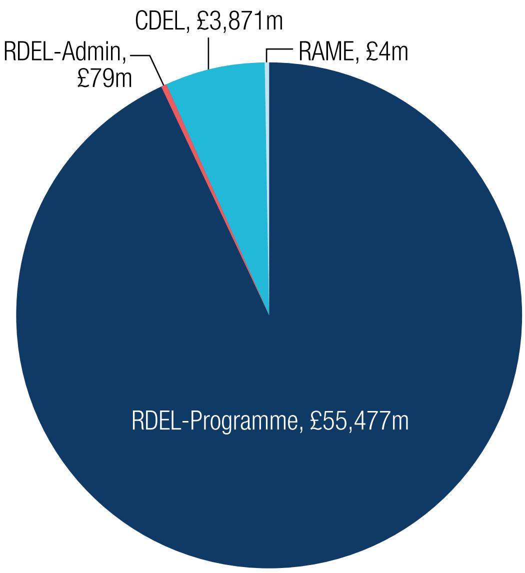
Early Years and Schools Group

Director General – Andrew McCulley

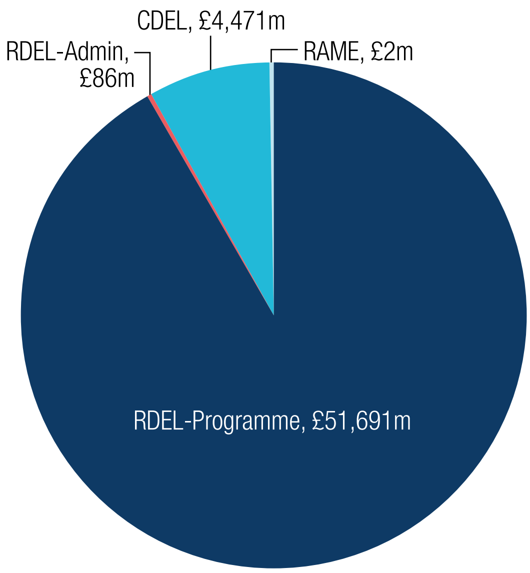
Responsible for funding the early years and schools system; supporting the sector to strengthen system and school leadership; reforming the curriculum; design and delivery of national curriculum tests; improving the supply and retention of talented teachers and leaders and ensuring effective oversight of academies and free schools through the work of Regional School Commissioners.

Analysis of outturn

2020-21 Outturn - £59,431m



2019-20 Outturn - £56,250m



The increase was due to additional funding to schools as a result of the exceptional costs they incurred related to COVID-19 like free school meals and school transport.

COVID-19 response

In March 2020, the Group oversaw the closure of around 72,000 early years childcare providers across England to all except vulnerable children and the children of keyworkers. This included 24,000 private, voluntary and independent settings, 39,400 registered childminders, 400 maintained nursery schools and 8,700 schools-based nurseries.

In June 2020, we supported the sector to return to full opening, and have continued to liaise closely with No.10, Cabinet Office, HMT, Department for Health and Social Care (DHSC) and Public Health England (PHE) to maintain this position, including legislative work.

National guidance and communications to local authorities and early years providers

Since March 2020, working across wider government, we have produced guidance (Actions for early years and childcare providers during the coronavirus (COVID-19) outbreak[9]) for all 151 local authorities and all early years providers in England comprising over 363,000 staff (covering both school and private early years providers) providing early years education to around 1.6 million children aged 0-4.

Thirteen major iterations of the guidance have been produced, supported by intensive sector communications to ensure changes are understood. The guidance is intended to support early years settings to manage provision during COVID-19.

National policy on testing and vaccination

The Department worked with DHSC, PHE and NHS Test and Trace on access to testing and vaccinations for early years staff to help prevent reduced early years provision, thereby enabling parents reliant on formal childcare to work, particularly critical workers.

During the year, to help early years staff we:

- secured their inclusion in the government's definition of 'essential workers' to ensure they were prioritised for access to the online portal for symptomatic testing
- secured home test kits for asymptomatic testing in 400 maintained nursery schools and 8,700 schools-based nurseries
- worked with local authorities to prioritise all 261,400 early years staff in 24,000 private, voluntary and independent settings and 47,900 childminders and assistants for asymptomatic testing via the Community Testing Programme[10]
- provided advice to DHSC for the Joint Committee on Vaccination and Immunisation on the consideration of early years provision when deciding prioritisation for the phased rollout of the COVID-19 vaccine, and advice to the sector to ensure a clear understanding of eligibility

Funding

The Department continued to pay funding to local authorities for the free entitlements for two, three and four-year-olds. This provided reassurance for early years settings in light of the pandemic and ensured sufficient settings would stay viable so parents who needed childcare were able to access it.

9 https://www.gov.uk/government/publications/coronavirus-covid-19-early-years-and-childcare-closures/actions-for-early-years-and-childcare-providers-during-the-coronavirus-covid-19-outbreak

10 https://www.gov.uk/government/publications/community-testing-explainer/community-testing-programme-areas

Eligibility for government childcare offers protected

We made some temporary changes to Tax-Free Childcare[11] and 30-hours free childcare[12] to protect the eligibility of parents and carers receiving government coronavirus support, and critical workers working above the maximum threshold, to ensure they were not disadvantaged by the pandemic.

Parents who temporarily did not meet the minimum income requirement for 30-hours and/or Tax-free Childcare as a consequence of the coronavirus outbreak were treated as eligible if they normally met the threshold and received support from a government coronavirus support scheme, such as the Coronavirus Job Retention Scheme.

We laid regulations to ensure critical workers who exceeded the maximum income threshold could continue using their 30-hours entitlement, up to a temporary limit of £150,000, for 2020-21.

Early language intervention

We invested over £8 million to improve the language skills of reception age children who needed it most during the 2020/21 academic year. Working with the Education Endowment Foundation, we provided training and resources for the Nuffield Early Language Intervention, free of charge to schools.

The primary aim of delivering the intervention was to prioritise the most disadvantaged schools, identified by above average free school meals (FSM) eligibility. 40% of state-funded primary schools were enrolled for the 2020/21 programme, 67% of which had above average FSM rates. Over 23,000 school staff were trained with a potential pupil reach of around 60,000.

School-to-school support

The Group worked closely with all schools, academy trusts and local authorities to respond to the impact of the COVID-19 pandemic. We offered a School-to-School Support offer, providing leadership support from system leaders to weak schools to help them overcome the challenges faced or exacerbated by the COVID-19 pandemic.

We invested over £1 million and provided support across a range of areas including:

- planning for and managing the wider re-opening of schools
- support or planning with remote education
- lost leadership capacity due to coronavirus circumstances
- how to use catch-up funding to address gaps in knowledge
- accessing the National Tutoring Programme
- support on overcoming the impact of coronavirus on teaching and learning

Wellbeing for education return

The Group recognises that the teaching workforce has had to deal with unprecedented challenges as a result of COVID-19 and is supporting schools to respond. In partnership with the sector, we have developed a staff wellbeing charter for the education sector which was published in May 2021.

Through the Wellbeing for Education Return, we invested £8 million in a training programme run by experts to tackle the impact of the pandemic on pupils, parents and staff. From June 2020 to March 2021 we also launched a £95,000 pilot to provide online peer-to-peer support and telephone supervision from experts to school leaders

11 https://www.gov.uk/tax-free-childcare
12 https://www.gov.uk/30-hours-free-childcare

led by Education Support[13], the mental health and wellbeing charity for education staff. The outcome of the pilot will inform any future wellbeing and mental health interventions for staff.

Holiday activities and food programme

The holiday activities and food programme provide healthy food and enriching activities during the school holidays to children eligible for benefits-related free school meals. The programme supports the government's commitment to establish a flexible childcare fund to increase the availability of high-quality and affordable flexible childcare.

With an investment of £9 million, 17 local authorities benefitted from the programme in the 2020 summer holidays. This provided thousands of disadvantaged children with access to healthy meals and enriching activities.

The programme was extended to all of England during 2021 to cover the Easter, summer and Christmas holidays with an additional investment of £220 million, with £20 million being spent in this financial year.

Free school meals

There are currently around 1.4 million pupils eligible for and claiming a free school meal under the benefits-related free school meals criteria. Throughout the pandemic, the Group continued to fund schools for FSM through the Dedicated Schools Grant.

Disadvantaged children were supported during the period of school attendance restrictions, by ensuring FSM support continued to be provided where eligible children were learning at home.

The Department set up a national scheme, which generated over £380 million of supermarket gift cards for families between April and August 2020 and £95 million in 2021. When attendance restrictions were lifted, we continued to provide support to those eligible children who had to self-isolate.

School transport

To help children and young people return to school and college in September 2020, the Department allocated £99 million to local authorities to provide additional dedicated school and college capacity in the transport system. This enabled the students to get to and from schools and colleges whilst social distancing reduced the capacity of existing public transport.

Workforce fund

During the autumn term as all education settings remained open across all local restriction tiers, £6 million in financial support was provided to schools facing the greatest staffing and funding pressures. This helped them meet the cost of covering workforce absences between 1 November 2020 and 31 December 2020.

Strategic objective: Boosting and levelling up education standards

Academies

The Group has focused on ensuring every child has access to a great school so they can gain knowledge, skills and qualifications they need for a prosperous future.

Expanding the academies programme has been a cornerstone of reforms to the school system. Today over 55% of pupils in state-funded schools study in academies and there are over 9,400 open academies, free schools, studio schools and university technical colleges.

13 https://www.educationsupport.org.uk/

Opportunity North East

Opportunity North East (ONE) addresses the reasons why too few young people in the North East reach their potential through their secondary education and beyond.

Over half of the region's secondary schools are actively involved in ONE, including 28 secondary schools being supported over three years to drive up standards benefitting 20,000 students.

ONE also:

- provides evidence-based support for maths teachers in 30 schools
- provides enhanced offer of careers and business engagement support
- extends higher education access work
- funds four projects that aim to improve the transition for pupils from primary to secondary education

Teacher recruitment, retention and quality

Teaching quality is the most important in-school factor in improving pupil outcomes. The Group has created an entitlement to at least three years of structured support and professional development.

The new Initial Teacher Training Core Content Framework and Early Career Framework (ECF) sets out the evidence-base of knowledge and skills that all teachers need to be effective in the classroom.

The framework, which went live in September 2020, will impact all trainees every year going forward, improving the quality of Initial Teacher Training (ITT) provision; 41,000 trainees for 2020-21. The ECF launched four early rollouts in September 2020 covering over 1,900 early career teachers (ECTs).

In response to COVID-19 and the disrupted ITT experience of those starting their careers, we have funded a one-year version of the programme to over 4,500 ECTs with a focus on schools serving disadvantaged communities.

The Group has ensured all schools have access to the materials to deliver ECF-based professional development, in advance of the national rollout in September 2021. ECF will impact around 27,000 early career teachers each year.

The Department has developed a reformed set of National Professional Qualifications (NPQs) as career pathways for experienced teachers and leaders, completing the golden thread of teacher development from ITT through to leadership. This reformed suite of NPQs will be available from September 2021.

Teaching school hubs

Teaching school hubs will deliver ECF, NPQs and ITT, providing high-quality professional development to teachers at all stages of their careers. In February 2021, we selected 81 new hubs to join the 6 existing hubs, securing national coverage and ensuring every school has access to a school-based centre of excellence for teacher professional development.

Professional development programme

An investment of £20 million in the Early Years Professional Development Programme (EYPDP), a high-quality programme for early years practitioners, contributed to the educational recovery of children as well as the levelling up agenda.

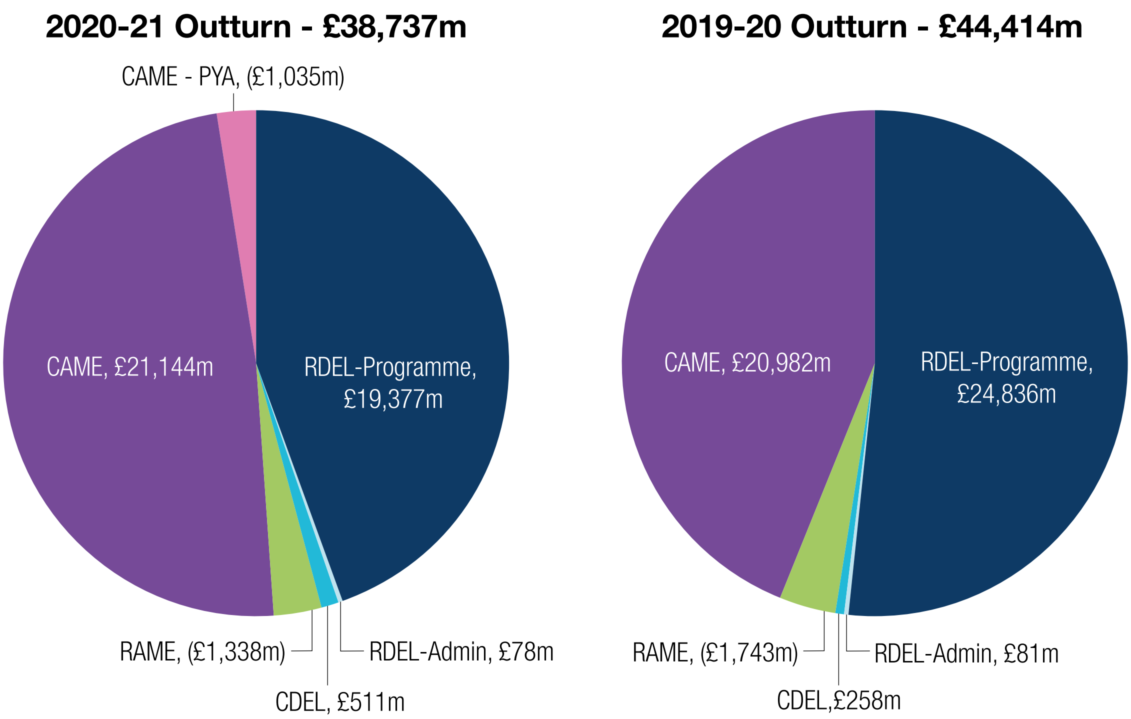
EYPDP helped improve standards in early language, literacy and maths amongst pre-reception children in disadvantaged areas. The programme is delivered in 50 local authorities where around 400 early years practitioners achieved a formal level 3 qualification.

Higher Education and Further Education Group

Director General – Paul Kett

Responsible for funding the provision and uptake of higher education and further education learning as well as the support for the sector and learners to provide and undertake these learning opportunities.

Analysis of outturn



Overall, HEFE spending fell by £5.7 billion across the two years with most of the change being the fall in RDEL-programme costs of £5.5 billion. The fall in RDEL-programme was driven by a reduction in student loan impairment from £14.0 billion to £8.3 billion in 2021.

COVID-19 response

Higher education

During the pandemic, the Group has done all it can to minimise the risks to those working and studying in higher education, while mitigating the impact on education. We ensured courses provided a high-quality academic experience, students were supported, achieved good outcomes and standards were protected, regardless of the mode of learning.

The Group ensured the vast majority of students who wanted to go to university in 2020 could do so. Temporary student number controls were removed across all courses and £10 million was provided to universities who could bid for support to their capital plans to increase capacity. The cap on medical and dental school places was also temporarily lifted for students who completed A Levels in 2020 who had an offer from a university in England to study medicine, subject to their grades.

£70 million of student hardship funding was made available to higher education providers in England during 2020-21. This allowed the providers to help students impacted by the pandemic, for example those facing additional costs for alternative accommodation or extra costs, to access their teaching online. They were able to prioritise the funding to those most in need of help.

Working through the Group's HE regulator, the Office for Students, we provided an online mental health and wellbeing platform funded by £2 million in 2020/21.

The HE restructuring regime[14] was established to help higher education providers facing severe financial difficulties and so at risk of insolvency from the impact of COVID-19. However, no demand arose for this support so no payments were made in the year.

Further education

We took steps to ensure that, wherever possible, further education students could continue to benefit from their education and training during this challenging time. This included:

- supporting FE providers to stay open during periods of national lockdown to provide for vulnerable young people and the children of key workers
- providing guidance and assistance for the diverse range of providers in the sector
- support for a blended model of on-site and remote delivery and flexibility to bring back priority learners, including those undertaking vocational and technical qualifications
- £56 million for the 16 to 19 tuition fund[15] to support disadvantaged young people to mitigate the disruption to learning arising from COVID-19

Workforce fund

During the autumn term as all education settings remained open across all local restriction tiers, financial support was provided to colleges facing the greatest staffing and funding pressures. This helped them meet the cost of covering workforce absences between 1 November 2020 and 31 December 2020.

14 https://www.gov.uk/government/publications/higher-education-restructuring-regime
15 https://www.gov.uk/guidance/16-to-19-funding-16-to-19-tuition-fund

EU Exit

The Department's EU transition activity supports the following strategic objectives: driving economic growth, boosting and levelling up education standards, and support for the most disadvantaged and vulnerable; and is co-ordinated by a central deal implementation programme team to deliver on the Department's objectives in relation to transitioning from the EU. The business case justification was set by central government, ie departments across government were required to put in place preparations for leaving the EU and the end of the transition period from the EU.

The Department ensured that the interests of the education sector were represented in the negotiations, especially relating to Erasmus+ and the decision to replace it in the UK with the Turing Scheme. The UK-EU Trade and Co-operation Agreement (UK-EU TCA) concluded in December 2020.

Following the end of the transition period, deal implementation activity focused on:

- the implementation of changes impacting services from 1 January 2021
- the ongoing engagement on the UK's future relationship with the EU and the rest of the world
- the operational response to any post-transition period issues

The team co-ordinates, monitors and assures transition and trade activity across the Group. The team also provide crucial policy co-ordination and ministerial support for all related issues.

The team cost £1.1 million in 2019-20 and £1.5 million in 2020-21. Policy leads from across the Department supported the team during 2020-21, this cost £0.7 million which included gross salary and social security costs. The costs were met from existing budgets.

During the transition period from the EU, the Department set up the civil contingencies' response in preparation for the potential impacts for example on school food, travel and medicine, children's social services and data. The Department's operations centre was wound down following the UK-EU TCA. We led the contribution to the cross-government reporting systems, working on high priority government areas including mutual recognition of professional qualifications, to manage delivery up to and beyond the end of the transition period.

The Department engaged with the UK-EU TCA and its effect on education. This involved information sessions with education exporters and representative groups. We continue to support the government's wider trade agenda alongside this.

The Department has developed strategic bilateral partnerships and together with the Department for International Trade has supported the international education champion[16] to deliver these in priority countries.

The Department continues to act as the national authority for Erasmus+ in the UK, while the UK continues to participate fully in Erasmus+ (2014 to 2020) under the terms of the Withdrawal Agreement, ensuring projects can continue to their conclusion.

We have developed and are delivering the new UK-wide Turing Scheme[17] for international mobility in education. The £110 million scheme (from the Spending Review settlement) will fund approximately 35,000 students subject to demand from universities, colleges and schools to travel abroad for study and work placements.

This funding will enhance skills and widen the opportunity of an international experience to more students targeting those from disadvantaged backgrounds.

16 https://www.gov.uk/government/news/universities-minister-sets-out-support-for-international-students
17 https://dfemedia.blog.gov.uk/2021/03/09/what-you-need-to-know-about-the-turing-scheme/

The Group has focused on developing key activities that inform UK education policy, including intelligence on the international response to the COVID-19 pandemic and strategic partnerships with high-performing countries.

£3 million supports international programmes designed to enhance language learning, employability and opportunities particularly for disadvantaged pupils and under-represented groups of young people to access experiences and other cultures, as well as build relationships for learning exchange between education professionals and policy makers. Beneficiaries include students, language assistants, teachers, head teachers and policy makers.

Strategic objectives

Plan for jobs - Driving economic growth

The Group continued to help people find new employment and upskill through the Plan for Jobs[18], part of a wider package of economic measures announced by the Chancellor.

The plan comprises:

- Traineeships – £111 million in 2020-21 for traineeships in England, to fund high quality work placements and training for 16 to 24-year olds of which £6.4 million was spent this year. Businesses can claim £1,000 per trainee, with payments available to July 2022
- apprenticeships – employers to receive £3,000 incentive payment for each new apprentice hired regardless of age, extended to September 2021
- national careers service – £7 million investment during the year and £21 million in 2021-22 enabling an additional 269,000 people to receive personalised advice on training and work
- high value courses – £63 million, of which £18 million was spent and £38 million in 2021-22 to support 18- and 19-year old school/college leavers with no employment opportunities to study targeted high-value courses
- sector-based work academy programme – £17 million to support an increase in the number of sector-based work academy placements in order to provide vocational training and guaranteed interviews

Skills for Jobs White Paper - Driving economic growth

The Group published Skills for Jobs[19] White Paper in January 2021. This sets out a ten-year blueprint of how we will give people the skills they need, in a way that suits them, to get jobs in sectors the economy needs and boost the country's productivity. To level up across the country, the plan is for people to get the quality training they need throughout their lives to move into highly skilled jobs. We also want to help employers get the skilled workforce they need to compete internationally.

We are ensuring people can access technical education and training throughout their lives, regardless of their background, by delivering the Prime Minister's Lifetime Skills Guarantee.[20] This includes a lifetime loan entitlement from 2025, funding people for their first advanced level (A Level equivalent) course, and short, flexible ways to train through employer-led skills bootcamps.

18 https://www.gov.uk/government/topical-events/plan-for-jobs
19 https://www.gov.uk/government/publications/skills-for-jobs-lifelong-learning-for-opportunity-and-growth
20 https://www.gov.uk/government/speeches/pms-skills-speech-29-september-2020

FE workforce reform – Driving economic growth

To support the FE education system, we support the sector to recruit and retain excellent teaching staff, and ensure they have access to high-quality training and professional development, so they deliver the best possible education to young people and adults.

To support this FE recruitment and retention drive, we will launch a national recruitment campaign and improve training and development, including further opportunities for teachers to gain valuable industry experience. This will be underpinned by investment in the FE workforce to over £65 million.

Lifelong loan entitlement – Driving economic growth

The lifelong loan entitlement (LLE) was announced by the Prime Minister in September 2020 and will be introduced from 2025. It will provide individuals with a loan entitlement to the equivalent of four years of post-18 education to use over their lifetime.

The entitlement will have a transformative impact on post-18 study, delivering greater parity between further and higher education. People will have the opportunity and flexibility to train, retrain and upskill throughout their lives, and at a pace that is right for them.

On the pathway towards the LLE, we will stimulate provision of higher technical education, introduce pilots incentivising flexible modular provision and work through the Group's wide network of bodies such as the Student Loans Company.

CITB and ECITB

In response to the impact of COVID-19, both industry training boards reacted quickly to revise their strategic plans. CITB delayed its levy assessment and enabled employers to spread their levy payments, to help mitigate some of the immediate cashflow impacts within the construction sector. CITB adapted course materials and training methods, eLearning and digitally delivered courses and a free-to-access training module to support the Safe Site Operating procedures. These changes supported a return to work as well as creating remote learning opportunities to prevent skills loss. CITB supported 11,000 apprentices through this period. Of the apprentices supported, fewer than 300 were made redundant and 50% of those were placed with a new employer.

ECITB launched a crisis response package, investing levy funds in a range of critical initiatives. This included Train to Retrain, which has secured the future of apprentices, graduates and trainees in the engineering industry and the ECITB Scholarship programme, which has helped to bring new entrants into industry. ECITB also kept training and assessment going through lockdown, investing in remote learning and directly purchasing training on behalf of employers – enabling workforce development to continue through the pandemic.

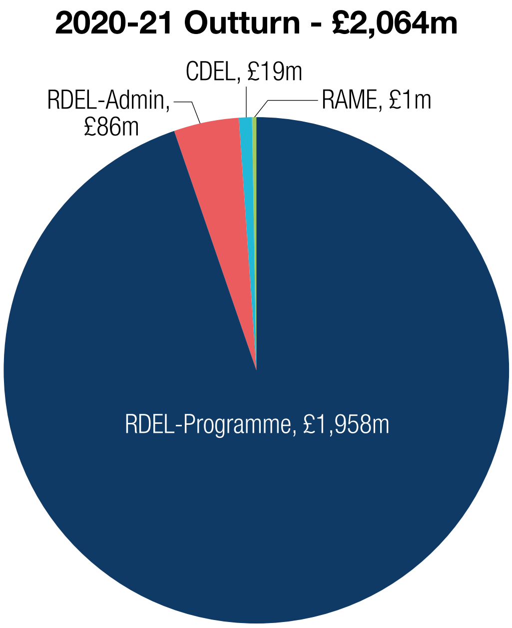
In response to feedback from within the industry during the initial pandemic period, CITB delayed the consensus process, which had been due in summer 2020. Consensus is the legal term for the periodic process by which industry employers and representative organisations are able to vote on levy proposals. The Department enacted a 12-month order which enabled CITB to bridge the income gap resulting from the consensus delay. The consensus took place in summer 2021.

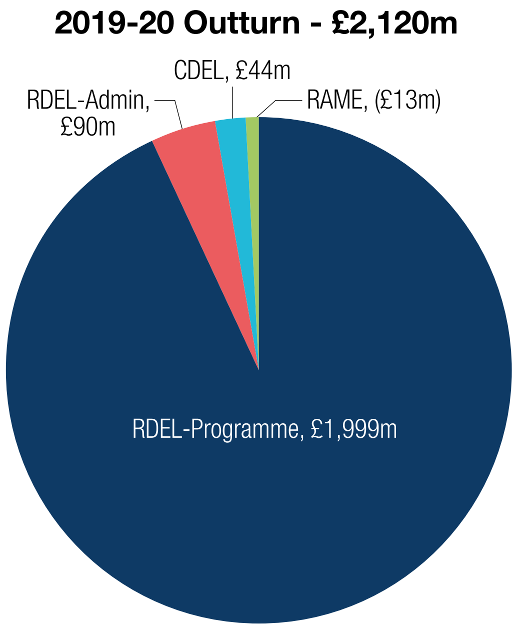
Education and Skills Funding Agency

Director General – Eileen Milner

ESFA is an executive agency sponsored by the Department that is accountable for funding education and skills for children, young people and adults. In addition to this, ESFA provides assurance around, and oversight of, these funds. The agency leads on policy and delivery around skills and technical education, which includes the development of T Levels and the apprenticeship programme for England.

Analysis of outturn





The balances above are those reported by ESFA within the internal reporting process up to Leadership Team. Therefore, the numbers above may not match those reported in ESFA's own ARA.

Eileen Milner stepped down from her role in July 2021 and John Edwards was appointed as Interim Chief Executive of ESFA on 26 July 2021.

Apprenticeships

In August 2020, ESFA phased out apprenticeship frameworks in favour of apprenticeship standards that are designed and driven by industry, ensuring that all apprenticeships are delivering training that equips learners to do a specific role and meets the skills needs of employers.

In January 2021, ESFA launched the Apprenticeship Workforce Development offer to support staff delivering apprenticeships with skills and knowledge to provide higher quality teaching and overall management.

Due to challenges presented by COVID-19, the completion deadline for the transition of non-levy paying employers onto the apprenticeship service was extended from 1 November 2020 to 1 April 2021. After this, all apprenticeship starts will be funded through the service, completing the programme of apprenticeship reforms.

Deliver T Levels

The first 3 T Levels were launched in September 2020, with 43 providers with a viable first cohort. There has been positive feedback from providers, young people and employers about these courses. In addition, 34 providers are running T Level Transition programmes (Level 2) supporting young people to be better prepared to study a Level 3 course. A further 7 T Levels have been approved for introduction in September 2021.

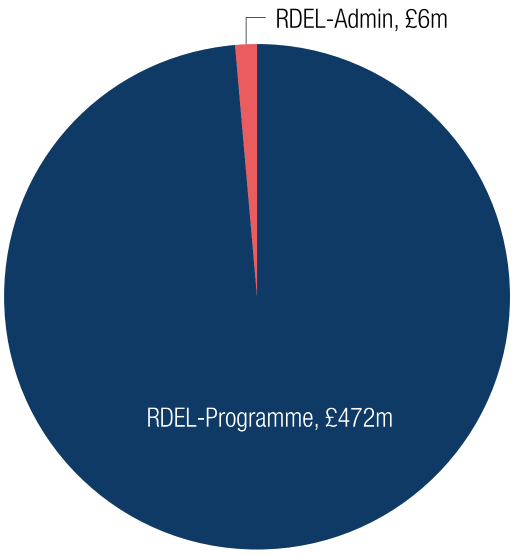
Covid Response and Recovery Group

Director General – Julia Kinniburgh

Responsible for ensuring the Department, and wider group, is best placed to respond to the challenge of COVID-19 and deliver the best possible service to children, students, the education sector and ministers. The segment's results only include the cost of managing our COVID-19 responses, the actual cost of additional spend will be included in the relevant business group.

Analysis of outturn

2020-21 Outturn - £478m



The segment is new for 2020-21.

The purpose of this new business group is to manage the Group's COVID-19 responses. The cost of the majority of COVID-19 responses managed by the team is retained by the business group responsible for the area. The value of COVID-19 responses is not limited to £478 million shown above.

Covid response

The central co-ordinating team consists of five divisions responsible for:

- co-ordinating cross-Group and cross-government COVID-19 response activity
- COVID-19 planning and performance
- provider COVID-19 communications and guidance
- COVID-19 insight and intelligence
- strategic planning

Co-ordinating cross-Group and cross-government COVID-19 response activity

The Group's framework was updated for effective operational response as the pandemic developed. This supported effective oversight of the COVID-19 workstreams and helped the Group to meet the many challenges presented during the pandemic.

The division provided a rapid response function to ensure the Department responded at pace and co-ordinated activity and inputs. Ministers and senior civil servants were supported to ensure they were briefed on the Department's response ahead of key meetings, committees and other parliamentary activity.

The unit held the primary relationship with other government departments and organisations and co-ordinated work with them on rapidly moving work through the year. A governance structure was established which enabled regular meetings to quickly identify and resolve issues on COVID-19 response in education settings with the Cabinet Office and contribute to important cross-government decisions. This included work on relevant legislation such as the Coronavirus Act 2020 and ensuring the Group had the legislative framework needed to support the education and care settings.

COVID-19 planning and performance

A core part of the unit's work is central governance, planning, risk, and performance oversight for the Department. Our team ran the Covid Board as the focus point of oversight of all COVID-19 response work in the Department. Over the year, this forum developed to reflect the improving knowledge of the virus and the increasing number of workstreams responding to the challenges of the pandemic.

The focus of activity moved from emergency response to supporting and sustaining education and longer-term recovery. In November 2020, the board was re-scoped as a full portfolio board, increasing the rigour and senior ownership of contributing projects, and matured risk management. In addition to risk management, the board oversaw delivery plans for each area of COVID-19 response.

During the year, the team's capacity grew to work with PHE, DHSC and the education and care sectors on systems of control, particularly with new variants of concern, to maximise safety and minimise disruption.

This work covered planning to deliver a one-off delivery of personal protective equipment to schools and colleges ahead of the autumn 2020 term, providing over nine million items of protective equipment across more than 25,000 schools and colleges, development and publication of the contingency framework in November 2020, support to establish early testing regimes to support full attendance, including the first direct access of testing to schools and colleges in August 2020 and developing the early mass testing programme in the autumn term.

Provider COVID-19 communications and guidance

Provider communications remained top of the Department's priorities for the COVID-19 response in education settings. Our communications expanded over the year, proactively supporting the front line to stay informed and meet the challenges of the pandemic. Our service included three main channels: the coronavirus helpline; the sector email; and published guidance.

The helpline and daily email were in place before the first national lockdown in March 2020, expanding to meet the changing needs of a diverse sector. For example, the helpline expanded to meet call demand at peak times and also developed specialist lines of support like Public Health England's Test and Trace and the Testing lines. The daily email by the end of April was reaching over 98,000 recipients in the sector, which enabled us to provide important updates in real time directly to the frontline.

Guidance was developed and published to support all major changes for education settings, including the education settings contingency framework and sector-specific guidance to support schools, further education, apprenticeships, SEND, HE and Early Years.

Significant improvements to guidance were made through the year by listening to feedback from the sector and increased stakeholder engagement from the summer of 2020. As the documents that established expectations and provided support, we recognised how important it was to ensure documents were up to date with the latest medical advice and guidance from DHSC and PHE.

COVID-19 intelligence and evidence

The unit co-ordinated key intelligence and evidence, drawing together the data, analysis and research on COVID-19 from across the Group and government.

Following the progress of the virus and the public health interventions, the team communicated the evidence to support effective planning, boost sector confidence and inform decision making throughout this period. This included the publication of evidence[21] that informed the re-opening of schools in March 2021.

Strategic planning

A separate team (within the directorate) was established to work across the Group and government to focus on forward planning of COVID-19 responses. This ensures we are well prepared and continue to implement lessons learned.

The focus of the team is to look at the anticipated and possible challenges the sector may face in the coming years with a view to supporting the wider government roadmap plans and the recovery work within the Group.

21 https://www.gov.uk/government/publications/evidence-summary-covid-19-children-young-people-and-education-settings

COVID-19 response

Remote education

As a Department we committed to supporting schools to deliver high-quality remote education in order to ensure continuity of education provision, minimise the impact of the coronavirus pandemic on overall attainment, and minimise any widening of the attainment gap.

In the context of the pandemic, continuity of education provision through remote education was crucial to support the Department's aims of boosting and levelling up education standards and supporting the most disadvantaged and vulnerable pupils.

Oak National Academy

To support the hard work of schools in delivering remote education, Oak National Academy[22] was launched in April 2020. Created by over 40 teachers, their schools and other education organisations, the Group provided funding to provide support to schools in planning for and delivering remote education immediately in case of coronavirus restrictions or self-isolation.

During the academic year 2020/21, Oak National Academy provided video lessons in a broad range of subjects for reception up to Year 11. Specialist content for pupils with SEND was also made available.

To support education recovery, Oak National Academy developed free, high-quality resources that were available online throughout the summer holidays.

Guidance for remote education

We set clear requirements on schools to deliver high quality remote education from the start of the autumn term 2020, via guidance expectations set out in July and the temporary continuity direction.[23]

We launched a new Digital Service in December; Get Help with Remote Education, designed to enable teachers and leaders in both schools and FE colleges to identify guidance, best practice and support services for remote education.

This service has been continually refined to reflect the changing status of schools and FE colleges with regard to remote education. As part of this service, the Group also published a Review your own remote education framework[24] in January to support effective practice in remote education.

EdTech demonstrator programme

With an investment of £6 million, we expanded the EdTech Demonstrator programme, which supports schools and FE colleges use technology to strengthen remote education arrangements.

National Tutoring Programme

In summer 2020, we announced a £1 billion COVID-19 catch up package. £650 million for the 2020/21 academic year to tackle the impact of lost teaching time as a result of the pandemic, and £350 million for the NTP for disadvantaged students which will be spread across two academic years – 2020/21 and 2021/22.

22 https://www.thenational.academy/
23 https://www.gov.uk/government/publications/remote-education-temporary-continuity-direction-explanatory-note
24 https://www.gov.uk/government/publications/review-your-remote-education-provision

The programme was established to provide subsidised tuition to 300,000 of the children most disadvantaged by loss of learning due to the pandemic. This programme aims to minimise the impact of Coronavirus on the attainment gap and strengthen the tuition market.

The NTP has two pillars: Tuition Partners and Academic Mentors. We worked with the Education Endowment Foundation to allow schools to contact an approved tutoring organisation.

With an investment of £80 million in 2020/21 over 181,000 pupils signed up and 87,000 started tuition by the end of March 2021. The target of 250,000 pupils remained ambitious due to school closures during the spring term of 2020/21 preventing some pupils from starting their tuition. We therefore, agreed with the foundation to extend the programme into the summer holidays.

The second pillar provided academic mentors to schools identified as having been disadvantaged by the pandemic. The Group spent £4 million to the end of March 2021 of the £27.5 million invested in 2020/21 and recruited 1,082 academic mentors against a target of 1,000. These mentors reached 23,000 children with a target to reach 50,000 children by the end of the academic year.

In 2021/22, the NTP will continue to increase access to high-quality tuition for pupils and support schools to employ in-house academic mentors. The Group will invest £215 million (from the £350 million allocation) for a single prime delivery partner to provide tuition to over 500,000 pupils and provide academic mentoring to support an additional 250,000 pupils, with a focus on reaching the most disadvantaged.

COVID-19 testing

DHSC have launched a mass testing programme across different educational sectors. Whilst DHSC retain responsibility and received direct funding for the programme, the Group supported DHSC through its extensive sector experience. The Group is providing both administrative support (allocating and distributing programme funds across multiple providers) and assurance support (ensuring funds are spent as intended by parliament). Both of these support areas leverage the Group's well established processes applied to our own policy payments.

In January 2021, primary schools, school-based nurseries and maintained nursery schools received deliveries of home testing kits using lateral flow devices (LFDs) to offer to all their onsite staff for twice weekly testing.

A phased approach to testing in secondary schools and colleges also began. Staff were offered on-site tests twice weekly, and students were offered two tests on their return to face to face learning.

In December 2020, students and staff in higher education were offered COVID-19 tests using LFDs before the end of term to support their return home for Christmas. The same testing arrangements were available to those eligible to return to their university or HE provider in January to support their return. Since 25 January, universities and other higher education providers offered twice weekly testing to all staff and students eligible to attend until 1 April.

As of 17 March, over 19.3 million tests were completed including:

- over 4.9 million completed for primary schools, school-based nurseries and maintained nursery school staff
- over 13.3 million tests completed for secondary/college students and staff
- over 971,000 tests have been completed for students and staff in HE institutions on-site

Examinations

At the time of the cancellation of exams during summer 2020, the Secretary of State and the Prime Minister were clear in their intentions that examinations should proceed for summer 2021.

Following a period of close working with Ofqual, the exams regulatory body, and an extensive programme of stakeholder engagement, the Secretary of State announced updated arrangements in December 2020 to ensure that exams in 2021 would be as safe and as fair as possible for all students.

The measures announced were in line with the Department's ambition to ensure that students were not disadvantaged by the decision to run the 2021 exam series and considered:

- a grading approach that matched the final position
- a set of contingencies to ensure as many pupils as possible could obtain a grade even if they were unable to attend an exam due to COVID-19
- advance notice to help students focus and target their revision in the run up to the exams
- additional teaching time provided by a revised exam timetable that saw exams take place later than for a normal year

Due to the trajectory of the pandemic, in January 2021, ministers confirmed that it would no longer be fair for general qualifications and some vocational and technical qualifications (VTQs) to go ahead as planned. GCSE and AS/A Level students, as well as other students taking VTQ assessments, and those taking other general qualifications would instead receive teacher assessed grades.

A joint consultation[25] between the Department and Ofqual took place to seek views on how best to provide alternative arrangements to the exams. A joint consultation[26] was held at the same time on how to award vocational, technical and other general qualifications. The response to the consultation was announced in February 2021 followed by the publication of guidance by awarding bodies in March 2021.

25 https://www.gov.uk/government/consultations/consultation-on-how-gcse-as-and-a-level-grades-should-be-awarded-in-summer-2021

26 https://www.gov.uk/government/consultations/consultation-on-alternative-arrangements-for-the-award-of-vtqs-and-other-general-qualifications-in-2021

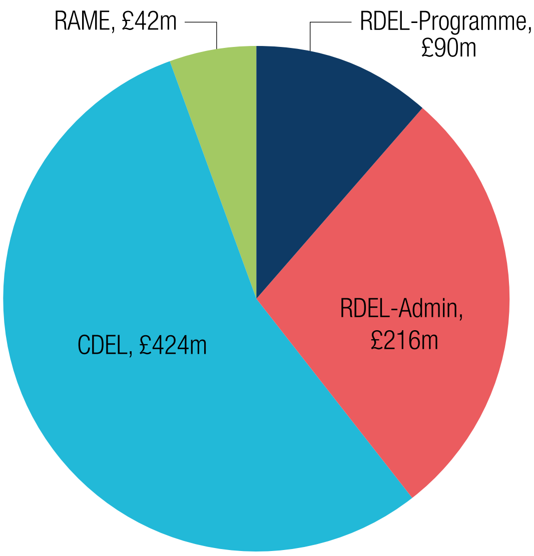
Operations Group

Director General – Mike Green

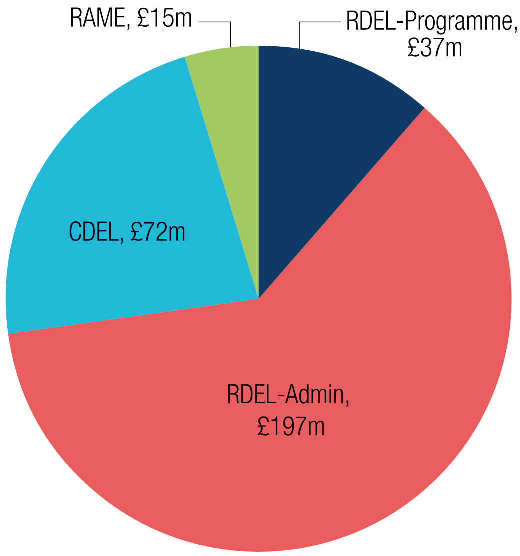
Responsible for the provision of essential corporate services to support delivery of ministerial priorities, and delivering the Department's objectives for the school estate.

Analysis of outturn

2020-21 Outturn - £772m



2019-20 Outturn - £321m



The year on year increase of £451 million is predominantly found from the £388 million increase in CDEL generated by the Get Help with Technology programme. Outturn includes both the £374 million policy funding expense (note 6) and £14 million in inventories at the year end.

COVID-19 response

Get Help with Technology

In response to the pandemic and to support remote learning, we invested over £388 million (£374 million recognised as policy funding for distributed devices and £14 million remaining as inventory) in the programme to:

- provide devices and internet connectivity to vulnerable children and young people, and to disadvantaged pupils
- support the adoption of digital education platforms by schools, for providing remote education
- offer grants for training, advice and peer-to-peer support for teachers and families to enable effective use of new digital tools

The programme aims to support:

- continued social care for children with social workers and care leavers
- continued education for disadvantaged children, focusing on equity of access
- to maintain wellbeing of vulnerable children and young people
- minimise the impact on overall attainment
- minimise the widening of the attainment gap

Over the course of the year, 1.3 million laptops and tablets were delivered to schools, academy trusts, local authorities and further education providers. They were able to lend these to disadvantaged children and young people who needed them most during the pandemic. At the year end some units remained ready to be delivered to providers and are recognised as inventory on the SoFP.

The Group partnered with the UK's leading mobile operators to provide free data to help over 30,000 disadvantaged children get online as well as delivering over 70,000 4G wireless routers for pupils without connection at home.

Over 7,500 schools applied for a digital education platform, allowing them to set up Google or Microsoft platforms. This brought together the school community, pooled resources and gave pupils the opportunity to work with their peers remotely.

Key outcome: Driving economic growth

School rebuilding programme

In June 2020, the Prime Minister announced a transformative ten-year school rebuilding programme with a commitment made to rebuild 500 schools in England over the next decade.

The programme will replace ageing schools in poor condition with modern, energy efficient designs, helping to meet the government's net zero target to tackle climate change. The programme will give long term stability and certainty both to schools and the construction sector and support more efficient delivery.

Construction on the first 50 schools is expected to begin in autumn 2021, supported by multi-year funding of over £1 billion.

Improving schools and college buildings

£560 million has been allocated for 580 building projects at academies, sixth form colleges and voluntary aided schools to transform facilities and improve school buildings.

Over £180 million will be distributed through our Condition Improvement Fund with the remainder of the £560 million provided to local authorities, larger multi-academy trusts and large voluntary aided school bodies.

The funding will be used to repair and upgrade school facilities and create modern, fit-for-purpose spaces that meet schools' needs. It also allows for a small number of expansion projects to increase school capacity.

Further education colleges have received £200 million for use in both this year and 2021-22 to repair and refurbish buildings and campuses. This will further support the government's wider plans to protect jobs and incomes and drive forward the country's economic recovery from the pandemic.

Smarter working

The Group ensured all staff could work from home from day 1 of the national lockdown, in line with government guidance, using their existing end user IT equipment.

We supported all Group staff in a range of ways (some new) all focused on allowing staff to work from home sensibly with suitable equipment. Our response included allowing staff to purchase home working equipment such as desks, keyboards and screens up to suitable limits. If staff were unable to source equipment to support new ways of working we were able to courier equipment to their home addresses to support performance.

As well as hardware solutions we accelerated the roll-out, and training sessions, of Microsoft Teams to staff to support remote communication and team working. The roll-out of Teams also supported large scale live events allowing the senior leadership team and ministers to engage with staff during the year. Due to the success of these internal live events, these were expanded to external audiences with some events having audiences of over 10,000.

As well as IT solutions, our Estates team have been working hard to open up offices in a safe and pragmatic manner to support staff who were unable to remote work. We continue to monitor closely the changing guidelines in relation to office working to support a wider return to office working.

The Department beat over 400 organisations from across the public sector to win *Smarter Working Project of the Year*, the main award at the GovNewsDirect Smarter Working Live 2020 Awards.[27] The award is in recognition of Building a Culture of Smarter Working in DfE.

The Department also won the Skills and Succession Planning Award for the work done in building skills for smarter working.

The awards are an annual celebration of public sector digital transformation programmes, celebrating smarter working initiatives that are driving government towards creating a more agile working culture, with modern environments and flexible working standards.

Corporate services reform portfolio

During the year, the Department completed the corporate services reform portfolio. This was a connected set of projects that replaced, merged and upgraded the internal corporate services: delivering modern and connected HR, commercial and finance systems.

The reform portfolio has delivered three new systems in 2020-21:

- HR: an in-house self-service system replaced the previously externally provided service. Following the exit from previous external shared services platform, HR now provide an in-house payroll, HR transactions and internal advice and recruitment service
- Finance: two previous finance and payment software systems were merged into one new system
- Commercial: a new e-commerce system replaced the old system enabling improved internal and external reporting

27 https://www.smarterworkinglive.com/about/

Non-financial matters

Social matters

In 2021, the Department will be revising the Diversity & Inclusion Strategy that was launched in 2018; which has the ambition of making the Department the most inclusive department and focuses on creating an environment where everyone is able to bring their whole self to work and where honesty, challenge and innovation are encouraged and valued. The 2018 strategy built on the Civil Service Diversity and Inclusion Strategy launched in 2017.

In 2020, the Department has featured 15th in the Social Mobility Employer Index. We are still a Stonewall champion. The Department has 12 active diversity and inclusion employee networks involved in the delivery of the strategy. Employees are also encouraged to volunteer to support a range of social causes at local and national level.

Respect for human rights

The Department values human rights and equality and diversity are central components of its activities and societal objectives.

This includes compliance with obligations established by the *Equality Act 2010* in the context of employment, in which:

- people's ability to achieve their potential is not limited by prejudice or discrimination
- there is respect for and protection of each individual's human rights
- there is respect for the dignity and worth of each individual
- each individual has an equal opportunity to participate in society
- there is mutual respect between groups based on understanding and valuing diversity, and on shared respect for equality and human rights

Modern slavery

On 26 March 2020 the government published a Modern Slavery Statement[28] which set goals for ministerial departments to achieve over 2020-21. We are committed to implementing these goals and are already taking measures to identify, mitigate and manage modern slavery risks in our supply chains. Claire Benham, Commercial Director has been appointed as the Department's Anti-slavery Advocate to provide senior level oversight on progress and collaborate across government to share best practice.

We have utilised Cabinet Office advice to develop tools and guidance to support commercial delivery staff to take a proportionate, risk-based approach throughout the end-to-end procurement process. Commercial staff have undergone training to identify, mitigate and manage modern slavery risks and those directly involved in commercial activity will undertake annual Chartered Institute of Procurement & Supply ethical training.

We are developing key performance indicators to measure success and areas for improvement from our first year of implementing and embedding the Modern Slavery policy. We intend to publish a modern slavery statement for 2020-21 in autumn 2021 which will describe the Department's approach and implementation of the goals set by government.

28 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/875800/UK_Government_Modern_Slavery_Statement.pdf

Anti-corruption and anti-bribery matters

The Group is committed to upholding high standards of honesty and integrity in all its activities. We operate a zero-tolerance approach to bribery and corrupt activities and mandate employee training to highlight personal responsibilities to tackle bribery and corruption in accordance with the *Bribery Act 2010*. The Department has a Standards of Behaviour Policy, which establishes clear expectations for employee conduct and behaviour. This covers bribery, fraud and theft.

We have adopted a Raising a Concern approach to dispute resolution which makes it clearer to employees what processes they need to follow if they have an issue they want to be heard. This encourages any suspicions of wrongdoings in cases of bribery, fraud and theft are reported and fully investigated using this more robust, transparent approach.

Support for whistleblowing has remained a high priority in the Department. In the last 12-months, of the 17 cases raised last year, four are still being investigated. Annex B has more information on whistleblowing.

Union and devolution

Although education, children's services and skills are mainly devolved, the Department works with the Devolved Administrations (DAs) in a number of important ways, including liaising on domestic policies which require cross-border co-operation, consultation and co-ordination, exchanging policy ideas and sharing best practice.

The Department engages and collaborates with the DAs in ways that deliver clear benefits across the whole of the UK. The Department focused in 2020-21 on leading dialogue and co-ordinating information sharing between and among senior officials in all parts of the UK to address the impact of the COVID-19 pandemic on various aspects of education.

Key risks 2020-21

Our principal risks are those that, if materialised, would have significant impact on our Departmental objectives. When deciding which risks to report we have taken into consideration both the likelihood and impact of the risks materialising. Each individual principal risk is owned at Director General level, managed on a day-to-day basis in the relevant director's area, and regularly reported (top tier report) through our corporate level committee structure. Further information on our risk management framework can be found in the Accountability Report on page 117.

During early 2020, the CRRG was established. One of the key responsibilities of this unit is to monitor and manage COVID-19 related risks held across all areas of the Group, a process is in place for them to be escalated to 'top tier' if they meet the criteria, in line with the Department's risk framework. During the 2020-21 reporting cycle a number of risks were escalated from CRRG as they are deemed to have a significant impact on the Department if they materialise, examples include education recovery and early years market sufficiency.

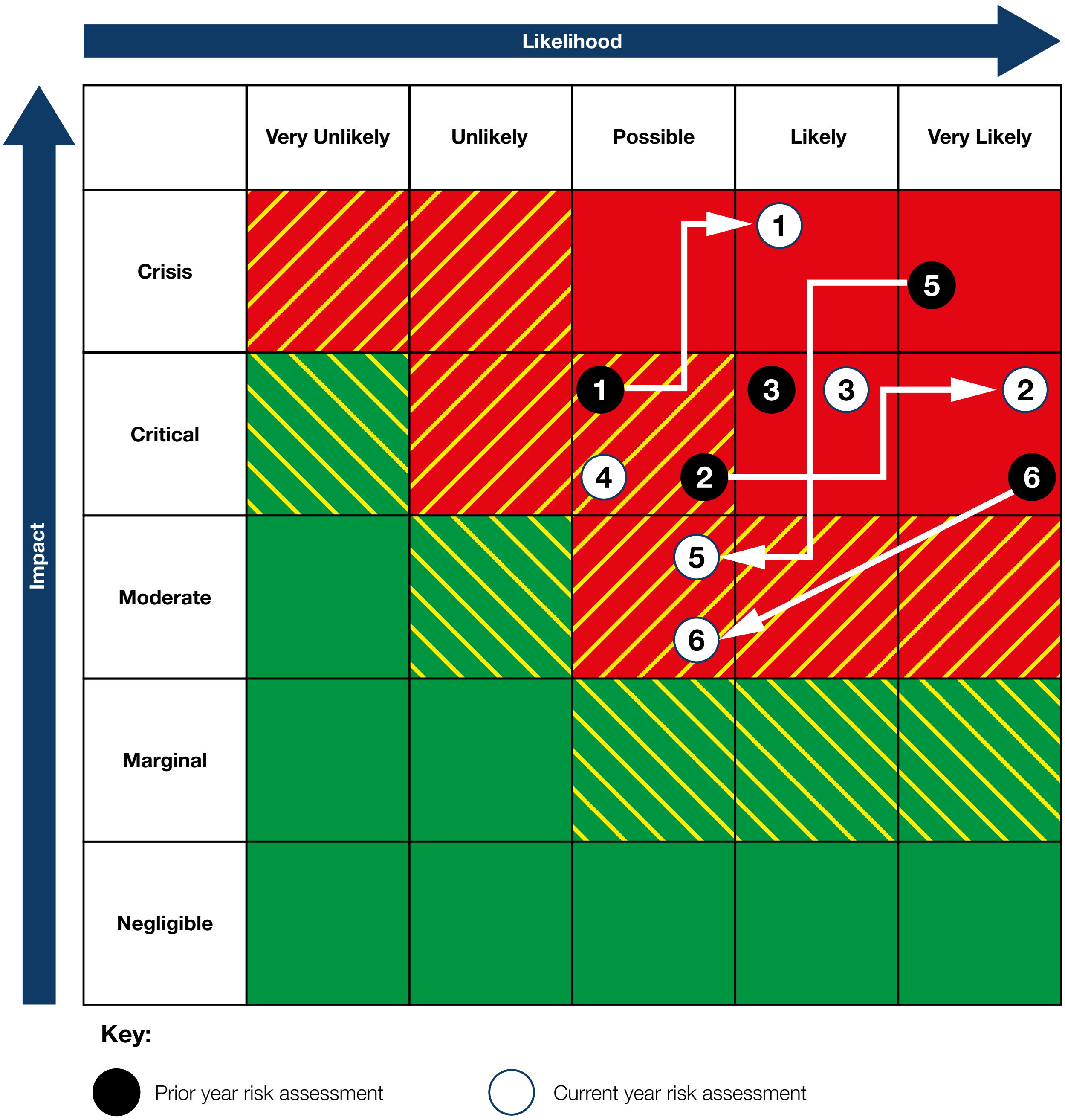
The total number of risks assessed as top tier has remained stable at year start and year end, with 21 risks reported at both points. The total number did increase to 25 at the half year point. However, a number reducing in severity in the latter half of the year has meant a consistent overall position.

Of those risks highlighted in last year's ARA, not having sufficient levels of high-quality teachers and high needs costs remain significant risks. Both Performance and Risk Committee and Leadership Team have maintained regular oversight as to management and progress.

The risk relating to the delivery of the Corporate Services Reform Programme was closed following successful implementation in July 2020. Regarding the ESFA funding allocations risk, this was downgraded in April 2020, and continues to be managed at ESFA executive level.

HE and FE financial risks have remained significant throughout most of the last 12-months, however in March 2021 they both improved. HE – now has a mechanism to access cases for intervention and provide support. FE – has improved due to government support for colleges that has ensured short-term sustainability for the college sector.

The risk heatmap below shows the Department's principal risks from 2020-21 and how their status changed over the year.



Significant risks (assessed on both the impact and likelihood) which have been managed during 2020-21 include the following:

Risk	1. A sustained cyber-attack could result in the loss of access to critical systems and services, as well as a loss of critical Departmental data.
March 2021 rating	Crisis/likely
March 2020 rating	Critical/possible
In-year direction	Worsening
Business group	Operations
Mitigating factors	The Department continues to take this risk very seriously. Several high-profile events took place in the cyber domain through 2020-21 which have raised the Department's overall threat position. Global incidents such as SolarWinds affecting supply chains and the Microsoft Exchange compromise are of note. The Department has observed a rise in the use of ransomware against the education sector and has been working closely with the National Cyber Security Centre to improve cyber security awareness in the sector. The Department is boosting its ability to identify and monitor threats in near real time and is set to make a significant investment in increasing the cyber security capabilities through 2021. Additionally, we are continuing to make good progress in raising staff security awareness through test phishing campaigns and have refreshed Departmental security.

Risk	2. The Department's approach to addressing lost learning and the implementation of education recovery, digital strategy, and remote education, at school/college level may be insufficient to adequately respond to the lost learning that has occurred during the pandemic.
March 2021 rating	Critical/very likely
March 2020 rating	Critical/possible – raised June 2020. Risk was top tier from December 2020.
In-year direction	Worsening
Business group	EYSG

Mitigating factors	The risk was escalated from a directorate level risk in December 2020, to reflect the increased risk in Lost Learning/Catch Up as a result of lockdown and a significant period of school closures. Now schools have re-opened, the challenge to remote education will revert to limiting differential lost learning as some pupils are required to self-isolate or are away from school for other COVID-19 related reasons. Mass testing in schools may lead to an increase in the number of pupil and teacher positive test results, which will have implications for schools, children and teachers needing to isolate, and which may lead on an increase in demand for remote education provision. During the pandemic, the Department has introduced remote education to enable children to continue to learn when not in school and mitigate learning loss. Examples include: the Remote Education Service, Get Help with Tech programme, and the Oak National Academy. These provisions have been extended into the next academic year to continue to provide support to pupils that may be required to isolate or in case of further lockdowns. The Temporary Continuity Direction, placing a legal duty on schools for state-funded school-age children unable to attend school due to COVID-19 to be able to access remote education, has been extended into 2021/22. The Department will deliver 500,000 devices from November 2021 in addition to the 1.3 million that the Department has already delivered for students entitled for Free School Meals (FSM). Despite the initial mitigations and continuing work, this risk is likely to remain one of the Department's principal risks for a sustained period.

Risk	3. Pupils have poor quality outcomes (particularly in challenging and/or disadvantaged schools) as a result of not having enough high-quality teachers.
March 2021 rating	Critical/likely
March 2020 rating	Critical/likely
In-year direction	Stable
Business group	EYSG
Mitigating factors	The latest recruitment data for 2021 shows we are exceeding our primary and secondary targets to date. This is likely to be a direct result of the impact of COVID-19. The recession does not, however, guarantee improved teacher supply and quality, particularly in the longer-term. Challenges in shortage subjects remain and it is not clear how long the boost to teacher recruitment will last. The impact on retention is also uncertain. Mitigating actions include delivering reforms to school culture and leadership to improve teachers' working conditions, including: • bearing down on unnecessary workload – including working with Ofsted to continue to tackle the 'audit culture' in some schools • expanding and promoting flexible working opportunities • taking a whole school approach to improved pupil and staff mental health and wellbeing • providing early career payments to support retention in high-need subjects The risk has remained stable throughout the financial year.

Risk	4. Widespread localised failure of the early years market, due to the impact of forced closure of settings.
March 2021 rating	Critical/possible
March 2020 rating	Not categorised as key risk
In-year direction	Stable, from recognition
Business group	EYSG
Mitigating factors	This risk was raised at the beginning of the pandemic and reflects the ongoing uncertainty about how the COVID-19 outbreak will proceed, including the longer term impact of reduced attendance during the pandemic on the financial position of early years providers. For 2020-21, the infection rate has fallen since January 2021 and the national vaccination programme is progressing at pace. However, a third wave of the virus is emerging in neighbouring EU countries, which poses a risk to suppression of infection rates in the UK. If this leads to restrictions on the use of childcare or a drop in attendance later in the year, then provider income from parents and also from government will be affected. Mitigations are that childcare providers are able to access the Coronavirus Job Retention Scheme, the Self Employment Income Support Scheme, as well as national and local COVID-19 loan and grant schemes. Temporary measures have been implemented to protect previously eligible parents' access to 30-hours free childcare, so until April 2021 all parents on a government job income support scheme, whose income drops below the threshold, remained eligible for their 30-hours of free childcare. If this risk materialises it is likely to be within 3 to 6 months, as a result it is being closely monitored.

Risk	5. One or more higher education providers has to close due to financial failure, either unexpectedly because it has run out of cash, or involving a provider of such a scale that the event is not manageable solely as business-as-usual by OfS, as the Group's regulator of the higher education market.
March 2021 rating	Moderate/possible
March 2020 rating	Critical/very likely
In-year direction	Improving
Business group	HEFE
Mitigating factors	It is expected the ordinary operation of the higher education market under OfS's regulatory system may involve some provider market exit, including for financial reasons. The COVID-19 pandemic has exacerbated this risk of a higher education provider's collapse due to financial failure. The risk has improved in Q4 2021 due to: 1. The higher education restructuring regime being fully operational. The regime is the prime mitigation for this risk and it will remain fully operational during 2021. No providers have formally entered the regime. The restructuring regime is a time-limited COVID-19 response mitigation. We are currently in conversation with ministers and HMT to agree a closure date for the regime. It is likely that the regime will close to new applications in winter 2021. We are also in the process of establishing with ministers what future steps will look like for mitigating this risk, given that the sector will continue to face significant financial pressures around the cost of pensions, EU Exit, higher education policy changes and dealing with the aftermath of the pandemic. 2. A broadly positive picture of sector's financial health. Analysis by the Group, via OfS, has shown that the sector, in aggregate, is managing to navigate the challenges brought by the pandemic. Providers have taken strong action to control costs and protect cash flow and utilised government-backed support schemes where needed. The risk rating has improved as student recruitment numbers have been better than anticipated and the return of students taking practical courses to in person teaching from March 2021 has helped to mitigate the risk of providers needing to offer substantial fee refunds.

Risk	6. A significant number of further education colleges are not financially resilient enough to make the long-term investments needed to enable them to support the productivity of their local economies and to offer a comprehensive range of government priority programmes including: T Levels, apprenticeships and the national retraining scheme.
March 2021 rating	Moderate/possible
March 2020 rating	Critical/very likely
In-year direction	Improving
Business group	HEFE
Mitigating factors	The financial position of FE colleges is complex, with some income streams at risk due to the pandemic and some sources of growth (recovery package). FE colleges operate on tight financial margins and require detailed cost planning to manage within resources. The high level of instability in income means that a significant minority of colleges may need emergency funding. The risk has improved as there is evidence from the latest financial returns from colleges that sector specific actions and national initiatives have minimised the initial impact of COVID-19 during 2020 and 2021. However, a small number of FE colleges have seen significant decreases in cash reserves which may impact on their financial resilience.

Charities Act reporting

The Department has a requirement under the section 70 of the *Charities Act 2006* to disclose instances where the Group has provided financial assistance to charitable, benevolent or philanthropic institutions. The spending disclosed below does not represent the total amount of grant funding to these sectors, as many grants have been paid out under alternative legislation.

The following grants were made:

US-UK Fulbright Commission

Grants totalling £928,000 were made to support the work of the commission in awarding Fulbright Scholarships.

Forward look

In July 2021, the Department published its Outcome Delivery Plan: 2021-22.[29] The plan retains the four high level priority outcomes for 2020-21 as described on page 8. Over the course of the next financial year, our investment will drive substantial, measurable improvement towards the four strategic outcomes. The published plan sets out how we will measure our performance across the year and how we will report against each outcome in 2021-22's ARA.

Building on the outcome delivery plan, HMT have agreed the 2020 Spending Review settlement (SR20) with the Department which covers 2021-22. SR20 supports the government's commitment to level up education standards by increasing the schools budget by £2.2 billion to £49.8 billion.

SR20 also supports the government's commitment to improve skills in the economy and level up productivity in England by:

- providing £291 million for further education
- investing £375 million for the National Skills Fund

SR20 additionally provides capital investment in the education estate to support levelling up education across England, including:

29 https://www.gov.uk/government/publications/department-for-education-outcome-delivery-plan/dfe-outcome-delivery-plan-2021-to-2022

- investment of £1.8 billion to maintain and improve the condition of school buildings
- £300 million for new school places for children with SEND
- funding towards meeting the government's commitment of £1.5 billion to bring all FE college estates in England up to a good condition
- £1.6 billion to support the continued rollout of T Levels
- £72 million to support the commitment to build 20 Institutes of Technology

The Department's settlement also:

- confirms £22 million to continue improving the quality of teaching, including funding for mentor time as part of the Early Careers Framework
- provides funding towards delivering a £220 million Holiday Activities and Food programme up to the end of 2021-22
- provides £44 million for early years education to increase the hourly rate paid to childcare providers for the government's free hours offers
- provides funding for the new UK-wide Turing Scheme to fund outward global education mobilities

In July 2021 the Cabinet Office launched an independent review of the ESFA as an arm's length body of the Department. The review is considering the ESFA's operating model, governance, accountability model and impact. The review is chaired by Sir David Bell, Vice Chancellor of the University of Sunderland and is expected to report in early 2022.

The Group's status as a going concern

The Group is expected to continue as a going concern for the foreseeable future and is not aware of any information or events, either during 2020-21 or following the year end including COVID-19, that may affect this status.

Budgets for central government departments are collectively agreed in Spending Review exercises overseen by HMT. The Chancellor has confirmed that a Spending Review will take place in 2021 to agree funding for future years. The Spending Review settlement will be confirmed by a vote in Parliament for Supply and Appropriation Acts. There is no reason to believe this process will not continue even in light of the ongoing COVID-19 response. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Susan Acland-Hood
Accounting Officer
1 December 2021

Accountability Report

Accountability Report

The accountability report sets out how we meet the key accountability requirements to Parliament. It is broken down into three areas:

- the corporate governance report which provides an overview of the Group's leadership and our risk management approach
- remuneration and staff report which details remuneration and staff expenses and policies
- parliamentary accountability which contains the Statement of Outturn against Parliamentary Supply, associated notes, and audit certificate

Corporate governance report

The purpose of the corporate governance report is to explain the composition and organisation of the Department's governance structures and show they support the achievement of the Department's objectives.

Directors' report

Ministers and the board

Ministers at 31 March 2021

The Rt Hon Gavin Williamson CBE MP
Secretary of State for Education
(to 15 September 2021)

Overall responsibility for the Department for Education.

The Rt Hon Nick Gibb MP
Minister of State for School Standards
(to 16 September 2021)

Responsible for the recruitment and retention of teachers; supporting a high-quality teaching profession; admissions and school transport; national funding formula for schools; curriculum; assessment; school accountability and inspection; personal, social health and economic education; behaviour and attendance; exclusions; and COVID-19 response.

Lead minister for the Departmental board.

NDPB responsibility: STA, TRA, STRB

Michelle Donelan MP
Minister of State for Universities

Responsible for universities and higher education reform; higher education student finance; widening participation in higher education; Teaching Excellence Framework; international education strategy including education exports and technology in education (including international students); Opportunity Areas; and COVID-19 response for universities and higher education.

Minister Donelan shares the strategy for post-16 education with Minister Keegan.

NDPB responsibility: SLC, OfS

Baroness Berridge
Parliamentary Under Secretary of State for the School System
(to 17 September 2021)

Responsible for free schools, university technical colleges and studio schools; academies including governance; faith schools; independent schools; home education and supplementary schools; interventions in underperforming schools; school capital investment; school efficiency; safeguarding in schools and post-16 settings; and counter extremism and integration in schools.

Baroness Berridge was also appointed Parliamentary Under Secretary of State (Minister for Women) at the Department for International Trade.

NDPB responsibility: Aggregator Vehicle PLC, LocatED

Gillian Keegan MP
Parliamentary Under Secretary of State for Apprenticeships and Skills
(to 16 September 2021)

Responsible for strategy for post-16 education; apprenticeships; technical education and skills including T Levels and qualifications review; further education workforce; careers education; further education provider market (including quality and improvement); Institutes of Technology and National Colleges; COVID-19 responses for further education services; and reducing the number of young people who are not in education, employment or training.

Minister Keegan shares the strategy for post-16 education with Minister Donelan.

NDPB responsibility: IFATE, CITB, ECITB, FITB

Vicky Ford MP
Parliamentary Under Secretary of State for Children and Families
(to 16 September 2021)

Responsible for children's social care and its workforce, child protection, children in care and adoption; SEND and high needs; early years policy, childcare; alternative provision; disadvantage and social mobility; school food (including free school meals); children and young people's mental health, online safety and preventing bullying in schools; policy to protect against serious violence; and COVID-19 response for children's services and childcare.

NDPB responsibility: OCC, SMC, SWE

Our management

We are committed to ensuring our board has the right skills and experience to enable challenge and breadth in our strategic thinking. The Department's closing board membership, as at 31 March 2021, is shown in the photomontage below.

Key:

- D Departmental Board
- L Leadership Team
- A Audit and Risk Committee
- I Implementation Committee
- N Nominations Committee
- L Leadership Team Chair
- A Audit and Risk Committee Chair
- I Implementation Committee Chair
- N Nominations Committee Chair

Executive members as at 31 March 2021

Susan Acland-Hood
Permanent Secretary
Accounting Officer

D L I N

Skills and experience
Susan was recently Chief Executive at HM Courts and Tribunals Service. She has also held senior posts in central government (HMT, Home Office and No.10), as well as local government.

Appointment
September 2020

Indra Morris CB
Director General,
Social Care, Mobility and Disadvantage Group

D L I

Skills and experience
Indra was previously Director General at both HM Treasury and Ministry of Justice.

Appointment
January 2017

Mike Green CB
Chief Operating Officer and Director General, Operations Group

D L I

Skills and experience
Before joining the Civil Service, Mike was a civil engineer and spent his career in the private sector in construction and retail.

Appointment
October 2017

Andrew McCully CB OBE
Director General, Early Years and Schools Group

L I

Skills and experience
Andrew has had a career of over 30 years in the Civil Service and has held a wide range of senior posts.

Appointment
September 2010

Paul Kett
Director General, Higher Education and Further Education Group

L I

Skills and experience
Paul has experience in strategy, policy and project delivery. Previous roles include Director of Army Reform for the British Army.

Appointment
February 2017

Eileen Milner
Chief Executive, Education and Skills Funding Agency

L I

Skills and experience
Eileen has held a number of senior roles in the technology and public services advisory space.

Appointment
November 2017

Resignation
July 2021

Julia Kinniburgh
Director General,
COVID Response and Recovery Group

Ⓛ Ⓘ

Skills and experience
Julia previously worked in the Home Office as the Director General for Serious and Organised Crime Group and for the Department as the Director of School Accountability, Curriculum and Qualifications.

Appointment
December 2020

Tony Foot
Chief Financial Officer (joint role with Director of Operational Finance) and Director of Strategic Finance, Operations Group

Ⓓ Ⓛ Ⓘ

Skills and experience
Tony is a qualified accountant with previous senior finance and funding roles at HMT.

Appointment
November 2020

Iain King
Chief Financial Officer (joint role with Director of Strategic Finance) and Director of Operational Finance, Operations Group

Skills and experience
Iain is a qualified accountant with previous senior finance roles at Department for Business, Energy and Industrial Strategy and Department for Business, Innovation and Skills.

Appointment
October 2017

Non-executive members

Richard Pennycook CBE
Lead non-executive board member

D A I N

Skills and experience
Richard is chair of Howdens Joinery and the British Retail Consortium.

Appointment
October 2017

Baroness Ruby McGregor-Smith CBE
Non-executive board member

D I N

Skills and experience
Ruby was formerly the Chief Executive of the Mitie Group, a strategic outsourcing company, and was the first Asian woman to be appointed to such a role in the FTSE 250 or FTSE 100.

Appointment
December 2015

Ian Ferguson CBE
Non-executive board member

D A I N

Skills and experience
In 1981, Ian founded Metaswitch Networks, a company that develops telecommunications software.

Appointment
January 2016

Toby Peyton-Jones
Non-executive board member

D I N

Skills and experience
Toby has held a wide variety of leadership roles within Siemens, working in China, USA and Europe. He has been an industry champion for education and skills, a role he continues to perform on behalf of Siemens today. He is currently a board member at the IFATE.

Appointment
November 2018

Dame Irene Lucas-Hays DBE DL
Non-executive board member

D I N

Skills and experience
Irene is the chair of the Hays Travel Group, a board member of Sport England and the Academy for Sustainable Communities. She was previously a Director General at the Department of Communities and Local Government.

Appointment
November 2018

Nick Timothy CBE
Non-executive board member

D I N

Skills and experience
Nick is a visiting Professor at the University of Sheffield, and formerly a Director of the New Schools Network, a charity that helps people to set up free schools. He has extensive experience across Whitehall and Westminster.

Appointment
March 2020

Ministers and officials appointed in 2020-21

On 21 August 2020, to ensure that the government was able to respond fully to exam results, whilst also ensuring the return of schools in September, Susan Acland-Hood was appointed as Second Permanent Secretary at the Department on a temporary basis for six weeks to lead the government's response on exams.

On 1 September 2020 Jonathan Slater stepped down from his role as Permanent Secretary. Susan Acland-Hood took over as Acting Permanent Secretary and Acting Accounting Officer for the duration of the recruitment period to replace Jonathan.

On 7 December 2020 Susan was appointed as the new Permanent Secretary for the Department.

On 1 September 2020 Lucy Smith was appointed as Director General, CRRG for a period of three months. Lucy Smith was appointed for a short period as COVID-19 Director General, from November 2020.

On 30 November 2020 Julia Kinniburgh was appointed as Director General to replace Lucy Smith, who moved to a role in another department.

Departing ministers and officials in 2020-21

Officials who left in the year are given below:

Executive board member	Dates	Position
Jonathan Slater	To 1 September 2020	Permanent Secretary
Jonathan Clear	To 1 November 2020	Joint Chief Financial Officer and Director of Strategic Finance, Operations Group
Lucy Smith	From 1 September 2020 to 30 November 2020	Director General, COVID Response and Recovery Group

Jonathan Clear stepped down from his role as Joint Chief Financial Officer and Director of Strategic Finance to take up a new role as Director of Central Operations and Performance Measurement. The new team brought together all the performance measurement teams under one director within Operations Group.

Departing officials in 2021-22

Eileen Milner left her role as Chief Executive of ESFA in July 2021.

September 2021 reshuffle

During September 2021, the Prime Minister completed a government reshuffle which resulted in changes to the Department's ministerial team as set out in the table below:

Ministerial post and date of change	Postholder pre-reshuffle	Postholder post reshuffle
Secretary of State for Education 15 September 2021	The Rt Hon Gavin Williamson CBE MP	The Rt Hon Nadhim Zahawi MP
Minister of State for Schools Standards 16 September 2021	The Rt Hon Nick Gibb MP	Robin Walker MP
Parliamentary Under Secretary of State for the School System 17 September 2021	Baroness Berridge	Baroness Barran MBE
Parliamentary Under Secretary of State for Apprenticeships and Skills 16 September 2021	Gillian Keegan MP	Alex Burghart MP
Parliamentary Under Secretary of State for Children and Families 16 September 2021	Vicky Ford MP	Will Quince MP

Michelle Donelan MP took over the role of Minister for the Board when Rt Hon Nick Gibb MP stepped down.

Register of interests

The Department maintains a register of interests to ensure that potential conflicts of interest can be identified. Executive and non-executive board members are required to declare details of company directorships and other significant interests, on appointment to the board and on an annual basis. The Department publishes the register[30] annually alongside its ARA.

Details of directorships and other significant interests held by ministers are set out in the Register of Members' Interests for MPs, and the Register of Lords' Interests. Both registers can be found on the UK Parliament website.[31]

Special advisers

In line with the current declaration of interests policy for special advisers, all special advisers have declared any relevant interests or confirmed they do not consider they have any relevant interests. The Permanent Secretary has considered these returns and there are no relevant interests to be published.

30 https://www.gov.uk/government/collections/dfe-annual-reports
31 http://www.parliament.uk/mps-lords-and-offices/standards-and-interests

Data management

	2020-21	2019-20	2018-19	2017-18
Number of incidents	4	3	2	2

There were four protected personal data related incidents in 2020-21 which were reported to the Information Commissioner's Office.

Further detail on data security and compliance is in annex A.

Department spending

Remuneration paid to auditors for non-audit work

The audit of the Group and its component entities, except for Aggregator Vehicle PLC, was undertaken by the Comptroller and Auditor General (C&AG). Aggregator Vehicle PLC is audited by KPMG LLP. No non-audit fees have been paid to auditors for either year reported here.

Political donations and expenditure

The Department has not made any political donations during the year (2019-20: £nil).

Research spending

	2020-21	2019-20	2018-19	2017-18
	£m	**£m**	**£m**	**£m**
Department	13.5	27.0	29.0	19.6
Agencies	-	-	0.3	1.0
NDPBs	0.3	0.1	0.6	2.0
	13.8	**27.1**	**29.9**	**22.6**
Of which:				
central research	3.8	4.0	6.2	5.1
policy units/policy evaluation research	10.0	23.1	23.7	17.5

The above figures highlight that the Group has spent less on research during 2020-21 compared with 2019-20 and this is due to the significant disruption of the COVID-19 pandemic. Restrictions and the need to reduce burden on respondents (such as teachers and social workers) resulted in large scale postponement of fieldwork and multiple contract variations. Much of our fieldwork has been pushed into the 2021-22. This means contracted milestone payments will need to be paid from this year's budget. In addition, the pandemic has necessitated a range of new work to assess the impact of the pandemic and evaluate recovery programmes. As such 2020-21 spend is much lower than forecast and that the call on the combined 2021-22 budget will be much higher.

The central research budget funds research and evaluation studies that shape and influence policy delivery around education, further and higher education and social care. Key research strands during the year were:

- International Evidence, including International Early Learning and Child Well-being Study
- Teaching and Learning International Survey (TALIS)
- Trends in International Mathematics and Science Study (TIMSS)
- Progress in International Reading Literacy Study (PIRLS)
- Programme for International Student Assessment (PISA)
- Study of Early Education and Development (SEED)
- School Snapshot Survey – Omnibus Survey of School Teachers & Senior Leaders
- COVID-19 Parent & Pupil Panel
- the Longitudinal Study of Young People in England: Cohort 2
- and numerous smaller-scale research projects

In the future, the Department is looking to consolidate spend from 2021-22 onwards on research and development which will improve monitoring of spend, reporting, ensuring spend being appropriate and to make savings if and where appropriate to do so. Further details of the Department's research strands are available online.[32]

Financial instruments and exposure to risk

As the cash requirements of the Group are met from the Consolidated Fund, through the Parliamentary Supply process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. However, the Group is exposed to some level of risk generated by the Department's student loan portfolio, which is classified as a financial instrument.

Further information on the risks associated with financial instruments are set out at note 12.

Board's declaration

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

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32 https://www.gov.uk/government/organisations/department-for-education/about/research

Statement of Accounting Officer's responsibilities

Under the *Government Resources and Accounts Act 2000* (GRAA), HMT has directed the Department for Education to prepare, for each financial year, consolidated resource accounts detailing the resources acquired, held or disposed of, and the use of resources during the year by the Department (inclusive of its Agencies) and its sponsored non-departmental public bodies designated by order made under the GRAA by *Statutory Instrument 2018/313* (together known as the Group, consisting of the Department and sponsored bodies listed at note 24). The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department and the Group and of the net resource outturn, application of resources, changes in taxpayers' equity and cash flows of the Group for the financial year.

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

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

HMT has appointed the Permanent Secretary as Accounting Officer for the Department for Education.

The Accounting Officer of the Department has also appointed the Chief Executives (or equivalents) of its sponsored NDPBs as Accounting Officers of those bodies. The Accounting Officer of the Department is responsible for ensuring that appropriate systems and controls are in place to ensure that any grants that the Department makes to its sponsored bodies are applied for the purposes intended and that such expenditure and the other income and expenditure of the sponsored bodies are properly accounted for, for the purposes of consolidation within the resource accounts.

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

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the Department and its NDPBs are set out in *Managing Public Money* published by HMT.

The latest version of the combined Accounting Officer System Statement[33] for the Department and the Teachers' Pension Scheme (England and Wales) was published in July 2021. As the Accounting Officer for both bodies, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that Department's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

33 https://www.gov.uk/government/publications/department-for-education-accounting-officer-system-statement

Governance statement

Overview

Our governance statement sets out our governance, risk management, the assurances I have received, as Principal Accounting Officer, and our compliance with HMT's *Corporate governance in central government departments: code of good practice*. Prior to my appointment, on 1 September 2020, this responsibility was held by my predecessor, Jonathan Slater, and I have taken assurance from him that there was a sound system of internal controls during the period 1 April 2020 to 1 September 2020 prior to my appointment.

How we are structured

The Department for Education is a ministerial department that is supported by and works with 16 agencies and public bodies, as listed in note 24, who assist the Department in implementing its policies and achieving its aims and objectives. The agencies and public bodies consist of executive agencies, executive NDPBs, advisory NDPBs and other organisations.

The Agencies are part of the Department and are well-defined business units which carry out executive functions within government. They have a clear focus on delivering specific outputs within a framework of accountability to ministers.

The executive or advisory NDPBs have a role in the processes of national government, but are not a government department or part of one, and which accordingly operate to a greater or lesser extent at arm's length from ministers. NDPBs have different roles, including those that advise ministers and others, which carry out executive or regulatory functions, and they work within a strategic framework set by ministers.

As the Permanent Secretary and Accounting Officer for the whole group, I have responsibility for reviewing the effectiveness of the Group's systems of internal control. The review was informed by the senior management team (including Accounting Officers for Agencies and NDPBs, who have responsibility for the development and maintenance of their internal control frameworks), Government Internal Audit Agency (GIAA), and comments made by the National Audit Office (NAO) in its management letter and other reports. I required each Director General to complete an annual assurance return covering risk management, the operation of related controls in their areas of responsibility, and their use of resources allocated to them. The next annual return cycle is after this ARA is published so I rely on exception reports to cover the period from the year end to the date this ARA is published.

This supplemented the regular reporting to the Leadership Team on the stewardship of risks and budget managers' assurances that the budgets under their control were spent for the purposes voted by Parliament, within the rules of financial propriety and regularity, and with due regard for value for money. The main findings are summarised within this statement below.

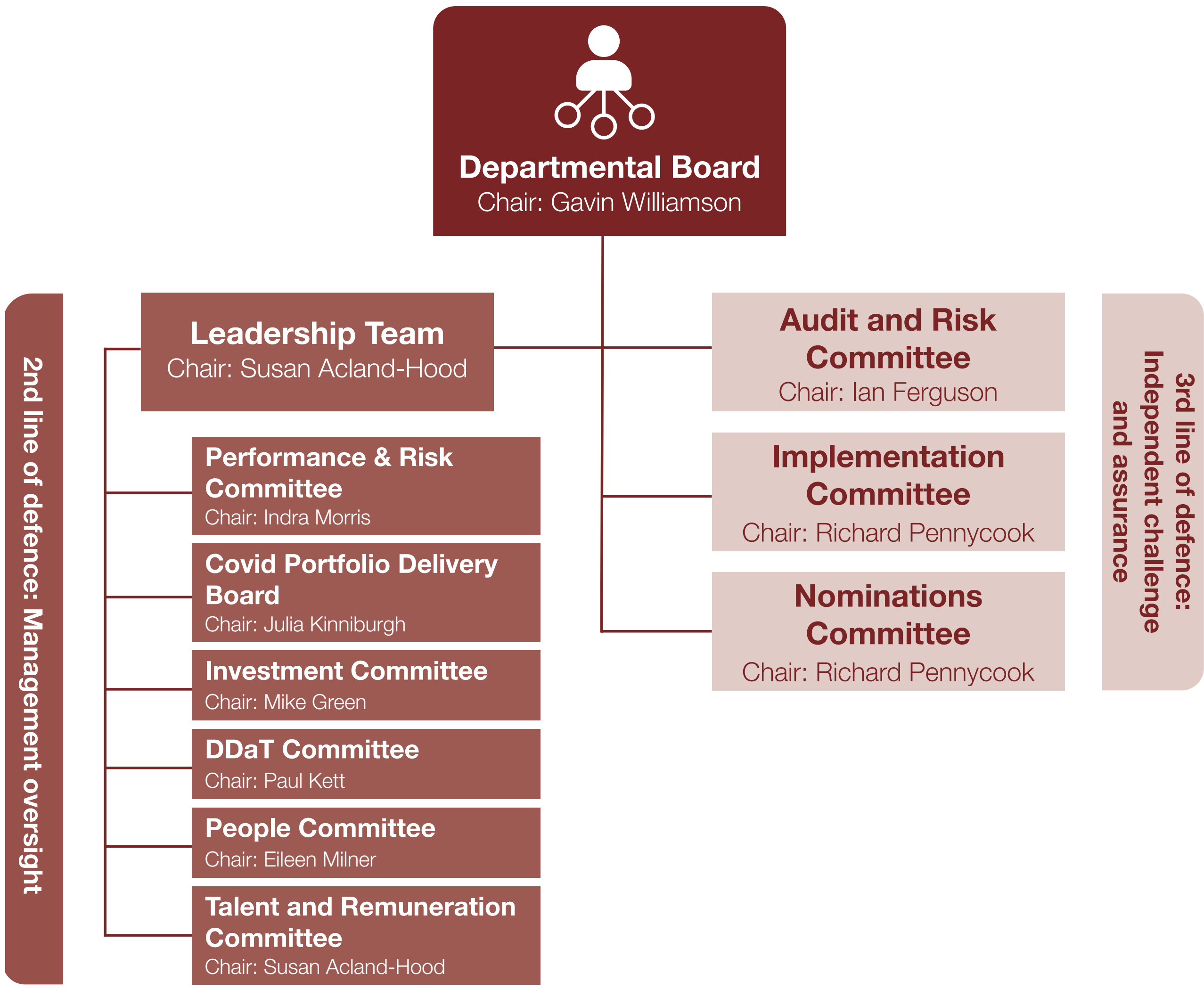
During 2020-21, the ARC regularly reviewed management of issues and near misses, and provided guidance on matters of risk and assurance. It scrutinised the Group's internal audit plan, findings from reports and progress with follow-up actions. ARC also regularly reviewed recommendations from Public Accounts Committee and value for money reports and arrangements for managing incidents of fraud, error and debt.

Other sources of assurance were local authority Chief Finance Officers (through the submission of a return under section 151 of the *Local Government Finance Act 1972*), individual academy trust Accounting Officers, Ofsted, and the Accounting Officers of our NDPBs and Agencies. These Accounting Officers reported either directly to me or to me via the ESFA on the probity and appropriateness of the use of Group funding allocated to them.

The board and its committees receive management information covering a variety of disciplines to enable them to monitor the performance of the Department. This includes: financial and workforce data, indicators of progress against the Department's priorities and information on risk. The senior executive team, with challenge from other board members, continually monitor the quality of the information supplied to ensure that it is of the right quality to enable decisions to be based on evidence.

The Department's governance structures

In the reporting year 2020-21 a review of Departmental governance was completed. The findings were largely positive and, as a result, the Department's governance structures remained broadly unchanged other than the addition of a new COVID-19 response sub-committee.



Departmental Board

Overview

Chair: Rt Hon Gavin Williamson, Secretary of State

Membership: As well as the Chair, the Board comprises of the Minister of the Board, the Permanent Secretary, two Directors General, the Strategic Finance Director and the non-executive board members. All other ministers have a standing invitation to attend the board meetings.

Meeting frequency: Four times during the year

Role: The Board provides the collective strategic and operational leadership of the Department, providing advice and challenge on:

- strategy
- operations
- deliverability of policy

The Board achieves this by drawing on the commercial, operational and political expertise of its members which comprise of Ministers, Civil Service leaders and the Department's non-executive board members.

Key activities during 2020-21

The discussions of the Board focused on:

- **Impact of COVID-19 and developing a renewal agenda:** The Board discussed future priorities for the Department's renewal agenda, alongside the key risks and opportunities. Members endorsed the four priorities of the renewal agenda.
- **Safeguarding Vulnerable Children and Young People:** The Board had two discussions on the impact of the pandemic on Vulnerable Children and Young People (VCYP). Members considered evidence of systematic failure that has led to poor educational outcomes for VCYP. At a later discussion it was agreed that a strategic approach which built on the outcome of the Children's Social Care and SEND Review must be developed alongside a strong business case to support early intervention.
- **Post-16 landscape – reform agenda as part of COVID-19 renewal:** The Board had an in-depth discussion on the post-16 reform agenda in context of COVID-19 renewal. The Board recognised that the reforms of the HE and FE sectors would support the country's economic growth over the next 5 years and help achieve the 'Levelling up' agenda. At a later discussion, the Board discussed the ambition of the skills delivery reform programme that aimed to address strategic and system-wide challenges. Members offered advice on engaging effectively with stakeholders at both a local and national level.
- **Risk:** The Board accepted that during its response to the pandemic the Department was operating at a high-level of risk. At a later meeting the Board considered and approved an interim risk appetite statement.
- **Finance:** The Board discussed the Department's Q1 fiscal position. At a later meeting the Board endorsed the levels of budgetary overcommitment.
- **Star Chambers:** The Board noted an update on the Star Chambers reviews. These reviews were tasked with identifying savings and driving value from the Department's expenditure.
- **Civil Service Modernisation and Reform:** The Board noted an update on the Civil Service Modernisation and Reform programme and were assured that the Future DfE work was aligned to this programme.
- **Career paths for apprentices:** Board members noted that the Department

had consistently exceeded the public sector target. The Board commissioned advice on proposals to support the career progression of apprentices within the Department.

- **Spending Review:** The Board provided challenge on the approach to the 2020 Spending Review. At a later meeting the Board discussed the risks and opportunities associated with the announcement of the 2020 one-year Spending Review settlement.
- **COVID-19 response:** The Board considered reflections on the Department's wider COVID-19 response. Members discussed the importance of a clear organisational structure around response delivery, and they considered the governance structures that define accountabilities and support the Department's relationship with local authorities and its NDPBs.
- **COVID-19 response – reopening of schools:** The Board welcomed reflections on the re-opening of education settings in May 2020 and later, at their July meeting, members considered a stocktake of plans to re-open settings again in September.
- **COVID-19 response – education recovery programme:** The Board noted the impact of lost learning and recognised that education recovery was a cross-Departmental priority. The Board advised that it would be critical to focus on 16-19-year olds who are due to enter the labour market.

Board performance and effectiveness

A board effectiveness evaluation was not undertaken during the review period as the Department focused its resources on its response to the pandemic. A full board effectiveness evaluation, with independent input, had been undertaken in 2019. This comprehensive review provided a range of recommendations which were implemented throughout the reporting period with a continued emphasis on continuous improvement.

In addition to formal board meetings, non-executive board members have been active in supporting officials throughout the year. The Department's lead non-executive director is the interim Chair of the recently established Skills Reform Board. The Skills Reform Board provides governance and oversight for the delivery of commitments within the white paper. Our lead non-executive will continue to act as chair until a public appointment is made. The Department's non-executive directors have provided advice and challenge on a range of issues including the delivery of ministerial priorities.

Managing conflicts of interests

At the beginning of every Board meeting, all members are asked to declare any new potential conflicts of interests. The current register of interests has been published separately to this ARA.

The process is duplicated in the Board's sub-committees: Leadership Team, Audit and Risk Committee, Implementation Committee and Nominations Committee.

Attendance at meetings

Attendance records for members, but not attendees, are given below:

Member	Meetings attended (out of possible)
Ministers	
Rt Hon Gavin Williamson MP (Chair)	4/4
Rt Hon Nick Gibb MP	4/4
Non-executive board members	
Richard Pennycook	4/4
Ian Ferguson	4/4
Baroness Ruby McGregor-Smith	4/4
Dame Irene Lucas-Hays	4/4
Toby Peyton-Jones	4/4
Nick Timothy	3/4
Senior officials	
Jonathan Slater	2/2
Susan Acland-Hood	2/2
Indra Morris	2/4
Mike Green	2/4
Jonathan Clear	3/3
Tony Foot	1/1

Leadership Team

Overview

Chair: Susan Acland-Hood, Permanent Secretary

Membership: The committee consists of the Permanent Secretary, Directors General (including the Chief Executive of the ESFA) and the Director of Strategic Finance. The Director of Transformation routinely attends but is not a member.

Meeting frequency: Ten times during the year

Role: The Leadership Team provides day-to-day executive leadership and management on behalf of the Board. It focusses on Departmental management, transformation and performance.

The Leadership Team is supported by five sub-committees: People Committee; Digital, Data and Technology Committee (DDaT); Performance and Risk Committee; Investment Committee; and COVID Portfolio Delivery Board.

Key activities during 2020-21

The discussions of the Leadership Team focused on:

- **Finance:** The financial health of the organisation is reviewed at the end of each monthly reporting period, alongside updated business plans when appropriate.
- **Sub-committee updates:** Members considered a monthly report on the work of its sub-committees.
- **Spending Review:** Leadership Team considered items related to the Spending Review throughout the year. These included a detailed discussion on the Department's draft response to the 2020 SR. At a later meeting, the finance team led a discussion to reflect on the outcome of the 2020 SR and identified ways to inform the 2021 SR process.
- **Government internal audit agency:** The Leadership Team discussed and approved the draft internal audit plan for 2021-22.
- **Diversity and inclusion:** Members agreed a statement to articulate the Department's commitment to diversity and inclusion.
- **Shadow Leadership Team:** The Leadership Team recognised the important contribution made by the Shadow Leadership Team in bringing different viewpoints to the committee's

discussions. The Leadership Team agreed a new cohort would be recruited.

- **DfE Wellbeing Action Plan:** The Leadership Team recognised that the pandemic has put high demands on staff and approved a plan to support the wellbeing of colleagues.
- **Strategic Workforce Plan:** The Leadership Team discussed a proposal for updating the Strategic Workforce Plan. At a later meeting, the committee discussed how staff would return to the office as COVID-19 restrictions were lifted.
- **COVID-19 response:** The Leadership Team discussed and revised the structure of the Department's operating centre that led the Department's response to the pandemic. The Leadership Team also established a new sub-committee, COVID Portfolio Board, to provide assurance on the decisions made during the Department's response to the pandemic. Later in the year, the committee discussed an analysis of the economic impact of COVID-19.
- **Outcome Delivery Plan:** The Leadership Team discussed how the Outcome Delivery Plan would enhance the Department's existing planning and performance process.
- **Delivery highlight report:** The Leadership Team commissioned a monthly report to enable foresight of upcoming delivery challenges; facilitate discussion and resolution of issues that span across the Department; and improve delivery confidence.
- **Deep-dives into risks:** The Leadership Team undertook deep-dives into top tier risks, including the financial health of the further education sector and the teacher workforce strategy.
- **Mayoral combined authorities:** The Leadership Team received an update on the priorities for English devolution from the Director General of Decentralisation and Growth at the Ministry of Housing, Communities and Local Government.
- **Policy updates:** The Leadership Team discussed the ongoing SEND Review; the interventions to support the financial stability of the higher education sector; and the Department's Futures Programme to identify strategic threats and opportunities as we emerge from the pandemic.
- **Union strategy:** The Leadership Team also received an update on the Union strategy and discussed a constructive approach to working with the Cabinet Office Union Directorate.

Attendance at meetings

Attendance records for members, but not attendees, are given below:

Member	Meetings attended (out of possible)
Senior officials	
Jonathan Slater (Chair)	2/3
Susan Acland-Hood (Chair)	6/7
Indra Morris	10/10
Paul Kett	10/10
Andrew McCully	10/10
Eileen Milner	6/10
Mike Green	9/10
Lucy Smith	3/3
Julia Kinniburgh	3/4
Jonathan Clear	3/3
Tony Foot	6/7

Audit and Risk Committee

Overview

Chair: Ian Ferguson,
non-executive board member

Membership: The Committee consists of two non-executive board members, one of whom is the chair, and four independent members. Christopher Baker stepped down as a member at the year end at the end of his term of office, and was replaced by Alastair Murray. We would like to thank Christopher for his support during his term and to welcome Alastair.

Internal audit (GIAA), external audit (NAO), the Permanent Secretary, the Chief Operating Officer, the Chief Executive of the ESFA and the Operational Finance Director and Director of Strategic Finance also regularly attend but are not members.

Meeting frequency: Six times during the year

Role: The Audit and Risk Committee (ARC) is a sub-committee of the Board. It supports the Board by providing independent scrutiny and challenge of the Department's governance, risk management and internal control. ARC advises the Permanent Secretary on the adequacy and effectiveness of these arrangements and the structure and presentation of the Department's annual report and accounts. The Chair presents an update on the work of the ARC at each Board meeting and provides an annual report to the Accounting Officer and Board.

Summary of activity in 2020-21 financial year

- ARC received regular reports from the GIAA. It reviewed the progression of audit activity against the 2020-21 plan and was made aware of any changes to the plan. Two unsatisfactory reports and eleven limited audit reports were considered. ARC approved the annual audit plan for 2021-22 and monitored progress against actions. ARC also monitored progress on outstanding actions in respect to prior year audits. The ARC recommended improvements to the planning and reporting of audits.
- ARC received regular reports from the NAO on the planning for, and progress of, the annual financial audit as well as updates on the progress of and plans for new NAO value for money audits. The committee retained oversight on progress against outstanding NAO and Public Accounts Committee actions.
- As a committee, ARC reviewed, scrutinised and, where appropriate amended the Group Annual Report and Accounts (ARA) for 2019-20, the Academies Sector Annual Report and Accounts (SARA) for 2018/19. ARC also supported the annual governance statement which is included in the 2019-20 ARA. Despite the inevitable delay caused by the pandemic these annual reports and accounts remained unqualified, due to the hard work and commitment of the officials involved.
- The Committee scrutinised the Teachers' Pension Scheme ARA and a sub-group of ARC completed a detailed review of the STA and TRA ARAs ahead of publication.
- ARC considered the Department's effectiveness in its management of risk. The Committee reviewed the risk register and made enquiries of those responsible for managing risks. In May the Committee noted the introduction of a temporary risk appetite statement by the Leadership Team to provide a framework for decision makers throughout the response to the pandemic. The Committee also considered the increased levels of risks inherent in the Department's response to COVID-19 and were reassured that risk management expertise had been embedded in the Department's Operations Centre.

- ARC reviewed the work to integrate the DDaT functions and considered the work to improve governance and deliver better, more efficient services. The Committee continues its focus in this area, including a review of disaster recovery and business continuity plans for across the whole Department.
- During the year, ARC reviewed regular and *ad hoc* reports provided on key issues and risks identified in connection with the work of the Department and provided challenge and advice where required. These included: cyber security, the NTP, the Department's response to the findings from a critical Information Commissioner's Office audit, the NAO's value for money reports on Free School Meals and College Financial Sustainability and progress updates from the Department's commercial function.
- ARC received updates on control testing, grant assurance and regularity and noted significant progress in developing and improving systems and processes in this area with the implementation of a system to test key controls in its final phases. ARC does still have concerns about the end-to-end process for managing grants, and the capability and capacity of the Department to optimise value for money in agreements.
- ARC workshops have also been held prior to the ARC meetings to allow for in-depth analysis, including a review of the Department's performance management systems, the valuation of the student loan book, the integration of the Department's DDaT function, the organisation's pandemic response, cyber security, business planning and risk management. The workshops also discussed a deep dive into the levy imposed by CITB. These workshops have become more formal over time and are now an established part of the assurance fabric of the Department.
- The network meetings for NDPB ARC Chairs continue and are creating cohesion, as are the NDPB CEO meetings and the NDPB Chairs meetings.

Attendance at meetings

Attendance records for members, but not attendees, are given below:

Member	Meetings attended (out of possible)
Non-executive board members	
Ian Ferguson (Chair)	6/6
Richard Pennycook	4/6
Independent members	
Christopher Baker	6/6
Nigel Johnson	6/6
Hunada Nouss	6/6
Charlotte Moar	6/6

Implementation Committee

Overview

Chair: Richard Pennycook, lead non-executive board member

Membership: As well as the Chair, the Committee consists of the Permanent Secretary, Directors General, the other non-executive board members, Director of Strategic Finance, Director of Strategy, Social Mobility and Disadvantage, the Chief Analyst and the Head of Delivery Unit.

Meeting frequency: Twice during the year. The frequency of meetings was reduced to allow the Leadership Team to concentrate their efforts on the COVID-19 response, co-ordinated through the COVID Portfolio Delivery Board.

Role: The Committee is an advisory committee of the Board, providing assurance to key decisions and processes. Its purpose is to scrutinise the Department's performance and delivery, advise whether the Department's performance and delivery processes are effective in helping the Department achieve its objectives.

Key activities during 2020-21

The discussions of the Committee focused on:

- **Spending Review:** The Committee reviewed a draft response to the 2020 Spending Review and identified areas where greater emphasis could be given and where further detail could be added.
- **T Levels:** The Committee received an update on the delivery challenges associated with implementing future phases of this programme, in context of the wider qualification landscape.
- **Work placements across the post-16 skills programme:** The Committee received an update on the opportunities and challenges of working collaboratively with other government departments to engage with employers.
- **National Tutoring Programme:** The Committee considered the delivery risks associated with this programme. It was agreed that a non-executive director would sit on the National Tutoring Programme Delivery Board to provide challenge and assurance.
- **Devices:** The Committee considered the provision of 500,000 laptops to vulnerable children to facilitate remote learning during the pandemic. Members discussed the challenges of providing a further half a million laptops by the end of the spring term 2021. The Committee noted that connectivity, interoperability and access to shared digital platforms will be key components of the Department's digital strategy.
- **REACT:** The Committee discussed the work of the Regional Education and Children's Team (REACT) to provide support for local authorities' pandemic responses. REACT had had notable success facilitating local conversations between education settings and health providers.

Attendance at meetings

Attendance records for members, but not attendees, are given below:

Member	Meetings attended (out of possible)
Non-executive board members	
Richard Pennycook (Chair)	2/2
Ian Ferguson	2/2
Baroness Ruby McGregor-Smith	2/2
Toby Peyton-Jones	2/2
Dame Irene Lucas-Hays	2/2
Nick Timothy	1/2
Senior officials	
Jonathan Slater	-/-
Susan Acland-Hood	1/2
Indra Morris	2/2
Paul Kett	1/2
Andrew McCully	2/2
Eileen Milner	2/2
Mike Green	1/2
Emily Curtis	1/2
Robert Arnott	-/2

No committee meetings were held during the year prior to Jonathan Slater's departure.

Nominations Committee

Overview

Chair: Richard Pennycook, lead non-executive board member

Membership: As well as the Chair, the Committee consists of the non-executive board members, the Permanent Secretary and the HR Director.

Meeting frequency: Four times during the year

Role: The Committee is a sub-committee of the Board and provides assurance that the Department has the capability to deliver. The Committee scrutinises strategies and plans for talent management; succession planning; and capability building. The Committee also provides assurance that Board and public appointments are made on merit.

Key activities during 2020-21

The discussions of the Committee focused on:

- **Talent:** The Committee considered talent, talent management and succession planning across the Department's Director and Director General cadre and endorsed the senior civil service (SCS) pay award.
- **Public appointments:** The Committee received briefing on 'in-flight' public appointment campaigns and discussed the importance of attracting a diverse range of appointable candidates to apply for DfE public appointments.
- **Assurance:** The Committee also discussed the outcome of the internal audit of public appointments and considered successful elements of the process along with the agreed management actions.
- **Future DfE:** The Committee received a briefing on the 'Future DfE' work. Members were assured that work to develop a model for organisation design would start by considering the functions of the Department and the services that it delivers.

Attendance at meetings

Attendance records for members, but not attendees, are given below:

Member	Meetings attended (out of possible)
Non-executive board members	
Richard Pennycook (Chair)	4/4
Ian Ferguson	4/4
Baroness Ruby McGregor-Smith	2/4
Toby Peyton-Jones	4/4
Dame Irene Lucas-Hays	4/4
Nick Timothy	1/4
Senior officials	
Jonathan Slater	2/2
Susan Acland-Hood	2/2
Simon Fryer	4/4

Leadership Team sub-committees

Investment Committee

Chair: Mike Green, Chief Operating Officer and Director General of Operations

Membership: Consists of one Director General and nine Directors

Meeting frequency: Fortnightly, with extraordinary meetings arranged as required.

Role: The Committee is responsible on behalf of Leadership Team for investment decisions related to high value or higher risk activities. The Committee considers business cases for significant proposals and commercial agreements. The Committee will approve the gated release of funds for any and all expenditure over the threshold for committee approval: which is any business case that has lifetime costs in excess of £20 million, any commercial case in excess of £10 million subject to Cabinet Office controls, or any business case which is below threshold but that will limit other opportunities for the Department or is considered to be novel, contentious, or repercussive.

Key activities during 2020-21

Over the last 12-months, the Committee has:

- provided assurance on over 120 business cases
- managed the Spending Review bidding process
- processed 30 COVID-19 rapid response cases
- assured £5.6 billion (excluding Spending Review)
- introduced provision of 'Better Business Cases' online training and with 519 hours of training

Performance and Risk Committee (PRC)

Chair: Indra Morris, Director General of Social Care Mobility and Disadvantage

Membership: Consists of one Director General and fourteen Directors

Meeting frequency: 11 times during the year

Role: The PRC ensures that the Department takes a joined-up view of performance and risks so that we can quickly spot and tackle common issues that are or have the potential to have a negative effect on the Department's activities. The PRC enables the Leadership Team to focus on the issues that require cross-directorate decisions or could seriously damage our reputation or stop us achieving our objectives. The Committee provides scrutiny of major projects, Departmental performance, and the Department's top tier risks in order to provide assurance and escalate matters, as appropriate, to the Leadership Team.

Key activities during 2020-21

Over the last twelve months, the PRC has:

- considered cross cutting and sector focused risks, ensuring the correct mitigations are in place and resources aligned to priority areas as required, escalating risks accordingly
- continued strategic overview of Departmental major project performance, providing support and escalation where necessary
- introduced key metrics with regard to Departmental reporting, helping to identify gaps, duplication and to give assurance that we are reporting on the correct measures to support understanding of delivery of Departmental priority outcomes
- scrutiny of the impact assessments on major projects in the wake of the COVID-19 pandemic, escalating to the Leadership Team with regard to continued priority delivery

Digital, Data and Technology Committee (DDaT)

Chair: Paul Kett, Director General of Higher Education and Further Education

Membership: Consists of one Director General and eight Directors

Meeting frequency: 11 times during the year

Role: The Committee is there to advise Leadership Team on how we increase our DDaT capability and how we use DDaT solutions to help us do business more effectively. The Committee reviews how we prioritise DDaT resource across our business. The Committee oversees the Department's strategic data, digital and technology risks. In addition, the Committee decides how we implement data, digital and technology strategies agreed by the Leadership Team, including how best to build out the DDaT workforce.

Key activities during 2020-21

Over the last twelve months, the Committee has:

- prioritised projects and capacity in response to COVID-19
- continued oversight and scrutiny of the role of the Department in enabling digital infrastructure to the education sector, the impact of cross-government communications governance, and the scope for acceleration of the EdTech strategy in response to the constraints brought about by the COVID-19 pandemic
- continued review of the security risk framework in light of the increased security risks brought about by remote access and targeted phishing
- continued scrutiny of the legacy IT programme, its implications and future strategic delivery
- review of the quarterly business report commissioned by Cabinet Office, resulting strategies and implications

COVID Portfolio Delivery Board

Chair: Julia Kinniburgh, Director General of COVID Response and Recovery Group

Membership: Consists of one Director General and twelve Directors

Meeting frequency: Weekly during the year, although frequency changed to monthly from August 2021

Role: The purpose of the Board is to scrutinise and challenge plans and performance, support delivery and decision-making, and manage/escalate risk across the Department's portfolio of programmes that aim to respond to the challenges for our education and care system posed by COVID-19.

Key activities during 2020-21

Over the last twelve months, the Board has:

- provided a strategic overview of the programmes comprising the wider CRRG, including scrutinising and challenging programme plans and assuring delivery of complex programmes of work including remote education and provision of devices, wider setting re-opening and mass testing
- considered in detail cross cutting and sector focused risks, with a strong focus on ensuring mitigations are in place and resources aligned to priority areas as required, escalating risks as required
- responded to the changing dynamics of the COVID-19 pandemic, including immediate response activity and longer-term scenario-based planning to support the wider cross-Government response
- strategic leadership and direction to support the delivery of education and care to pupils of all ages during the COVID-19 pandemic across all settings including remote education

Talent and Remuneration Committee

Chair: Susan Acland-Hood, Permanent Secretary

Membership: Consists of the Permanent Secretary, all Directors General and the HR Director

Meeting frequency: Six times during the year

Role: The purpose of the Committee is to discuss and agree senior civil service workforce and resourcing, including succession planning and talent pipelines.

Key activities during 2020-21

Over the last twelve months, the Committee has:

- reviewed progress against the Workforce Development Strategy and considered the prioritisation of resources across the Department
- agreed the proposal to support director level development and approved the senior civil service pay awards

Managing our risks

To help ensure we achieve our priorities, we need to manage risks at all levels in the Group. Risk management is integrated into the way we work, from operational decision making through to the management of strategic risks reflected in our top tier risk report. This section explains how we identify and then address those risks.

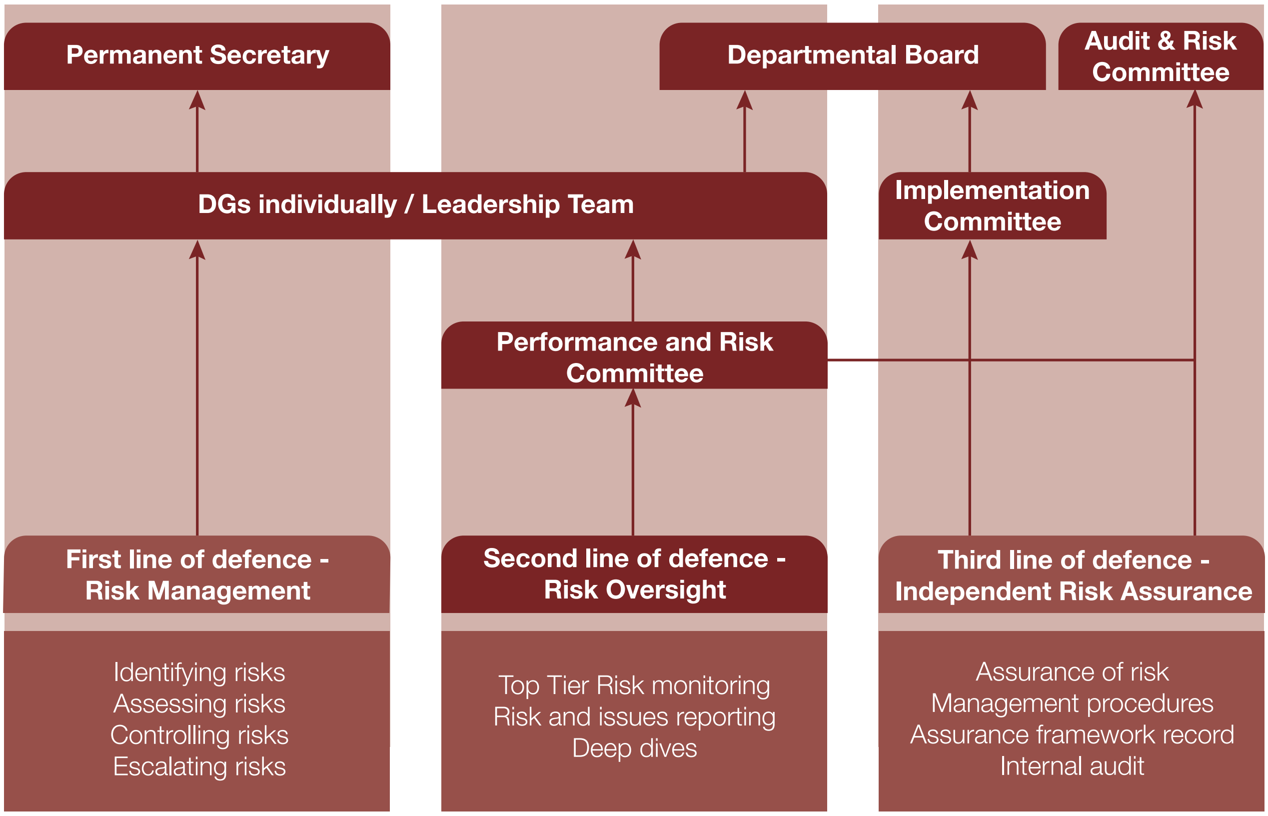
The risk management framework

Our risk management approach seeks to devolve accountability to those best placed to effectively manage risks at the right level.

A corporate risk team acts as the central point for advice and guidance on risk management. The team is responsible for the effective implementation of the Department's risk management framework and co-ordinates the Department's top tier risk report, which is the route by which the most significant risks are escalated to the Department's board and committees.

The central team is also responsible for monitoring and reporting near misses and unexpected issues, ensuring measures are introduced to reduce the likelihood of issues reoccurring.

The below framework describes the three lines of defence model to which the Department operates:



Risk assurance

ARC

To ensure that the risk management processes and policies are fit for purpose, and that the risks captured are appropriate, ARC continually reviews risk management processes and practices across the Department.

Assurance Framework Record

Our SCS are accountable for maintaining effective systems and processes across their areas of responsibility to ensure that cross-Departmental control frameworks are appropriately upheld and monitored. In order for the Accounting Officer to take assurance that relevant controls have been implemented, every area of the Department is required to complete an Assurance Framework Record on an annual basis, devolved at least to Director level. This acts as an area-specific assessment of the effectiveness of our control frameworks, covering a range of areas including: governance; risk management; financial management; and business strategy and planning. The Central Assurance team compile responses and support areas in identifying future improvements. In 2020-21, out of 203 individual assessments of control areas, there were ten assessments with weaknesses identified, with associated actions captured in improvement plans.

Risk capability improvements this year

The Department is focused on the continuous improvement of our risk management arrangements and capability. Following the introduction of our Departmental-level risk appetite statement, further work has continued to build and embed our risk capability through training and support. The risk appetite statement was refreshed in April 2020 to recognise that the Department will operate with higher level of risks due to COVID-19. This was intended to help to support decision making, highlight boundaries and aid consistency.

As a response to the increased risks associated with COVID-19, the central risk team's focus and activity included: introducing the temporary risk appetite, retaining monthly rhythm for the PRC to focus on short term changes to risks, integrating significant COVID-19 related risks into the top tier reporting, deploying risk expertise to the CRRG to implement a risk framework and supporting arrangements.

A model has been established to test the maturity of risk arrangements across the Department to drive both intervention and support. The central risk team conducted an engagement exercise across all Department directorates to gain an improved understanding of the strength of arrangements. The exercise has been used to drive our intervention including the focus of the central team's training offering, delivering 24 events through the year.

Local level frameworks have been introduced based on the Departmental approach in some areas, this work will continue during 2021.

A formal network of risk leads has been established; this has enabled good practice to be shared across the risk community. In addition, risk events have been held focusing on key areas such as HMT's *Orange Book: Management of Risk – Principles and Concepts*, risk appetite and top tier risk reporting.

During the year, an engagement exercise was held across all sponsor teams and NDPBs through which areas of best practice, development and future collaboration have been identified to shape ongoing approach to strategic system risk themes.

An NDPB annual risk categorisation and moderation session was also held with senior sponsors during the year. This considered the risk landscape across NDPBs and areas where similar risks are being managed, for example public appointments, enabling the Department to take action to mitigate.

Continued provision of training and support to NDPBs continues, directly including support for management of COVID-19 risks and opportunities through informal engagement, risk workshops, collaborative risk register review and attendance at NDPB meetings.

Other sources of assurance

Counter fraud, error and debt

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

A dedicated central fraud team provides strategic guidance and co-ordination of activity, overseen by a nominated board member. The Department and all NDPBs adhere to cross-government, Cabinet Office led functional standards for counter-fraud activity.

Where an allegation of fraud is made, our documented response plan is activated and a written report is provided detailing both the case and any recommendations for improvement.

Instances of fraud and error, if any in the year, are reported to both the Cabinet Office and to ARC, through regular updates via the Assurance and Financial Control Update, most recently submitted in July 2021. From October 2021, reporting will be every six months.

Each of the Department's bodies has its own counter-fraud team that share best practice via quarterly network events organised and chaired by the central fraud team. The Department and its bodies work on a risk-based approach to ensure that available resources and time are focused on the highest-risk areas. Fraud risk assessments are in place across each business area and the Department undertakes fraud measurement exercises each year, to try and detect fraud in high-risk areas where little or nothing is known of fraud. This year, resource was targeted on the Department's post-event assurance plan that aimed to measure submitted in July 2021 similar fraud and errors in COVID-19 related spend programmes. Resource is now also allocated to analyse the Department's Financial Operations Division's strategic risks and their associated control environment in order to assess whether it is fit for purpose. By assessing, testing, and tracking our controls we intend to accurately report against our operational risks.

The debt function, also in Financial Operations Division, has been centralised this year so all aspects of debt management are now in-house. This has given management a greater understanding of the Department's debt position and in turn has enabled a more robust debt strategy. This has allowed the Department to target and reduce aged debt levels and improve credit control processes more effectively. The debt team works closely with each of the Department's bodies to provide advice and guidance to ensure debt is accounted for and reported correctly. The debt function works closely with cross-government groups to ensure consistency and best practice across government. This includes feeding into the Cabinet Office so central government can report its true level of debt.

Working within the Financial Operations Division keeps fraud, error and debt at the heart of our operational control environment and has helped the Department to focus on a programme of continual assessment and improvement.

Knowledge, information and asset management

The Knowledge and Information Management (KIM) Division had to significantly redesign their records review process in response to the COVID-19 pandemic and the requirement to work from home. Working with our off-site storage providers, a scan and share process was set up to enable virtual reading of paper files. This enabled the Department to adhere to the *Public Records Act 1958* 20-year rule programme, sticking to the planned pace of reviews with a retention schedule in place to allow for transfers to The National Archives.

The Department continues to positively influence the wider KIM profession, initiating a series of bite size learning events for KIM professionals across government. Work with the Cabinet Office Better Information for Better Government Programme on a project to pilot the use of artificial intelligence (AI) in managing email concluded as the programme came to an end. However, the KIM Division has followed a roadmap to continue this work, looking at AI tools in Microsoft365 that can be replicated across government. In May 2020, the KIM Division's intranet team also migrated the Department's intranet to modern SharePoint pages and have worked to improve accessibility through independent assessments and by working closely with the Department's Disability Group.

The KIM Division have also further improved the Department's information asset register, in response to recommendations from an Information Commissioner's Office (ICO) audit. Specifically, engagement with information asset owners has become much more bespoke, quarterly reviews of information risk have been initiated, and a new "Power App" version of the information asset register has been built. The register has been used as one of the sources for a new data estate map built by the

Department's Data Governance team. The Departmental data protection function has been through a number of changes over the last twelve months to enable them to better serve the Department. The Departmental Data Protection Officer now has more direct responsibility for all the teams who support data protection and have provided additional resources and training to those teams.

We have begun to change our focus of work to a proactive business partner model which allows the team to address questions and issues much more quickly than before and also allows us to build stronger relationships across the Department which has been welcomed by the teams we have engaged with. During the next year we will roll this programme out to the rest of the Department.

In October 2020, the ICO published their findings into the Department's previous ways of working. Out of the 139 recommendations, the Department have completed about a third of them to the satisfaction of the ICO and expect to complete the majority of the outstanding actions by the end of the summer 2021.

The Data Protection Team have been a key part of the Department's COVID-19 response and for the first time have provided educational establishments with direct guidance and templates to help them understand their data protection obligations as part of the response to COVID-19. This has helped us understand the pressures on the sector in much more detail, which helps us further refine the advice we give to them.

NDPB risk management

Each of the Department's NDPBs have their own governance structure where risk management is embedded, and so they identify and manage their own risks.

The NDPBs work in partnership with the Department which supports the work of the NDPBs and helps to manage risk jointly.

Each NDPB maintains its own risk register, the content of which is visible to the Department. Visibility of risk across the Group is essential in:

- identification of system risk
- enabling joint working across NDPBs and the Department to minimise shared risk by apportioning proportionate mitigating factors
- identification of new areas of risk
- helping spot new ways of mitigating similar risks

NDPB risks are escalated into the Department via the PRC, alerting PRC as to when assistance is required, and provides assurance that risks are being managed effectively and the Group is protected.

Analytical quality assurance

The Department's quality assurance framework, which complies with the *AQuA book*[34], was introduced in April 2019. From liaising with all senior responsible officers of business critical models it can be confirmed that all business critical models within the Department and ESFA, including newly developed models used for the Department's response to COVID-19, have had appropriate quality assurance arrangements implemented and that the Department's business critical models and outputs used in 2020-21 were fit for purpose. NDPBs are independent and there is no formal requirement for outputs from NDPBs to be compliant with the quality assurance standards of the Department and although we help and support some of them, they are not covered by this assessment.

34 https://www.gov.uk/government/publications/the-aqua-book-guidance-on-producing-quality-analysis-for-government

Following on from the quality assurance framework being introduced in 2019, activity over the last year has focused on embedding the framework across the Department, building systems and driving good practice to make sure assurance is taking place. This has included a rolling programme of training, development of resources and guidance, the Quality Assurance Officers' network and the Quality Assurance Steering Group, a decision-making board comprising senior leaders across the Department as well as external quality assurance experts.

As a consequence of COVID-19, additional in-depth reviews and assessments of the highest risk models did not take place due to reduced capacity within the central team and the additional pressures on analysts across the Department. However, conducting these reviews and assessments is a high priority for 2021-22.

Grant regularity

Grant regularity, including evidencing the required assurance, continued to be a significant risk area for the Department during the year. This was largely due to the increase in COVID-19 grant schemes, as the Department was required to respond to the pandemic at pace. A similar detailed exercise to the prior year was conducted to capture grant details, perform checks to ensure that sufficient assurance arrangements were in place, and validate these arrangements.

The level of irregularity identified is deemed immaterial. However, the Department has identified areas where the evidence available to assure the grant stream was limited, meaning reliance had to be placed on assumptions in a relatively small number of cases. A significant proportion of this known and estimated regularity assurance gap will be addressed though improvements in the grant scheme design phase, by ensuring controls, processes and records are clear and sufficient to demonstrate regularity of expenditure across the breadth of the Department's activity.

A grant assurance framework covering the Department's grant expenditure was launched in spring 2021; this sets out the minimum grant management and assurance requirements to ensure that grant expenditure is in accordance with government grant standards, *Managing Public Money* and underlying legislation. By the end of 2021, the Department will be embarking upon a large programme of work to improve processes within its landscape. This will involve acting on findings from this year's audit, to strengthen risk identification and assurance arrangements in new and continuing grant schemes.

Management of interests and business appointments

The Group's conflict of interest policy is set out clearly on the Department's intranet. All Group staff, who are civil servants, are expected to familiarise themselves with the policy and how it applies to their personal circumstances. Non-civil servant Group staff are expected to adhere to the policy as best practice. We define conflicts of interest (CoI) as a set of circumstances that creates a risk that an individual's ability to apply judgement or act in one's role is, or could be, impaired or influenced by a secondary interest. Conflicts can occur in any situation where an individual or organisation (private or government) can exploit an official role for personal or other benefit. The perception of competing interests, impaired judgement or undue influence can also be a CoI. We also state that avoidance of conflicts is a fundamental principle of public life, which particularly applies to financial management. The Group's approach is underpinned by the *Civil Service Code*.

The Department clearly states that it is the responsibility of the individual, at any staff grade, to declare any potential conflict at the earliest opportunity.

All staff regardless of their grade must record their interests and any CoI on their local business area CoI register. In our policy we request this must be up-to-date and be made available upon request for audit purposes at any time during the year at the request of the Department's central assurance team.

For assurance purposes, as part of their annual Assurance Framework Record (AFR), each director in the Department is asked to confirm whether any conflicts have been identified in their areas and, if so, confirm that they been appropriately managed in line with Departmental guidance. For 2020-21, no conflicts were highlighted as declarable. A sample of those returns is then subject to further validation by the central team. For 2020-21 all directors chosen for validation confirmed they maintained and periodically updated a conflicts register in their areas.

In April 2021, Cabinet Office required all departments to notify them of their position with regard to SCS outside employment. The Permanent Secretary reaffirmed her opinion that the Department has suitable processes to identify SCS outside interests and manage potential CoIs. To support her response a further review of SCS registers of interests described above was completed along with a confirmation exercise for SCSs to declare outside employment.

Special advisers

In August 2020 new Cabinet Office guidelines came into force concerning outside interests of special advisers. All special advisers were required to declare outside interests to the Permanent Secretary for review and consideration. Updated guidance now requires all special advisers to declare outside interests on appointment and annually at year end thereafter.

Business appointments

In compliance with business appointment rules, the Department is transparent in the advice given to individual applications for senior staff, including special advisers. Advice regarding specific business appointments has been published on the Department's website.[35]

Government's Internal Audit Agency (GIAA)

The internal audit plan is set at the beginning of the financial year, informed by a number of considerations including the Department's strategic objectives, organisational changes and key identified areas of risk. It is reviewed by ARC, and revisited as appropriate during the year to reflect changing circumstances.

At each meeting, ARC reviews all Limited and Unsatisfactory rated internal audit reports for that period. It also receives quarterly progress reports, including updates on completed and outstanding actions arising from recommendations (refer below for more detail on the outcome of the internal audit review).

Finally, ARC and the Permanent Secretary review the internal audit annual report each year and the Department also takes assurance from the internal audit functions of those NDPBs not covered by GIAA.

The Department benefits from other independent assurance processes such as major value project reviews and NAO studies targeting areas of high risk or interest.

GIAA annual report

The Department sought assurance from internal audit provided by the GIAA.

Internal audit and assurance services are provided by GIAA, based on a memorandum of understanding. The GIAA's Departmental Group Chief Internal Auditor has provided

35 https://www.gov.uk/government/publications/dfe-business-appointment-rules-advice

me with her annual report, which incorporates her opinion on the Group's system of governance, risk management and internal control. Her opinion has been informed by the internal audit work completed during the year, in line with the internal audit plan agreed by management and ARC.

Of the four possible opinion ratings, the rating given by GIAA for 2020-21 was Moderate. A Moderate rating states that some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control. The opinion direction is made on the basis of the work and assurance provided during 2020-21 to date, meetings with senior management, and the provision of our advisory work.

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

In 2020-21, GIAA issued twelve reports with assurance rated as Limited, and one report with an assurance rated as Unsatisfactory, out of a total of 49 reports. This compares with eleven Limited reports and one Unsatisfactory report out of a total of 51 in 2019-20. A Limited rating states that there are significant weaknesses in the framework of governance, risk management and control such that it could be or become inadequate and ineffective. An Unsatisfactory rating states that there are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

The reports which received a Limited or Unsatisfactory rating are:

Limited assurance
Corporate Systems Integration
DfE Capital Directorate Strategic Risk Management Framework
Contingent Workers IR35 Follow Up
Business Continuity
Major Projects Assurance
Teaching Workforce Portfolio Management
ESFA Technical 'T' Level progress
ESFA Managed Services - Commercial & Controls Assurance
Local Area SEND Inspection and Intervention / Improvement
Capital – Developer Funding
HEFE Group – Careers and Enterprise Company
Unsatisfactory assurance
HEFE FDI Programme

Management have broadly accepted the conclusions and the recommendations of the Limited assurance and Unsatisfactory reports, actions arising are all either in progress or completed.

Departmental response to the Unsatisfactory report

GIAA's helpful audit report concluded that contractual arrangements for the HEFE FDI (Future Digital Inclusion) programme did not allow the Department sufficient oversight of the way third party payments were administered. GIAA's recommendations were accepted and an assurance plan developed to improve contract management arrangements, alongside a review of grant payment recipients. All recommendations have been implemented, addressing the concerns raised through the audit. The FDI programme completed on 30 September 2021.

NAO reports

Value for money studies

The NAO undertakes around 60 value for money studies each year, which Parliament use to hold the government to account for how it spends public money. Each study examines an area of government expenditure, and their objective is to form a judgement on whether value for money has been achieved.

The NAO defines good value for money as the optimal use of resources to achieve the intended outcomes. Their role is not to question government policy objectives, but to provide independent and rigorous analysis to Parliament on the way in which public money has been spent to achieve those policy objectives. As well as reaching an overall conclusion on value for money, the NAO makes recommendations on how to achieve better value for money and to improve the services under examination. More information regarding the value for money studies can be found online.

Investigations

The NAO conducts investigations to establish the underlying facts in circumstances where concerns have been raised with them, or in response to intelligence that NAO gathered through its wider work across government.

The NAO published the following reports relating to the Group in 2020-21:

Report title	NAO summary
Value for money studies	
Financial sustainability of colleges in England[36] (November 2020)	This report focuses on the financial sustainability of FE and sixth-form colleges, providing an update to the assessment that NAO made in 2015. It examines the financial health of the sector and the effectiveness of the oversight and intervention arrangements.
Support for children's education during the early stages of the Covid-19 pandemic[37] (March 2021)	The report examines the Department's support for children's education during the early stages of the COVID-19 pandemic between March and July 2020, and its action to help children catch up on the learning they lost during that period.
Investigations	
Investigation into the free school meals voucher scheme[38] (December 2020)	This investigation was prompted by reports in April 2020 of problems that schools and parents were experiencing when using the scheme, which had been introduced after schools in England had been largely closed in March 2020.

36 https://www.nao.org.uk/wp-content/uploads/2020/09/Financial-sustainability-of-colleges-in-England.pdf
37 COVID-19: Education - Government Responses - Committees – UK Parliament
38 https://www.nao.org.uk/wp-content/uploads/2020/12/Investigation-into-the-free-school-meals-voucher-scheme.pdf

The value for money reports above led to the Public Accounts Committee evidence sessions detailed below.

In July 2021 NAO published the following report: *School funding in England*.

Public Accounts Committee

The Public Accounts Committee examines the value for money of government projects, programmes and service delivery. Drawing on the work of the NAO, the committee holds government officials to account for the economy, efficiency and effectiveness of public spending. As delivery models for public services have changed, so the reach of the committee, in following the taxpayer's pound, has spread beyond government departments to also examine public bodies and private companies providing public services. The committee works through undertaking a series of inquiries on a range of subjects, the final published reports supported by evidence taken in writing or orally in what they term 'evidence sessions'. Departments are responsible for responding to the points raised in a PAC report, which are formally issued through a Treasury Minute.

The table below presents the Public Accounts Committee meetings I attended on behalf of the Department, and a link to the government's responses if finalised:

PAC inquiry and hearing dates	Government response
Managing colleges' financial sustainability[39] hearing date – 26 November 2020 report published – 27 January 2021	Government's response[40] published – 26 March 2021
COVID-19: Free School Meals Voucher Scheme[41] hearing date – 17 December 2020 report published – 5 February 2021	Government response[42] published – 3 September 2021
COVID-19: Support for children's education[43] hearing date – 25 March 2021 report published – 26 May 2021	Government response[44] published – 2 September 2021

More details on the Public Accounts Committee and the above meetings can be found on the PAC website.[45]

Since the year end, the committee has opened an inquiry on: school funding.

39 https://committees.parliament.uk/publications/4434/documents/45098/default/
40 https://committees.parliament.uk/work/729/managing-colleges-financial-sustainability/publications/2/government-response/
41 https://committees.parliament.uk/publications/4569/documents/46230/default/
42 https://committees.parliament.uk/work/848/covid19-free-school-meals-voucher-scheme/publications/2/government-response/
43 https://committees.parliament.uk/publications/6030/documents/68118/default/
44 https://committees.parliament.uk/work/1032/covid19-education/publications/2/government-response/
45 https://www.parliament.uk/business/committees/Committees-A-Z/commons-select/public-accounts-committee/

Corporate governance code

With the exception of the departure explained below (board effectiveness assessment), the Department has complied with HMT's *Corporate governance in central government departments: code of good practice*.

The Board met four times during the reporting period. To manage any conflicts of interest, the Department maintains a register of board member interests. Board members are required to declare any potential conflicts that arise. Where a potential conflict is identified, board members are not involved in discussions or decisions on the matter in question.

The code of practice states that a formal evaluation of the Board's performance should take place annually. A board effectiveness evaluation was not undertaken during the review period as the Department focused its resources on its response to the pandemic. However, an assessment of the board's effectiveness is set out in the report from the lead non-executive on page 27.

The Department is aligned with the principles set out in *Partnerships with arm's length bodies: code of good practice*. A recent GIAA focussing on the Department's sponsorship of its NDPBs found evidence of good practice, as well as areas to improve. Additionally, the PRC reviewed NDPB system risks.

The Board and its committees have management information covering a variety of disciplines. This includes financial and workforce data, indicators of progress against the Department's priorities and information on risk. The provision of this data was paused during fourth quarter of the financial year as officials developed improved performance metrics.

Mike Green continues in post as Chief Operating Officer and Director General of Operations. Iain King and Tony Foot (Jonathan Clear for the period up to November 2020) have continued their roles of joint Chief Finance Officer as required by *Managing Public Money*.

Tony Foot (Jonathan Clear to November 2020), Director of Strategic Finance, is a member of the board and the Leadership Team, and also attends Implementation Committee, ARC, Investment Committee and PRC meetings.

Iain King, Operational Finance Director, represents the Department's finance function at ARC meetings, and attends People Committee, Investment Committee and Digital, Data and Technology Committee meetings.

As required by the code the terms of reference for ARC have been published on GOV.UK.[46]

Conclusion

I have considered the evidence provided regarding the production of the governance statement, and the independent advice and assurance provided by the ARC. I conclude that the Department has satisfactory governance and risk management systems in place with effective plans to ensure continuous improvement.

Susan Acland-Hood
Accounting Officer
1 December 2021

46 https://www.gov.uk/government/publications/dfe-audit-and-risk-assurance-committee-terms-of-reference

Remuneration and staff report

Overview

The remuneration and staff report sets out the Department's remuneration policy for board members, reports on how that policy has been implemented and sets out the amounts awarded to directors and, where relevant, the link between performance and pension.

Remuneration part A: unaudited

Ministers' and other board members' remuneration policy

Ministers' remuneration is set by the *Ministerial and Other Salaries Act 1975* (as amended by the *Ministerial and Other Salaries Order 1996*) and the *Ministerial and Other Pensions and Salaries Act 1991*.

Performance management and reward policy for members of the SCS is managed within a central framework set by the Cabinet Office. It allows for annual performance-related base pay and non-consolidated performance awards, agreed centrally each year following the Senior Salaries Review Body (SSRB) recommendations.

SCS pay is decided by the SCS Remuneration Committee, chaired by the Permanent Secretary, and comprising members of the Leadership Team. The SCS Remuneration Committee makes decisions within the limits and delegated authorities set by the government in response to the annual report of the SSRB, who publish additional information.[47]

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

The Permanent Secretary is appointed by the Prime Minister on the recommendation of the Head of the Home Civil Service and with the agreement of the ministerial head of the Department. The Permanent Secretary's pay is set by the Prime Minister on the recommendation of the Permanent Secretaries Remuneration Committee, a sub-committee of the SSRB.

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

All board members' contractual terms comply with the requirements set centrally for the SCS by Cabinet Office, and the exact terms offered reflect the requirement of the post. The principles governing recruitment to, and departure from, the Civil Service, including details of compensation for early termination, are set out in the *Civil Service Management Code*.[48]

In line with the C*onstitutional Reform and Governance Act 2010* and the Model Contract for Special Advisers, a special adviser's appointment automatically ends when their appointing Minister leaves office. Special advisers are not entitled to a notice period but receive contractual termination benefits to compensate for this.

Termination benefits are based on length of service and capped at six months' salary. If a special adviser returns to work for HM Government following the receipt of a severance payment, the payment is

47 https://www.gov.uk/government/organisations/review-body-on-senior-salaries
48 https://www.gov.uk/government/publications/civil-servants-terms-and-conditions

required to be repaid, less a deduction in lieu of wages for the period until their return. Termination costs for special advisers are reported in the Cabinet Office's annual report and accounts.

Service contracts

The *Constitutional Reform and Governance Act 2010* requires Civil Service appointments to be made on merit on the basis of fair and open competition. The recruitment principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found at their website.[49]

49 https://civilservicecommission.independent.gov.uk/

Remuneration part B: audited

Remuneration (including salary) and pension entitlements

The following sections provide details of the remuneration and pension interests of the ministers and most senior management (i.e. board members) of the Department.

Ministers

	Salary		Pension benefits (to nearest £000)		Total (to nearest £000)	
	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20
	£	£	£	£	£	£
Secretary of State						
Rt Hon Gavin Williamson CBE MP	67,505	46,274 *(67,505)*	17,000	9,000	85,000	55,000
Ministers of State						
Rt Hon Nick Gibb MP	31,680	31,680	8,000	8,000	40,000	40,000
Michelle Donelan MP	31,680	3,273 *(31,680)*	8,000	1,000	40,000	4,000
Parliamentary Under Secretaries of State						
Gillian Keegan MP	22,375	2,893 *(22,380)*	5,000	-	27,000	3,000
Vicky Ford MP	22,375	2,893 *(22,380)*	5,000	-	27,000	3,000
Baroness Berridge	70,969	5,914 *(70,969)*	17,000	1,000	88,000	7,000

Salary costs reported for ministers above reflect the pay received for their period of appointment as a Department minister. Where ministers move departments in month, the originating department will pay the full month's salary. Where members joined or left the board during the year, annualised remuneration is presented in italics. Appointment and resignation dates are provided in the biographs at the start of the Accountability Report.

No benefits-in-kind or severance payments were paid to minsters during 2020-21 (2019-20: £nil).

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

In 2019-20 Michelle Donelan MP provided maternity cover as Parliamentary Under Secretary of State for Children and Families, her ministerial salary and pension were paid by the Whips Office. Michelle Donelan MP was appointed Minister of State for Universities in February 2020 and was paid by the Department from that point.

Officials

	Salary	Bonus payment	Benefits-in-kind (to nearest £100)	Pension benefits (to nearest £000)	Total 2020-21
	£000	£000	£	£000	£000
Permanent Secretary					
Jonathan Slater	345-350	-	-	28	375-380
Susan Acland-Hood	100-105 *(160-165)*	-	-	122	220-225
Directors General					
Indra Morris	135-140	-	-	-	135-140
Mike Green	160-165	-	4,400	61	225-230
Directors					
Jonathan Clear	70-75 *(120-125)*	0-5	-	27	100-105
Tony Foot	35-40 *(95-100)*	0-5	-	19	60-65

	Salary	Bonus payment	Benefits-in-kind (to nearest £100)	Pension benefits (to nearest £000)	Total 2019-20
	£000	£000	£	£000	£000
Permanent Secretary					
Jonathan Slater	165-170	-	-	59	225-230
Directors General					
Indra Morris	135-140	0-5	-	-	140-145
Mike Green	155-160	0-5	-	60	220-225
Director					
Jonathan Clear	110-115	0-5	-	70	185-190

Where members joined or left the board during the year, annualised remuneration is presented in italics. Appointment and resignation dates are provided in the biographs at the start of the Accountability Report.

Included above in the 2020-21 salary disclosure for Jonathan Slater is a severance payment of £277,780 for loss of office paid during 2020-21 (2019-20: £nil).

Indra Morris has chosen not to be covered by the Civil Service pension arrangements during both years reported here.

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 decreases due to a transfer of pension rights.

Pension benefits movements are affected by duration of membership and earnings during this time and contain an actuarial calculation.

Salary

Salary includes gross salary, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Department and thus recorded in this ARA. In respect of ministers in the House of Commons, departments bear only the cost of the additional ministerial remuneration. The salary for their services as an MP (£81,932 from 1 April 2020) and various allowances to which they are entitled are borne centrally. However, the arrangement for ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the Department and is therefore shown in full in the figures above.

Five of the non-executive board members received remuneration from the Department. Ian Ferguson does not receive remuneration for his position. Nick Timothy was appointed in March 2020 so received a reduced fee for March 2020.

	2020-21	2019-20
	£	£
Richard Pennycook	20,000	20,000
Baroness Ruby McGregor-Smith	15,000	15,000
Ian Ferguson	-	-
Toby Peyton-Jones	15,000	15,000
Dame Irene Lucas-Hays	15,000	18,750
Nick Timothy	15,000	115

Benefits-in-kind

The monetary value of benefits-in-kind covers any benefits provided by the Department during an individual’s period of appointment to their board role, and treated by HMRC as a taxable emolument.

Whilst no ministers or non-executive board members received benefits-in-kind in 2020-21, one executive board member did (2019-20: nil).

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2020-21 relate to performance in 2020-21 and the comparative bonuses reported for 2019-20 relate to the performance in 2019-20.

The Department awards bonuses as part of the performance management process. The Department 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 Department follows the performance management arrangements for the SCS, and the Department's performance management framework for managing and rewarding performance throughout the year.

Pay multiples

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.

The banded remuneration of the highest-paid director in the Department in 2020-21 was £160,000 - £165,000 (2019-20: £165,000 - £170,000). This was four times (2019-20: 4.2) the median remuneration of the workforce, which was £40,578 (2019-20: £40,290).

The numbers reported above have remained stable across the year, with a slight fall in the highest paid director. Whilst Jonathan Slater received a severance package, he is excluded from this year's Hutton calculation above since he was not in-post as at the year end. As noted in the officials' salary tables above, the new Permanent Secretary receives a slightly lower level of remuneration.

In 2020-21, nil employees (2019-20: nil) received remuneration in excess of the highest-paid director. Remuneration ranged from £21,000 to £165,000 (2019-20: £18,000 to £170,000).

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

Ministerial pensions

	Accrued pension at age 65 as at 31/3/21	Real increase in pension at age 65	CETV at 31/3/21	CETV at 31/3/20	Real increase in CETV
	£000	£000	£000	£000	£000
Secretary of State					
Rt Hon Gavin Williamson CBE MP	0-5	0-2.5	53	38	6
Ministers of State					
Rt Hon Nick Gibb MP	5-10	0-2.5	122	109	6
Michelle Donelan MP	0-5	0-2.5	10	5	2
Parliamentary Under Secretaries of State					
Gillian Keegan MP	0-5	0-2.5	6	-	3
Vicky Ford MP	0-5	0-2.5	6	-	3
Baroness Berridge	0-5	0-2.5	26	10	8

The CETV values presented above are as at the date ministers either joined or left the Department.

Pension benefits for ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute and the rules are set out in the *Ministers' etc. Pension Scheme 2015,* available at Rules of the Parliamentary Contributory Pension Fund.[50]

Those ministers who are Members of Parliament may also accrue an MP's pension under the PCPF (details of which are not included in this annual report). A new MP's pension scheme was introduced from May 2015, although members who were MPs and aged 55 or older on 1 April 2013 have transitional protection to remain in the previous MP's final salary pension scheme.

Benefits for ministers are payable from State Pension age under the 2015 scheme. Pensions are re-valued annually in line with pensions increase legislation both before and after retirement. The contribution rate from May 2015 is 11.1% and the accrual rate is 1.775% of pensionable earnings.

The figure shown for pension value includes the total pension payable to the member under both the pre- and post-2015 ministerial pension schemes.

Officials

	Accrued pension at pension age as at 31/3/21 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/21	CETV at 31/3/20	Real increase in CETV
	£000	£000	£000	£000	£000
Permanent Secretary					
Jonathan Slater	65-70 plus a lump sum of 205-210	0-2.5 plus a lump sum of 2.5-5	1,605	1,567	28
Susan Acland-Hood	55-60	5-7.5	741	656	76
Directors General					
Indra Morris	-	-	-	-	-
Mike Green	30-35	2.5-5	447	382	37
Directors					
Jonathan Clear	30-35	0-2.5	383	358	10
Tony Foot	25-30 plus a lump sum of 50-55	0-2.5 plus a lump sum of 0-2.5	396	385	8

Susan Acland-Hood's and Tony Foot's CETV is based on the date they joined the Board rather than 31 March 2020.

50 http://qna.files.parliament.uk/ws-attachments/170890/original/PCPF%20MINISTERIAL%20SCHEME%20FINAL%20RULES.doc.

Civil Service pensions

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, 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 Principal Civil Service Pension Scheme (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.

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. Because the government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the cash equivalent transfer values shown in this report – see below). 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 defined contribution (money purchase) pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% of pensionable earnings for members of classic, premium, classic plus, nuvos and 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*.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (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 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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.)

Further details about the Civil Service pension arrangements[51] can be found online.

Cash equivalent transfer values

A cash equivalent transfer value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost.

CETVs are worked out in accordance with *The Occupational Pension 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.

Real increase in CETV

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

Payments to past directors

Other than Jonathan Slater's severance payment, no payments have been made to former directors of the Department in 2020-21 (2019-20: £nil).

51 www.civilservicepensionscheme.org.uk

Staff report part A: audited

Staff costs

				2020-21	2019-20
				Group	Group
	Permanently employed staff	Other	Ministers	Total	Total
	£000	£000	£000	£000	£000
Wages and salaries	481,200	32,528	189	513,917	462,725
Social security costs	54,050	1	20	54,071	49,528
Pension costs	111,542	8	-	111,550	97,022
	646,792	**32,537**	**209**	**679,538**	**609,275**
Less:					
recoveries in respect of outward secondments	(569)	-	-	(569)	(2,066)
capitalised staff costs	(22,478)	-	-	(22,478)	-
	623,745	**32,537**	**209**	**656,491**	**607,209**
Of which:					
Department & Agencies	411,307	21,504	209	433,020	395,585
NDPBs	212,438	11,033	-	223,471	211,624
	623,745	**32,537**	**209**	**656,491**	**607,209**

Department & Agencies staff costs for 2020-21 disclosed above include costs of staff involved in PPE or intangible asset creation or programmes classified to capital budgets. As such staff costs are included in the asset's carrying value or included in the capital grant-in-kind expense. A deduction is then made to remove these costs to calculate the staff costs per the face of the SoCNE.

Inclusion of capitalised staff costs in the table above marks a small change in presentational style from 2019-20. Appropriate staff costs have been capitalised in prior years but excluded from the table above. Prior year numbers (wages and salaries, social security costs and pension costs) are reported after removal of capitalised staff costs, net staff costs (£656 million and £607 million) are comparable.

Overall staff numbers have remained broadly stable between 2019-20 and 2020-21, moving from 12,348 to 12,423. The increase in reported staff costs across both years (£607 million to £656 million) is largely driven by the slight increase in staff numbers and changes in the mix of grades between financial years.

Special advisers are temporary civil servants. In order to improve efficiency, the administration of staff costs for all special advisers across government was moved to the Cabinet Office in July 2019, with corresponding budget cover transfers. Therefore special adviser costs are now reported in the Cabinet Office ARA. Special advisers remain employed by the respective departments of their appointing Minister.

Short-term staff secondments into other departments to support EU Exit work and COVID-19 response were not re-charged by the Group.

Non-consolidated pay remit

During the year the non-consolidated pay remit outturn, calculated at the Department & Agencies consolidation level, was 2.03% (rounded to two decimal places) against an agreed remit of 2%. Following discussions with Cabinet Office and HMT, it is deemed that the marginal rounding is not a breach of the pay remit. However, in future years we will look at extending any budget tolerances to more clearly remain within the guidance parameters.

Average number of persons employed

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

					2020-21	2019-20
					Group	Group
	Permanently employed staff	Other	Ministers	Special advisors	Total	Total
	Number	Number	Number	Number	Number	Number
Department	5,273	228	6	2	5,509	5,037
Agencies	1,934	39	-	-	1,973	2,204
NDPBs	4,734	207	-	-	4,941	5,107
	11,941	**474**	**6**	**2**	**12,423**	**12,348**

A dis-aggregation across Group reporting bodies of staff costs and numbers for permanently employed and other staff are presented in annex D.

Furlough staff

During the year CITB, one of the Group's two operational training boards, took advantage of the Coronavirus Job Retention Scheme (otherwise termed furlough) to protect roles whilst they considered the impact of COVID-19 on the training board. CITB staff are not civil servants so were unavailable to be re-purposed elsewhere in the public sector. The number of staff claimed for reduced significantly in November when only staff related to the training board's National College of Construction were placed on furlough. From April 2020 to October 2020, the monthly average claim value was £605,285 for a monthly average of 374 staff; whereas from November 2020 to March 2021 the monthly average claim was £29,830 for an average of 28 staff. Over the entire year £4.4 million was claimed.

Pension schemes

The Group operates a range of pension schemes for its employees depending upon their role. Details of the Group's pension schemes are described further below.

Civil Service pensions

The PCSPS and the Civil Servant and Other Pension Scheme (CSOPS), known as alpha, are unfunded multi-employer defined benefit schemes, but the Department is unable to identify its share of the underlying assets and liabilities.

The scheme actuary valued the scheme as at 31 March 2016. You can find details in the resource accounts of the Cabinet Office.

For 2020-21, employers' contributions of £62.5 million (2019-20: £56.2 million) were payable to the PCSPS and CSOPS at one of four rates in the range 26.6% to 30.3% of pensionable earnings, based on salary bands. It is estimated that employer contributions for 2021-22 will be £87.8 million (2020-21: £86.1 million).

The scheme actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2020-21 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Partnership pension accounts

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. In 2020-21, employers' contributions of £372,000 (2019-20: £333,000) were paid to the appointed stakeholder pension provider. 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 £14,000 (2019-20: £13,000), 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.

Contributions due to the partnership pension providers at the year end were £36,000 (2019-20: £33,000). Contributions prepaid at that date were £nil (2019-20: £nil).

Reporting of Civil Service and other compensation schemes

The disclosure of agreed departures during the year comprises two categories:

- employees who agreed to leave during the year and left by 31 March 2021
- employees who have committed to leave by 31 March 2021, for whom the exit packages have been accrued

Numbers and costs are based on estimated value of exit packages, and expected number of agreed departures are based on the best information available to management at the time of preparing the accounts.

Department and Agencies

	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
Exit package cost band	**2020-21**	**2019-20**	**2020-21**	**2019-20**	**2020-21**	**2019-20**
£25,001 - £50,000	-	-	-	1	-	1
£50,001 - £100,000	-	-	-	1	-	1
£250,001 - £300,000	-	-	1	-	1	-
Total number of exit packages	**-**	**-**	**1**	**2**	**1**	**2**
Total costs (£000)	**-**	**-**	**278**	**131**	**278**	**131**

Group

	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
Exit package cost band	**2020-21**	**2019-20**	**2020-21**	**2019-20**	**2020-21**	**2019-20**
<£10,000	23	-	-	-	23	-
£10,001 - £25,000	17	-	1	6	18	6
£25,001 - £50,000	38	-	-	5	38	5
£50,001 - £100,000	4	-	-	8	4	8
£250,000 - £300,000	-	-	1	-	1	-
Total number of exit packages	**82**	**-**	**2**	**19**	**84**	**19**
Total costs (£000)	**1,894**	**-**	**290**	**867**	**2,184**	**867**

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the *Superannuation Act 1972*. Exit costs are accounted for in full in the year of departure. Where the Group has agreed early retirements, with agreed employer-funded top-up for early access to pensions, the employer top-up costs are met by the Group alongside compensation for loss of office. Payments comprise either a lump sum payment for loss of office and, in cases where early retirement with agreed employer funded top-up for early access to pensions, the employer top-up costs are met by the Group alongside compensation for loss of office. The total cost to the Group will therefore be higher than the amounts received by individuals. The exit costs of staff in Agencies are borne and managed centrally by the Department. Information on departure costs and numbers for each Agency are also reported in the individual Agency's ARA to aid transparency.

Ill-health retirement costs are met by the pension scheme and are not included in the table. Two persons (2019-20: five persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £16,000 (2019-20: £31,000).

Staff report part B: unaudited

Staff by grade and gender

The charts below cover permanent staff as at 31 March 2021, based on headcount. The disclosures have been calculated using data received from the Department (including European school teachers), Agencies and NDPBs. For non-Civil Servants employed in NDPBs local grades have been mapped to Civil Service staff grades.

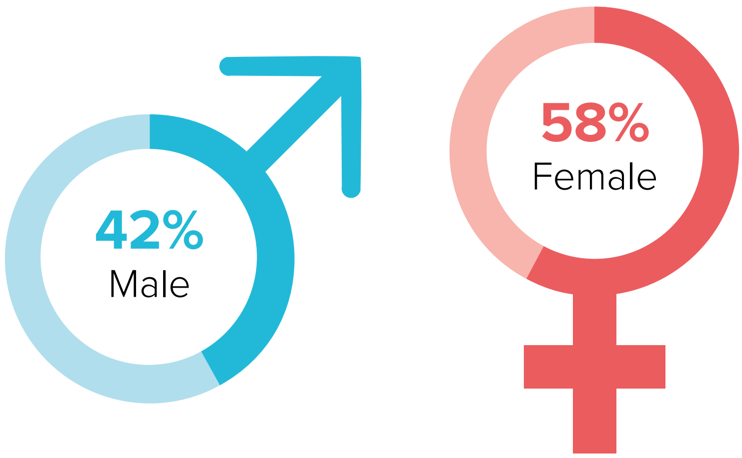
		Department & Agencies		Group
	Male	Female	Male	Female
	Number	Number	Number	Number
Permanent Secretary	-	1	-	1
Director General	3	3	3	5
Director	20	26	36	36
Deputy Director	94	114	153	160
Non-SCS	3,104	4,422	5,241	7,166
	3,221	**4,566**	**5,433**	**7,368**

Number of senior civil servants by salary band

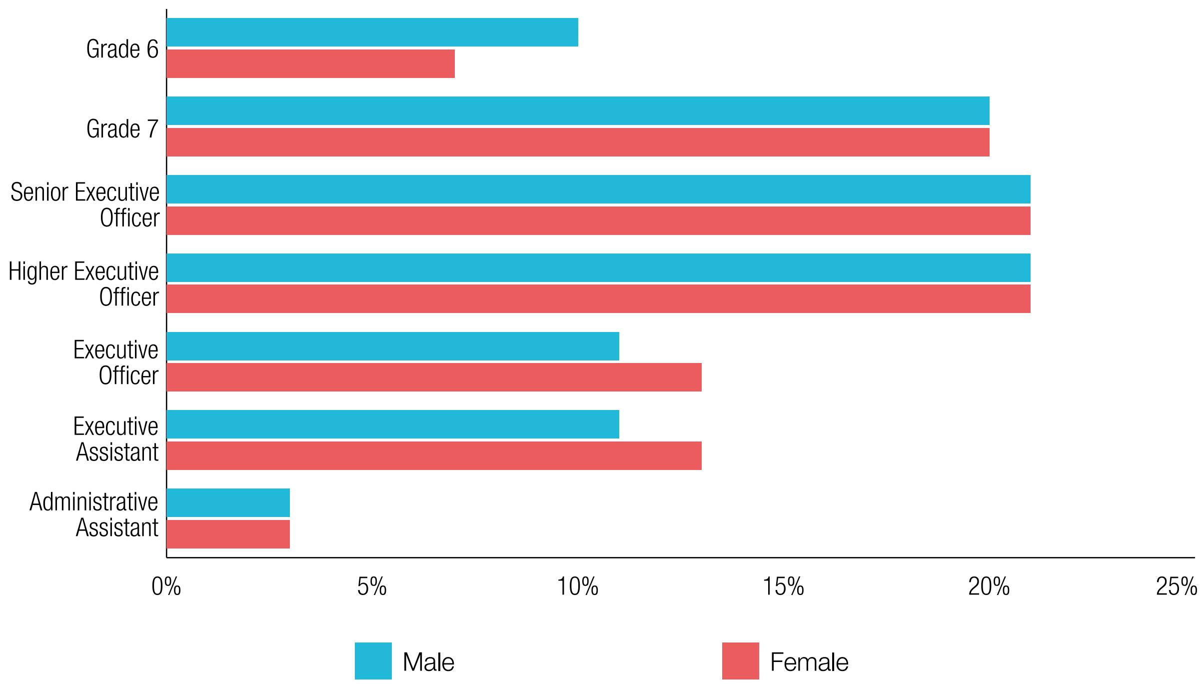
The table below shows the number of full-time senior civil servants by salary bands for the Department & Agencies consolidation level as at the year end. Salary ranges represent basic salary and allowances but exclude bonuses.

Salary range	2021	2020
	Number	Number
£65,001 – £70,000	2	-
£70,001 – £75,000	128	115
£75,001 – £80,000	37	22
£80,001 – £85,000	18	26
£85,001 – £90,000	11	14
£90,001 – £95,000	16	19
£95,001 – £100,000	12	10
£100,001 – £105,000	8	8
£105,001 – £110,000	4	1
£110,001 – £115,000	4	6
£115,001 – £120,000	4	4
£120,001 – £125,000	5	4
£125,001 – £130,000	1	3
£130,001 – £135,000	1	1
£135,001 – £140,000	5	3
£140,001 – £145,000	2	2
£145,001 – £150,000	-	-
£150,001 – £155,000	1	1
£155,001 – £160,000	1	1
£160,001 – £165,000	1	-
£165,001 – £170,000	-	1
	261	**241**

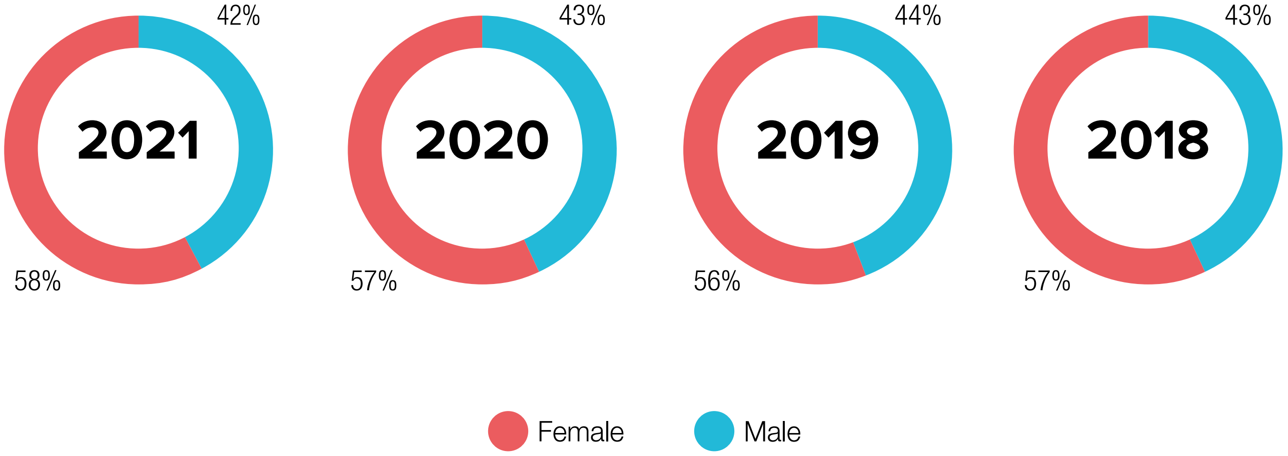
2020-21 Group staff by gender



2020-21 non-SCS staff split by gender



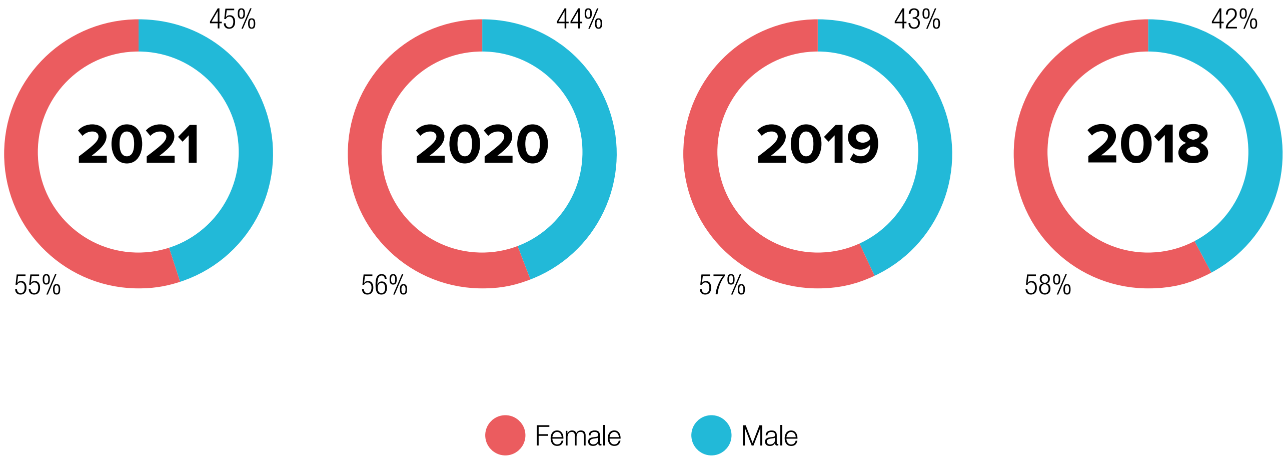
Gender across the Group for the last four years



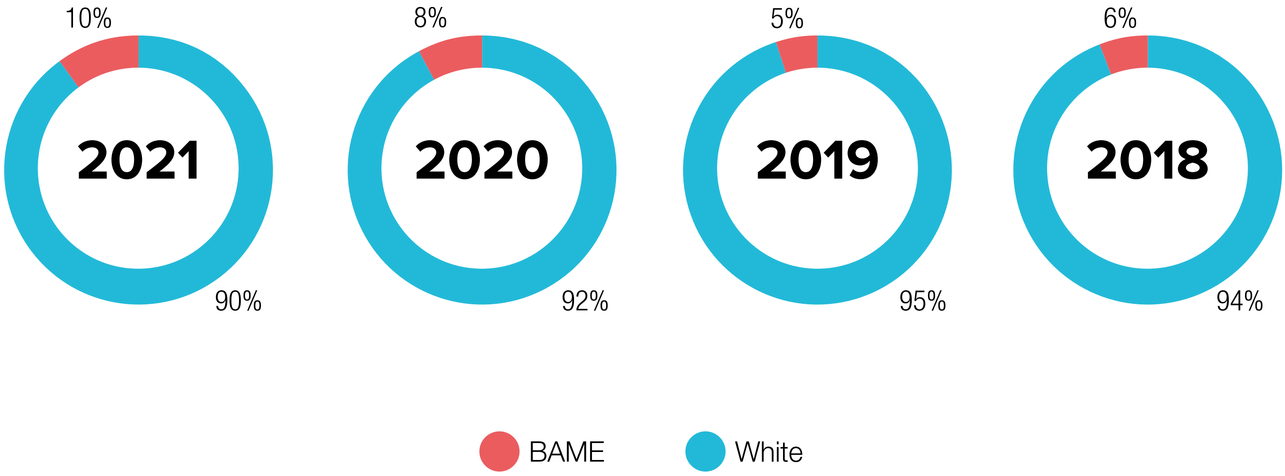
Addressing under-representation

The diversity and inclusion strategy introduced specific targets for the representation of BAME and disabled staff in the SCS for the first time. The targets, which have been agreed with Cabinet Office, are 12% and 13% for disabled and BAME staff respectively by 2023.

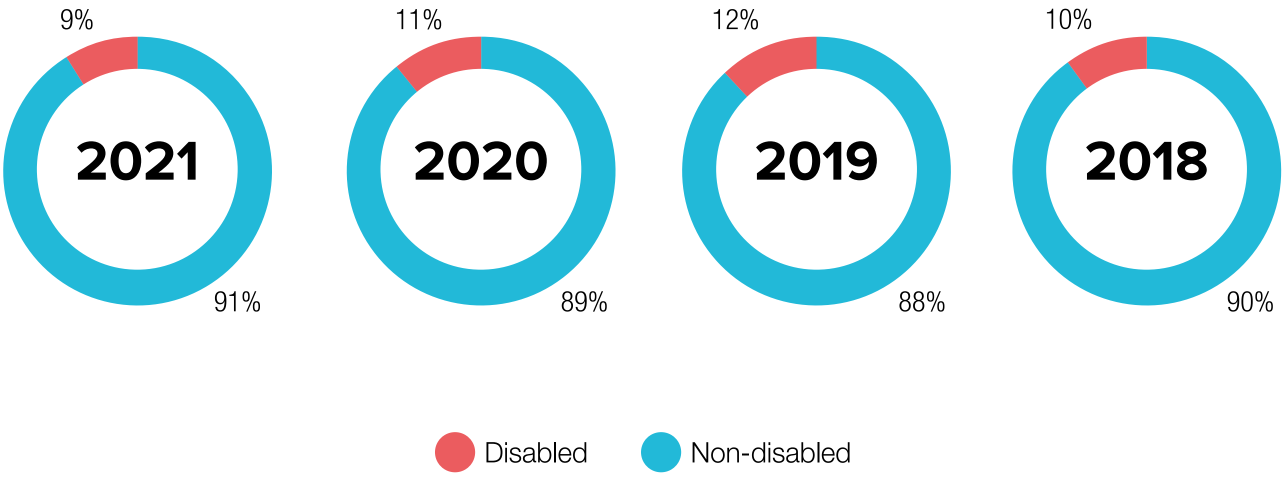
SCS gender across the last four years



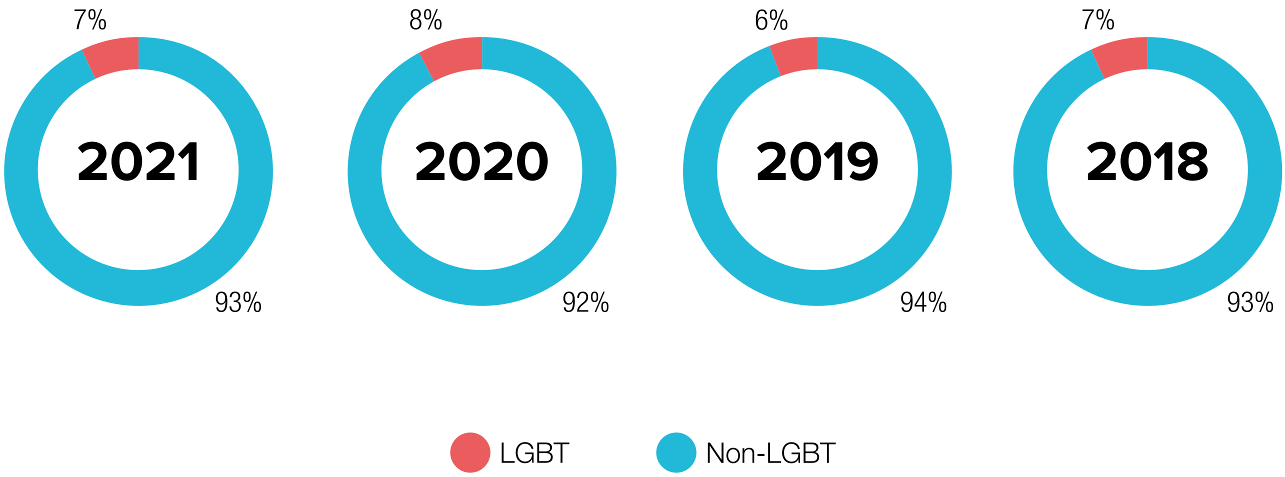
SCS ethnicity across the last four years



SCS disability across the last four years



SCS sexual orientation across the last four years



Analysis of staff policies and statistics

Our people

Recruitment practice

The Department has a duty to ensure it is fully compliant with the Civil Service Commissioner's recruitment principles. The Department's approach to recruitment reflects its commitment to become a more inclusive employer. To build core recruitment capability and ensure consistent application of the new Civil Service-wide Success Profiles framework, the Department provides comprehensive recruitment training to anyone running a recruitment campaign. The Department has improved its internal recruitment services offer and invested in additional tools and insights.

Sickness absence

Figures below show the average number of working days lost through sickness absence across the Department and Agencies.

	2020-21	2019-20	2018-19	2017-18
Days per FTE	4.7	3.9	4.0	3.9

The figure above compares well with figures across the Civil Service, which were 7.4 average working days lost per full time equivalents (FTE) in the year ending 31 March 2020.[52]

52 https://www.gov.uk/government/publications/civil-service-sickness-absence

Staff turnover

The figures below show the number of leavers within the reporting period divided by the average staff in post over the reporting period presented as a percentage. Departmental turnover, staff leaving the Department and Agencies, is compared to the Civil Service average.

	2020-21	2019-20	2018-19
Civil Service turnover	5%	6%	4%
Departmental turnover	8%	9%	7%

The Departmental turnover compared to the Civil Service turnover has remained steady over the last three years. Most employees leave to transfer to another government department, rather than leaving the Civil Service altogether, which causes the gap in the figures above.

Commitment to improving diversity

The Department will be revising its 2018 diversity and inclusion strategy – '5 years to create lasting change'. We will be working with staff and networks to develop and evolve our diversity and inclusion plan to ensure that we achieve our ambitious target of being the most inclusive Civil Service department.

Our assessment at the beginning of 2018 was that we had made steady progress, with some incremental improvements, but that we now wanted to see truly transformative change.

Now, three years in, we need to take stock, benchmark our progress and agree on our priorities and focus for the next year.

The following success measures show how we are looking to improve our diversity scores.

Success measures

1. Leaders who reflect our society and who role model inclusive behaviour	Meet flow targets and increase BAME and disabled staff in SCS. A representative workforce at higher grades.	Increased People Survey scores on leadership	
2. Everyone able to achieve their full potential	Talent data reflects diversity of workforce	Success of talent scheme participants for progression	Improved performance on gender pay gap
3. Inclusive Culture and Behaviours	Increased People Survey scores on diversity and inclusion	Improved People Survey scores on My Manager	Decrease in bullying, harassment and discrimination scores
4. Attracting and recruiting a workforce that reflects the society we serve	Increased diversity of applicants and successful appointments to reflect the public we serve	Increased diversity of workforce by socio-economic background	
5. Transparency at our core	Increased declaration rates across all diversity groups	Improved progress against external benchmarks	Improved diversity outcomes for recruitment and management

The 2020 People Survey saw the Department's positive score for inclusion and fair treatment rise to 86% from 85%. People Survey scores on 'My Manager' have increased to 78% from 77%. The overall engagement score was 69%, which is 3% above the Civil Service Benchmark for 2020.

The representation of BAME and disabled employees in our SCS ranks has continued to be a priority. In March 2021, 88.7% of SCS provided information about their disability status, and 91.4% about their ethnicity. Disabled SCS representation was 9.2% and BAME SCS representation was 9.8%. We have agreed targets for BAME and disabled representation in our SCS for 2023, and we are working towards achieving them.

As at March 2021, 88.4% had provided information about their ethnicity, 81.5% about their sexual orientation, and 83.4% about their disability status.

In 2020, the Department placed 15th of top 75 employers in the Social Mobility Employer Index, after placing 22nd in 2019. The Department is the fourth highest ranked government department listed in the Index.

We are seeing more diverse fields of candidates, with evidence that using skills and experience in success profiles results in better diversity outcomes than using behaviours.

The Department now has a way of measuring socio-economic background which will allow us to monitor progress on social mobility. The care leaver internships programme and developing schools outreach work in opportunity areas and socio-economic cold spots in each of our locations is supporting us to increase the socio-economic diversity of the workforce.

Our overall assessment of diversity and inclusion is that:

- we have made really good progress against many of the success measures in the strategy
- we are having more open discussions around diversity and inclusion and we have seen an increase in network membership. We are focused on improving the wellbeing of colleagues across the Group. We have developed a wellbeing strategy and action plan to support staff. This has resulted in numerous wellbeing initiatives being rolled out across the Department which are accompanied by a robust measurement strategy
- we are transparent with diversity data and use it to inform evidence-based decision making and to help with accountability
- we have yet to see real traction in some areas, and we are some way from seeing the transformative change that was our aim
- we need to focus on BAME SCS and Disability SCS representation to be on track to achieve our 2023 target, and we have achieved our 2020 target
- we have developed a bullying, harassment and discrimination (BHD) strategy and action plan based on the experiences of users (in particular under-represented groups). It includes implementing activities which are intended to raise awareness of BHD, increase confidence in the reporting system, and promote a more inclusive culture

Staff policies for disabled persons

The Department offers disability leave which is to enable employees with a disability to be able to take reasonable time off from work to go for occupational rehabilitation, assessment or treatment to help them to return to work, or while they are waiting for a reasonable adjustment to be put in place.

Its recruitment policies also guarantee an interview to any disabled candidate who demonstrates that they meet the minimum standard required for the role.

Gender pay gap reporting

We now have the sixth lowest gender pay gap across Whitehall. The Department's median gender pay gap as at March 2020 was 7.9% (2019: 5.3%) the latest date of available data. Analysis of the causes suggests this is largely driven by changes to workforce composition over the last twelve months, with an overall increase in females including at the junior grades. The figure for 2021 is not available at the time of publication. The figure will be published by the Government Equalities Office[53] late in 2021 and will be included in the Group's 2021-22 ARA.

53 https://www.gov.uk/government/organisations/government-equalities-office

This year's gender pay gap calculation has taken a slightly different approach, looking at the difference between hourly pay using annual salaries as of 31 March 2020. In previous years pay received in March has been used to calculate hourly pay, making it more difficult to directly compare with the 2020 published figures. The median pay gap continues to be the headline national measure when reporting.

Engagement with employees

The Department and Agencies work with our trade unions, both formally and informally, engaging with them to promote an open and constructive relationship. We aim to promote a positive employee relations environment where staff and the trade unions can contribute constructively to our objectives. The Department developed a Strategic Workforce Plan 2017-20 which aimed to improve the experience and outcomes for all our staff, ensuring our talented workforce is diverse and inclusive and that we create an attractive place to work. We are currently working on the next iteration of the strategy which has been delayed due to COVID-19. We plan to publish the new workplace plan in autumn this year.

The Department conducts a full People Survey annually, with the results published each December.

	2020-21	2019-20	2018-19	2017-18
Response rate	91%	91%	91%	88%
Engagement index	69%	69%	65%	63%

The information from the survey is being used to support development of the Department's strategies and continually improve our levels of employee engagement.

Consultancy and temporary staff

Consultants are hired to work on projects in a number of specific situations:

- where the Group does not have the required skill sets
- where the requirement falls outside the core business of civil servants
- where an external, independent perspective is required

When used appropriately, consultancy can be a cost effective and efficient way of getting the temporary and skilled external input that the Group needs.

We are committed to the consistent application of the Cabinet Office's 2010 controls on consultancy and other spending.[54] The Cabinet Office's definition of consultancy is 'the provision to management of objective advice relating to strategy, structure, management or operations of an organisation'. Such advice will be provided outside the 'business-as-usual' environment when in-house skills are not available and will be time-limited. Consultancy often includes the identification of options with recommendations, or assistance with the implementation of solutions but typically not the delivery of business as usual activity.

For the Department and its Agencies, spend on consultancy requires completion of a business case which is signed off by an SCS. Consultancy engagements below £10,000 are

54 https://www.gov.uk/government/publications/cabinet-office-controls

functionally and directorate cleared by the Deputy Director with budget/delivery responsibility. Engagements between £10,000 and £20,000 are scrutinised and reviewed functionally by Finance, Commercial, and cleared by the Deputy Director with budget/delivery responsibility. In addition, such cases are reviewed in light of the efficiency controls within the Department's Commercial Governance process. For engagements over £20,000, the same process as for £10,000 to £20,000 engagements is followed but with additional scrutiny and clearance by the minister with policy responsibility. Consultancy engagements over £10 million apply similar controls with efficiency control clearance being applied by a member of the Commercial Senior Leadership team and ministerial clearance is applied from a minister with policy responsibility. Cabinet Office approval is also required for expenditure proposals of £10 million or over. If these cases are also expected to last more than nine months, or are for procurement related consultancy, they are subject to Cabinet Office controls.

The Group's consultancy expenditure was as follows:

	2020-21	2019-20	2018-19	2017-18
	£m	£m	£m	£m
Department	7.2	12.7	12.0	9.0
Agencies	0.7	-	1.1	0.4
NDPBs	0.8	-	-	5.2
	8.7	**12.7**	**13.1**	**14.6**

This expertise was mainly used to support change programmes across the Group and specialist research contracted out to third parties.

The Group has contracts for the engagement of staff and specialist contractors to cover short-term requirements such as covering unexpected absences, short-term peaks in workload, short-term projects or a permanent vacancy until the vacancy can be filled. Use of contingent labour is also subject to the efficiency controls process and requires ministerial approval for recruitment to SCS equivalent grades, and Director General approval for grades below this.

Contingent labour expenditure was as follows:

	2020-21	2019-20	2018-19	2017-18
	£m	£m	£m	£m
Department	20.9	8.1	43.0	27.2
Agencies	0.7	0.6	0.8	9.1
NDPBs	10.9	22.1	13.1	14.0
	32.5	**30.8**	**56.9**	**50.3**

Review of tax arrangements of public sector appointees

As part of the *Review of the 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, during 2020-21.

The tables on the following pages set out this information.

For all off-payroll engagements as of 31 March 2021, for more than £245 per day

	Department	Agencies	NDPBs	Group
Number of existing engagements as at 31 March 2021	177	25	34	236
Of which the number that have existed for:				
less than one year at time of reporting	88	5	12	105
between one and two years at time of reporting	64	6	14	84
between two and three years at time of reporting	17	2	5	24
between three and four years at time of reporting	2	3	3	8
four or more years at time of reporting	6	9	-	15

All temporary off-payroll workers engaged at any point during the year ended 31 March 2021 and earning at least £245 per day

	Department	Agencies	NDPBs	Group
Number of off-payroll workers engaged during the year ended 31 March 2021	190	29	27	246
of which:				
number determined as in-scope of IR35	97	1	20	118
number determined as out-of-scope of IR35	93	28	7	128
Number of engagements reassessed for consistency or assurance purposes during the year	210	29	-	239
of which number of engagements that saw a change to IR35 status following review	-	-	-	-
Number of engagements where the status was disputed under provisions in the off-payroll legislation	-	-	-	-
of which number of engagements that saw a change to IR35 status following review	-	-	-	-

Off-payroll engagements of board members and/or senior officials with significant financial responsibility, between 1 April 2020 and 31 March 2021

	Department	Agencies	NDPBs	Group
Number of off-payroll engagements of board members and/or senior officials with significant financial responsibility, during the financial year	-	-	-	-
Total number of individuals on- and off-payroll that have been deemed "board members and/or senior officials with significant financial responsibility" during the financial year. This figure should include both on- and off-payroll engagements	24	26	111	161

Trade union facility time

The *Trade Union (Facility Time Publication Requirements) Regulations 2017* requires relevant public sector organisations to report on trade union facility time in their organisations.

Relevant union officials – Department & Agencies

	2020-21	2019-20	2018-19
Number of employees	22	23	23
Full-time equivalent employee numbers	7,511	6,924	5,597

The full-time equivalent employee numbers are those as at March 2021 for the Department and Agencies. These numbers are different to those disclosed for the Department and Agencies within the average number of persons employed table on page 138, which reports the monthly average number of staff over the full year, as opposed to the number of staff in employment at the end of the year.

Percentage of time spent on facility time – Department & Agencies

	2020-21	2019-20	2018-19
% of time	**Number of employees**	**Number of employees**	**Number of employees**
0%	9	3	-
1-50%	13	20	23
51-99%	-	-	-
100%	-	-	-

Percentage of pay bill spent on facility time – Department & Agencies

Item	2020-21	2019-20	2018-19
Total cost of facility time	£44,273	£37,746	£13,437
Total pay bill (£m)	£446	£406	£250
% of the total pay bill against facility time	0.01%	0.009%	0.005%

The Department & Agencies pay bill disclosed above is larger than that disclosed earlier in the staff report because the figure above includes capitalised staff costs.

Paid trade union activities

The percentage of hours spent by employees who were relevant union officials during the relevant period on paid trade union activities was 4.6% (2019-20: 3.69%).

Staff redeployments

Grade	Outward staff loans Less than 6 months	Outward staff loans More than 6 months	Inward staff loans Less than 6 months	Inward staff loans More than 6 months
	Number	Number	Number	Number
SCS	2	1	1	-
Grade 6	7	2	1	-
Grade 7	8	7	5	-
Senior Executive Officer	15	9	2	-
Higher Executive Officer	4	8	2	-
Executive Officer	3	3	-	-
	39	**30**	**11**	**-**

Grade	EU Exit	COVID-19	Other	2021 Total	2020 Total
	Number	Number	Number	Number	Number
SCS	-	4	-	4	2
Grade 6	1	6	3	10	7
Grade 7	3	14	3	20	27
Senior Executive Officer	1	19	6	26	19
Higher Executive Officer	5	5	4	14	15
Executive Officer	2	2	2	6	8
Executive Assistant	-	-	-	-	1
	12	**50**	**18**	**80**	**79**

The average duration of staff redeployments as at 31 March 2021 was 170 days (2020: 280 days).

The estimated annual cost, based on average staff salaries, to admin and programme budgets.

	2021 Total	2020 Total
	£m	£m
Admin	3.1	4.5
Programme	0.3	0.4
	3.4	**4.9**

Parliamentary accountability and audit report

Overview

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FReM) requires the Department to prepare a Statement of Outturn against Parliamentary Supply (SOPS) and supporting notes. The SOPS and related notes are subject to audit, as detailed in the Certificate and Report of the Comptroller and Auditor General to the House of Commons.

The SOPS is a key accountability statement that shows, in detail, how an entity has spent against their Supply Estimate. Supply is the monetary provision (for resource and capital purposes) and cash (drawn primarily from the Consolidated Fund), that Parliament gives statutory authority for entities to utilise. The Estimate details Supply and is voted on by Parliament at the start of the financial year.

Should an entity exceed the limits set by their Supply Estimate, called control limits, their accounts will receive a qualified opinion. The format of the SOPS mirrors the Supply Estimates, published on GOV.UK, to enable comparability between what Parliament approves and the final outturn. The SOPS contains a summary table, detailing performance against the control limits that Parliament have voted on, cash spent (budgets are compiled on an accruals basis and so outturn will not exactly tie to cash spent), and administration.

The supporting notes detail the following: outturn by Estimate line, providing a more detailed breakdown (note S1); a reconciliation of outturn to net operating expenditure in the SoCNE, to tie the SOPS to the financial statements (note S2); a reconciliation of outturn to net cash requirement (note S3); and, an analysis of income payable to the Consolidated Fund (note S4).

The SOPS and Estimates are compiled against the budgeting framework, which is similar to, but different to, IFRS. An understanding of the budgeting framework and an explanation of key terms is provided on page 35, in the financial review section of the Performance Report. Further information on the Public Spending Framework and the reasons why budgeting rules are different to IFRS can also be found in chapter 1 of the *Consolidated Budgeting Guidance*.[55] The SOPS provides a detailed view of financial performance, in a form that is voted on and recognised by Parliament. The financial review, in the Performance Report, provides a summarised discussion of outturn against Estimate and functions as an introduction to the SOPS disclosures.

55 https://www.gov.uk/government/publications/consolidated-budgeting-guidance-2020-to-2021

Statement of Outturn against Parliamentary Supply: audited

For the year ended 31 March 2021

Summary table, 2020-21

		Outturn			Estimate			Outturn vs Estimate, saving/(excess)		Prior year Outturn
Type of spend	Note	Voted	Non-voted	Total	Voted	Non-voted	Total	Voted	Total	Total 2019-20
		£000	£000	£000	£000	£000	£000	£000	£000	£000
Departmental Expenditure Limit										
Resource	S1.1	78,279,058	-	78,279,058	87,248,017	-	87,248,017	8,968,959	8,968,959	79,409,784
Capital	S1.2	4,830,404	-	4,830,404	5,377,680	-	5,377,680	547,276	547,276	4,864,441
Total		**83,109,462**	**-**	**83,109,462**	**92,625,697**	**-**	**92,625,697**	**9,516,235**	**9,516,235**	**84,274,225**
Annually Managed Expenditure										
Resource	S1.1	(1,290,967)	-	(1,290,967)	4,205	-	4,205	1,295,172	1,295,172	(1,739,287)
Capital	S1.2	21,144,061	-	21,144,061	22,915,644	-	22,915,644	1,771,583	1,771,583	20,982,146
Total		**19,853,094**	**-**	**19,853,094**	**22,919,849**	**-**	**22,919,849**	**3,066,755**	**3,066,755**	**19,242,859**
Total Budget										
Resource	S1.1	76,988,091	-	76,988,091	87,252,222	-	87,252,222	10,264,131	10,264,131	77,670,497
Capital	S1.2	25,974,465	-	25,974,465	28,293,324	-	28,293,324	2,318,859	2,318,859	25,846,587
Total Budget Expenditure		**102,962,556**	**-**	**102,962,556**	**115,545,546**	**-**	**115,545,546**	**12,582,990**	**12,582,990**	**103,517,084**
Non-budget Expenditure										
Capital		-	(1,035,115)	(1,035,115)	-	-	-	-	1,035,115	-
Total non-budget		**-**	**(1,035,115)**	**(1,035,115)**	**-**	**-**	**-**	**-**	**1,035,115**	**-**
Total Budget and Non-budget		**102,962,556**	**(1,035,115)**	**101,927,441**	**115,545,546**	**-**	**115,545,546**	**12,582,990**	**13,618,105**	**103,517,084**

Figures in the areas outlined in thick line cover the voted control limits voted by Parliament. Refer to the Supply Estimate guidance manual, available on GOV.UK, for detail on the control limits voted by Parliament.

Net cash requirement 2020-21

Item	Note	Outturn	Estimate	Outturn vs Estimate, saving/ (excess)	Prior Year Outturn Total 2019-20
		£000	£000	£000	£000
Net cash requirement	S3	89,979,176	92,564,298	2,585,122	83,575,583

Administration costs 2020-21

Type of spend	Note	Outturn	Estimate	Outturn vs Estimate, saving/ (excess)	Prior Year Outturn Total 2019-20
		£000	£000	£000	£000
Administrative costs	S1.1	509,369	528,185	18,816	489,600

Although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

Explanation of variances between Estimate and outturn are given in the commentary on significant variances between Estimate and outturn in the financial review of the year on page 35.

The Department has recognised a prior period adjustment in relation to an error in accounting for student loans in 2019-20; which has caused recognition of the non-budget balance above. The prior year adjustment was valued at £1,035 million, explained more in note 2, did not change the carrying value of student loans so did not alter the 31 March 2019 SoFP. Prior period accounting adjustments are not pushed into prior year budgets, which remain fixed, but are recognised in the year the error was identified as non-budget outturn.

It is not required that the Department seek parliamentary authority for the error's impact on budgets because it is a credit balance. Parliamentary authority has already been received for the Department's expenditure ceiling, which the error does not breach. Consequently, we have provided the detail below as a note only.

PPA description	Resource / Capital	DEL/AME	Amount
			£000
PPA – capitalised interest for student loans was overstated	Capital	AME	(1,035,115)

The notes on pages 158 to 165 form part of this Statement of Outturn against Parliamentary Supply.

Notes to the Statement of Outturn against Parliamentary Supply: audited

S1. Outturn detail, by Estimate line

S1.1 Analysis of resource outturn by Estimate line

	Resource Outturn							Estimate				
	Administration			Programme								
Type of spend (Resource)	Gross	Income	Net	Gross	Income	Net	Total	Total	Virements	Total inc. virements	Outturn vs Estimate, saving/ (excess)	Prior Year Outturn Total, 2019-20
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Spending in Departmental Expenditure Limit												
Voted expenditure												
Activities to Support all Functions	398,679	(29,034)	369,645	121,960	(49,602)	72,358	442,003	410,587	33,755	444,342	2,339	364,003
Early Years and Schools (Department)	-	-	-	2,056,677	(60,530)	1,996,147	1,996,147	2,331,615	-	2,331,615	335,468	1,363,707
Early Years and Schools (ALB) (net)	1,369	-	1,369	143	-	143	1,512	2,630	-	2,630	1,118	836
Social Care, Mobility and Disadvantage (Department)	-	-	-	384,887	(2,704)	382,183	382,183	443,789	(59,282)	384,507	2,324	347,252
Social Care, Mobility and Disadvantage (ALB) (net)	1,956	-	1,956	8,380	-	8,380	10,336	8,250	2,380	10,630	294	8,816
Standards and Testing Agency	2,617	(341)	2,276	20,842	(1,081)	19,761	22,037	50,424	(8)	50,416	28,379	56,901
Teaching Regulation Agency	215	-	215	6,589	(193)	6,396	6,611	8,020	8	8,028	1,417	6,210
Education and Skills Funding Agency (ESFA)	75,734	(287)	75,447	2,055,023	(108,168)	1,946,855	2,022,302	2,422,595	-	2,422,595	400,293	2,068,354
Grants to Local Authority Schools	-	-	-	31,048,544	-	31,048,544	31,048,544	30,874,167	174,377	31,048,544	-	29,560,376
Grants to Academies	-	-	-	25,252,075	(64)	25,252,011	25,252,011	25,298,822	(46,747)	25,252,075	64	22,903,706
Higher Education	-	-	-	10,329,850	(28,386)	10,301,464	10,301,464	18,325,726	-	18,325,726	8,024,262	16,326,531
Further Education	-	-	-	5,172,172	2,024	5,174,196	5,174,196	5,427,009	(104,483)	5,322,526	148,330	4,802,489
Higher Education (ALB) (net)	47,665	-	47,665	1,551,505	-	1,551,505	1,599,170	1,620,548	-	1,620,548	21,378	1,581,963
Further Education (ALB) (net)	10,796	-	10,796	9,746	-	9,746	20,542	23,835	-	23,835	3,293	18,640
Total spending in DEL	**539,031**	**(29,662)**	**509,369**	**78,018,393**	**(248,704)**	**77,769,689**	**78,279,058**	**87,248,017**	**-**	**87,248,017**	**8,968,959**	**79,409,784**

	Resource Outturn							Estimate				
	Administration			Programme								
Type of spend (Resource)	Gross	Income	Net	Gross	Income	Net	Total	Total	Virements	Total inc. virements	Outturn vs Estimate, saving/ (excess)	Prior Year Outturn Total, 2019-20
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Spending in Annually Managed Expenditure												
Voted expenditure												
Activities to Support all Functions (Department)	-	-	-	46,220	-	46,220	46,220	10,188	36,032	46,220	-	11,191
Activities to Support all Functions (ALB)	-	-	-	(62)	-	(62)	(62)	-	-	-	62	5,343
Executive Agencies	-	-	-	987	-	987	987	464	523	987	-	(12,934)
Higher Education	-	-	-	3,283,060	(4,564,632)	(1,281,572)	(1,281,572)	(30,889)	(70,666)	(101,555)	1,180,017	(1,725,318)
Further Education	-	-	-	34,634	(38,387)	(3,753)	(3,753)	-	34,634	34,634	38,387	(6,541)
Higher Education (ALB) (net)	-	-	-	(2,203)	-	(2,203)	(2,203)	(5,340)	3,137	(2,203)	-	(53,937)
Further Education (ALB) (net)	-	-	-	(50,584)	-	(50,584)	(50,584)	29,782	(3,660)	26,122	76,706	42,909
Total spending in AME	**-**	**-**	**-**	**3,312,052**	**(4,603,019)**	**(1,290,967)**	**(1,290,967)**	**4,205**	**-**	**4,205**	**1,295,172**	**(1,739,287)**
Total resource	**539,031**	**(29,662)**	**509,369**	**81,330,445**	**(4,851,723)**	**76,478,722**	**76,988,091**	**87,252,222**	**-**	**87,252,222**	**10,264,131**	**77,670,497**

The total Estimate columns include virements. Virements are the reallocation of provision in the Estimates that do not require parliamentary authority (because Parliament does not vote to that level of detail and delegates to HM Treasury). Further information on virements are provided in the *Supply Estimates Manual*, available on GOV.UK.

The outturn vs Estimate column is based on the total including virements. The Estimate total before virements have been made is included so that users can tie the Estimate back to the Estimates laid before Parliament.

S1.2 Analysis of capital outturn by Estimate line

	Outturn			Estimate			Outturn vs Estimate, saving/ (excess)	Prior Year Outturn Total, 2019-20
Type of spend (Capital)	Gross	Income	Net total	Total	Virements	Total inc. virements		
	£000	£000	£000	£000	£000	£000	£000	£000
Spending in Departmental Expenditure Limit								
Voted expenditure								
Activities to Support all Functions	249,105	(215,634)	33,471	38,936	-	38,936	5,465	72,215
Early Years and Schools (Department)	2,775,195	(652,847)	2,122,348	1,930,694	191,654	2,122,348	-	1,834,612
Early Years and Schools (ALB) (net)	(29,915)	-	(29,915)	(19,658)	-	(19,658)	10,257	(31,522)
Social Care, Mobility and Disadvantage (Department)	3,206	-	3,206	4,100	-	4,100	894	16,674
Social Care, Mobility and Disadvantage (ALB) (net)	2,023	-	2,023	2,577	-	2,577	554	2,588
Standards and Testing Agency	2,083	-	2,083	2,150	-	2,150	67	2,773
Education and Skills Funding Agency (ESFA)	10,601	(4,847)	5,754	26,724	-	26,724	20,970	36,871
Grants to Local Authority Schools	1,131,932	(5,656)	1,126,276	1,291,701	-	1,291,701	165,425	1,846,265
Grants to Academies	1,063,315	(22,535)	1,040,780	1,236,853	(191,654)	1,045,199	4,419	819,136
Higher Education	28,102	(15,207)	12,895	249,911	-	249,911	237,016	15,741
Further Education	331,235	(19,043)	312,192	414,256	-	414,256	102,064	101,126
Higher Education (ALB) (net)	198,683	-	198,683	198,716	-	198,716	33	147,247
Further Education (ALB) (net)	608	-	608	720	-	720	112	715
Total spending in DEL	**5,766,173**	**(935,769)**	**4,830,404**	**5,377,680**	**-**	**5,377,680**	**547,276**	**4,864,441**

	Outturn			Estimate			Outturn vs Estimate, saving/ (excess)	Prior Year Outturn Total, 2019-20
Type of spend (Capital)	**Gross**	**Income**	**Net total**	**Total**	**Virements**	**Total inc. virements**		
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Spending in Annually Managed Expenditure								
Voted expenditure								
Higher Education	23,392,566	(2,450,337)	20,942,229	22,736,120	(23,797)	22,712,323	1,770,094	20,752,008
Further Education	224,887	(22,327)	202,560	178,763	23,797	202,560	-	212,422
Further Education (ALB) (net)	(728)	-	(728)	761	-	761	1,489	17,716
Total spending in AME	**23,616,725**	**(2,472,664)**	**21,144,061**	**22,915,644**	**-**	**22,915,644**	**1,771,583**	**20,982,146**
Total spending in Budget	**29,382,898**	**(3,408,433)**	**25,974,465**	**28,293,324**	**-**	**28,293,324**	**2,318,859**	**25,846,587**
Non-Budget spending								
Prior year adjustment	-	(1,035,115)	(1,035,115)	-	-	-	1,035,115	-
	-	**(1,035,115)**	**(1,035,115)**	**-**	**-**	**-**	**1,035,115**	**-**
Total capital	**29,382,898**	**(4,443,548)**	**24,939,350**	**28,293,324**	**-**	**28,293,324**	**3,353,974**	**25,846,587**

The total Estimate columns include virements. Virements are the reallocation of provision in the Estimates that do not require parliamentary authority (because Parliament does not vote to that level of detail and delegates to HM Treasury). Further information on virements are provided in the *Supply Estimates Guidance Manual*.[56]

The outturn vs Estimate column is based on the total including virements. The Estimate total before virements values have been included so that readers can agree the Estimates values disclosed back to the Estimates laid before Parliament.

56 https://www.gov.uk/government/publications/supply-estimates-guidance-manual

S1.3 Explanation of variances after virements

Below we explain the larger pre-virement variances which are identified as over £1 billion or over 10% of Estimate value and over £250 million, across the different budget types.

Resource DEL

Early years and schools (Department) – £335 million underspend

This budget as set at Supplementary Estimate included contingency to cover uncertainty around the impact of COVID-19 and the potential need to continue COVID-19 measures throughout the year. This has not all been needed owing to less demand than anticipated.

Education and Skills Funding Agency – £400 million underspend

A significant proportion of the underspend relates to apprenticeships. The budget is demand-led which was lower at the end of the financial year than estimated at the Supplementary Estimates process.

Spending on the apprenticeship programme is demand led, and employers can choose which apprenticeships they offer, how many and when. This can lead to variance between the budget and outturn.

Higher education – £8,024 million underspend

This underspend is predominantly caused by student loan impairment, which is accounted for as part of the annual fair value movement (see note 9). The annual movement in impairment is a function of the year end student loan carrying value, which is itself dependent upon the OBR macroeconomic forecasts, including earnings, RPI and the Bank of England base rate. All of these year end valuation inputs are published after Supplementary Estimates are finalised; which means that the Supplementary Estimates bid for spending approval cannot be based on the known year end input assumptions. Therefore, there is a structural risk that the Estimates bid is too small to cover the year end outturn. Consequently, by being prudent in its Supplementary budget cover bid the Department can drive large underspends of outturn to Estimate.

The Supplementary Estimates reserve claim included a contingency to cover the impact of potential further economic effects from COVID-19. However, this was not all required.

Resource AME

Higher education – £1,180 million underspend

The budget for higher education requested at Supplementary Estimates included an element of contingency because of the difficulty in forecasting effective interest relating to student loans. Effective interest, in a similar fashion to other student loan balances, is difficult to forecast because the forecasts use macroeconomic inputs that are only known after the Supplementary Estimates process has closed. Therefore, to minimise the risk of an overspend in relation to effective interest, the Department builds in a contingency using best and worst case scenarios in relation to the valuation inputs.

The budget included funding for higher education restructuring which was not utilised in the financial year.

Capital AME

Higher education – £1,770 million underspend

The underspend to Estimate is caused by additional budget cover secured at Supplementary Estimates to cover difficulties of forecasting student loan activities.

Student loan balances (loan outlay, capitalised interest and repayments) requested through the Estimates process are dependent on macroeconomic forecasts, which are published by the OBR after Supplementary Estimates are finalised. Therefore, the Department prudently secures additional Estimates cover to minimise the risk of an overspend.

Non-budget prior year adjustment – £1,035 million underspend

As described in note 2, during the year the Department identified a material error in the calculation of student loan interest capitalised in 2019-20. The correction of the error resulted in a prior year adjustment in the financial statements as required to IAS 8; which is treated as an in-year non-budget cost in the budgetary framework.

Further commentary of the variances of outturn to Estimate are provided in the financial review of the year starting on page 35.

S2. Reconciliation of outturn to net operating expenditure

Item		Reference	Outturn Total	Prior Year Outturn Total, 2019-20
			£000	£000
Total Resource outturn		S1.1	**76,988,091**	**77,670,497**
Add:	Capital grants	6.2	5,135,502	4,919,762
	Other capital expenditure		22,840	42,586
Total			**5,158,342**	**4,962,348**
Less:	Income payable to the Consolidated Fund	S4	(528)	(102)
	Capital grant income		(50,756)	(48,204)
	Other adjustments		2,704	(418)
Total			**(48,580)**	**(48,724)**
Net operating expenditure in SoCNE		SoCNE	**82,097,853**	**82,584,121**

As noted in the introduction to the SOPS above, outturn and the Estimates are compiled against the budgeting framework, which is similar to, but different from, IFRS. Therefore, this reconciliation bridges the resource outturn to net operating expenditure, linking the SOPS to the financial statements.

For example, capital grants (income or expenditure) are budgeted for as CDEL so are not included within resource outturn but are accounted for as grant expenditure (or income) in SoCNE. Therefore, capital expenditure functions as a reconciling item between resource and SoCNE's net operating expenditure. See note 6.2 for more detail on our capital grant activities. The majority of the reconciling item other capital expenditure relates to paying student loan sale financial guarantees. The capital grant income reconciling item refers to capital contributions received from other government departments in support of school building programmes.

S3. Reconciliation of net resource outturn to net cash requirement

Item	Reference	Outturn Total	Estimate	Outturn vs Estimate, saving/ (excess)
		£000	£000	£000
Total Resource outturn	S1.1	**76,988,091**	**87,252,222**	**10,264,131**
Total Capital outturn	S1.2	**24,939,350**	**28,293,324**	**3,353,974**
Adjustment for NDPBs				
Remove voted resource and capital		(1,730,973)	(1,862,821)	(131,848)
Add cash grant-in-aid		1,807,290	1,784,383	(22,907)
Adjustments to remove non-cash items				
Depreciation, amortisation and impairment	8.2	(205,019)	(22,825,146)	(22,620,127)
Student loan book fair value movement		(12,986,972)	-	12,986,972
New provisions and adjustment to previous provisions	19	(123,401)	(74,728)	48,673
Prior year adjustment		1,035,115	-	(1,035,115)
Other non-cash adjustments		77,186	(46,358)	(123,544)
Adjustments to reflect movements in working balances				
Movement in receivables	SoCF	(500,637)	-	500,637
Movement in payables	SoCF	527,733	-	(527,733)
Use of provision	19	122,339	43,422	(78,917)
Use of financial guarantees		29,074	-	(29,074)
Total		**(11,948,265)**	**(22,981,248)**	**(11,032,983)**
Net cash requirement		**89,979,176**	**92,564,298**	**2,585,122**

As noted in the introduction to the SOPS above, outturn and the Estimates are compiled against the budgeting framework, which is based on the accruals concept not on a cash basis. Therefore, cash is not controlled directly through the Estimates budgetary process. Cash balances do not convey spending power and the availability of cash does not translate into budget cover. Cash is controlled indirectly through the net cash requirement which is separate to other control totals and unspent cash at a year end is returned to HMT.

The net cash requirement will not match the net cash inflow/(outflow) presented in the Statement of Cash Flows (SoCF). The requirement is a measure of the funding needs of the

Group for the year to support its expected activities. Whereas the SoCF presents the net inflow or outflow of cash across the year after including Supply (which approximates the requirement) as a financing balance.

Since Estimates and actuals calculated on the same basis (outturn) are based on the accruals concept, there are differences between actual and expected spending and the Group's requirement for cash from the Exchequer. In addition, the Group may incur spending that is not reported against budgets, and so sits outside both outturn and Estimate, but would increase the Group's requirement for funds to settle such obligations. Working capital balances such as receivables and payables are prime examples of such non-budgetary balances.

The reconciliation above bridges the gap between expected resource and capital spending to the Group's requirement for funds, for both actual (outturn) and forecast (Estimate) spending. The reconciliation is laid out with three sections:

- Adjustment for NDPBs: required to remove NDPB spending and include grant-in-aid paid to NDPBs since the net cash requirement is set at a Department and Agencies sub-consolidation level.
- Adjustments to remove non-cash items: this section removes non-cash costs from outturn and Estimates such as unrealised student loan fair value movements (note 9) and other bookkeeping balances such as depreciation, amortisation and impairment (broadly presented in note 8.2).
- Adjustments to reflect movements in working balances: these are working capital balances that require funds to settle but sit outside the scope of budgets so need to be added to the net cash requirement.

S4. Amounts of income to the Consolidated Fund

S4.1 Analysis of income payable to the Consolidated Fund

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

Item	Outturn Total		Prior Year, 2019-20	
	Accruals	Cash basis	Accruals	Cash basis
	£000	£000	£000	£000
Income outside the Ambit of the Estimate	528	*528*	102	*102*
Excess cash surrenderable to the Consolidated Fund	-	-	-	-
Total amount payable to the Consolidated Fund	**528**	***528***	**102**	***102***

Parliamentary accountability disclosures: audited

Public sector losses and special payments

A1 Losses statement

The total of all losses that have been recognised this year is as follows:

	2020-21		2019-20	
	Department & Agencies	Group	Department & Agencies	Group
Total number of cases	**23,975**	**24,087**	**30,457**	**30,639**
	£000	**£000**	**£000**	**£000**
Cash losses	9,502	9,502	99	114
Fruitless payments and constructive losses	8,821	9,263	4,418	5,762
Claims waived or abandoned	57,620	57,620	29,848	29,848
Store losses	-	-	10	10
	75,943	**76,385**	**34,375**	**35,734**

A1.1 Cash losses over £300,000

	Reporting body	£000
Grant overpayments		
Accent On Training Ltd	ESFA	2,466
Positive Outcomes Ltd	ESFA	2,073
Provident Training Ltd	ESFA	1,352
AMS Nationwide Ltd	ESFA	608
Education & Youth Services Ltd	ESFA	532

Unrecoverable grant overpayments

In certain circumstances, overpayments of grants can occur when payments to educational providers exceed the final funding eligible for that period. The debts arise mainly where providers have overstated funding claims for delivery during a contract, for example where a learner started but did not complete. This results in the funding claim subsequently being reduced or corrected during reconciliation or following an audit. As such, the monies the providers received exceeded the amount which they were entitled to at the end of the contract.

In such circumstances, the Group seeks to recover the overpayments from providers in cash or from deductions against future payments. In a small number of cases, funds are unable to be recovered due to the failure of the provider. If, after a prolonged period of time, insufficient funds from the provider's receiver or liquidator are received or the provider is dissolved, we abandon the claim.

A1.2 Fruitless payments and constructive losses over £300,000

	Reporting body	£000
National College for Digital Skills	Department	3,284
2021 test cycle losses	STA	2,390
VAT interest charge	ESFA	1,594
Closure of Erasmus+ domestic alternative	ESFA	520
Temporary closure of call centres	SLC	406

Costs incurred for research and development of a national college's building project which was abandoned in order to avoid further costs. Issues emerged prior to the start of construction, which would have pushed value for money and risk beyond a level of acceptability for public funding.

In response to the COVID-19 pandemic, the Group cancelled 2021 national tests and assessments. The Group had already incurred costs for the preparation of the tests which were lost when the tests were cancelled.

A default interest charge levied by HMRC on a late VAT payment relating to copyright licenses for schools and academies.

Initial feasibility work to evaluate a successor to the Erasmus+ scheme due to uncertainty surrounding the UK's ongoing involvement in future programmes. This work did not lead to the Turing Scheme so represents a fruitless payment.

Temporary closure and subsequent reduced opening hours of the contact centres following initial UK wide lockdown in March 2020 represent a constructive loss because payments to the third party service provider yielded no benefit to the Group.

A1.3 Claims waived or abandoned over £300,000

	Reporting body	£000
Re-brokerage debt forgiveness		
West Kent and Ashford College	ESFA	20,600
National College for Advanced Transport and Infrastructure	Department	9,461
Shrewsbury Academies Trust	ESFA	4,537
TBAP Trust	ESFA	1,855
University of Chester Academies Trust	ESFA	1,134
Oxford Academy Trust	ESFA	585
Hinckley Academy & John Cleveland Sixth Form	ESFA	584
International Academy of Greenwich	ESFA	559
Stratton Upper School	ESFA	549
Watford UTC	ESFA	463
Contributions		
Harris Federation	Department	5,757
Oasis Community Learning	Department	3,649
Wren Academies Trust	Department	782
Tudor Grange Academies Trust	Department	380
Student loans		
Write off of student loan employer deductions	Department	2,326
Historic balances	Department	505

Re-brokerage debt forgiveness

Balances owed by academies and colleges may in some circumstances be waived to facilitate the re-brokerage of the academy or college to a more sustainable academy trust or college corporation.

Contributions

The Department has written-off outstanding contributions from academy trusts relating to a legacy policy area, where prior to 2010, sponsors were required to make financial contributions to the cost for opening an academy. Various attempts have been made to claim the contributions over the last ten years, but all are now considered exhausted.

Student loans

The following student loan losses are disclosed here because the Department receives HMT approval for the losses at an aggregate level. Each specific loss is below the £300,000 disclosure threshold.

HMRC collects on behalf of the Department student loan repayments collected from borrowers by employers through the tax system. During 2020-21, £2.3 million (2019-20: £2.7 million) was written-off in respect of student loan repayments which have been collected by the employer from the borrower but were uncollectable by HMRC, normally because of employer insolvency. The number of cases relating to these losses is 23,242 (2019-20: 29,433).

The Department has written-off selected historic student loan and grant payment transactions from 1998/99 through to 2012/13. The balance disclosed above is the aggregation of multiple smaller values all below £300,000. The reasons for the write-offs are:

- a payment/transaction cannot be applied to a customer's account due to system functionality issues
- the payment transaction was initially applied to the customer's account and it has been agreed that it should be removed as the funds were not actually received by the customer as the bank details used were incorrect due to Group error or external fraudulent activity (e.g. phishing)

A2 Special payments

	2020-21		2019-20	
	Department & Agencies	Group	Department & Agencies	Group
Total number of cases	27	1,580	27	1,796
	£000	£000	£000	£000
Total value	4,048	4,186	4,290	5,486

A2.1 Special payments over £300,000

	Reporting body	£000
Rotherham Metropolitan Borough Council	Department	2,000
Liverpool City Region Academy Trust	Department	547
Hillsview Academy	Department	311

Rotherham Metropolitan Borough Council

This payment was made to Rotherham Metropolitan Borough Council in order to support significant and increasing demand for children's social care services arising from Operation Stovewood, the ongoing investigation into historic child sexual abuse in Rotherham. The increased pressure is a result of the demand for local authority support for the victims and children of perpetrators identified through the investigation.

Liverpool City Region Academy Trust

We issued a special payment of £547,000 to fund the dilapidation costs at the former Emslie Morgan Academy so that the lease for the site can be surrendered back to Wirral local authority.

Hillsview Academy

The payment of £311,000 was in support of the academy transfer funding for Outwood Grange Academy Trust to sponsor Hillsview Academy.

Group volumes

The high volume of Group losses disclosed above is due to the large number of student loan losses reported by SLC; 1,553 cases (2019-20: 1,768 cases) but with a total value of just £138,000 (2019-20: £196,000).

A3 Student loans written-off in year

	2020-21		2019-20	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Due to:				
death	27.9	27.9	20.9	20.9
age	7.3	7.3	5.3	5.3
disability	1.4	1.4	1.3	1.3
because of bankruptcy, on completion of individual voluntary arrangement, and other	1.4	1.4	-	-
access to higher education	22.0	22.0	19.8	19.8
	60.0	**60.0**	**47.3**	**47.3**

A4 Gifts

The total of all gifts and hospitality that have been paid out this year are as follows:

	2020-21		2019-20	
	Department & Agencies	Group	Department & Agencies	Group
Total number of cases	2	8	3	77
	£000	£000	£000	£000
Total value	271	271	37,610	37,614

The large movement in the value of gifts across the two years is because last year two property transactions were included as gifts. The Department transferred its office block, St Paul's Place, to the Government Property Agency and leased the Kensington and Chelsea College site to the college at a peppercorn.

A4.1 Gifts payments over £300,000

No single gift exceeded the £300,000 disclosure threshold.

A5 Remote contingent liabilities

In addition to contingent liabilities reported within the meaning of *IAS 37 Provisions, Contingent Liabilities and Contingent Assets* (IAS 37) (see note 22), the Group also reports liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the accounting standard's definition of contingent liability.

A5.1 Quantifiable

The Group has entered into the following quantifiable contingent liabilities by offering guarantees, indemnities, or by giving letters of comfort. In accordance with Parliamentary reporting requirements, we are obliged to disclose these although none of these are contingent liabilities under the meaning of IAS 37 since the likelihood of a transfer of economic benefit in settlement is judged to be too remote.

	1 April 2020	Increase in year	Crystallised in year	Expired in year	31 March 2021	Amount reported[(1)]
	£m	£m	£m	£m	£m	£m
Property-based						
Academy trust rental support	16.0	-	-	(0.5)	15.5	-
Planning risk	1.1	-	-	-	1.1	-
Asset management costs	0.3	-	-	-	0.3	-
Other						

	1 April 2020	Increase in year	Crystallised in year	Expired in year	31 March 2021	Amount reported(1)
	£m	£m	£m	£m	£m	£m
PFI contracts in the academy sector	9,250.0	-	-	-	9,250.0	9,250.0
USS guarantor	5.0	-	-	-	5.0	-
Academy closure costs	2.0	-	-	-	2.0	-
Free school Principal designates	0.8	0.8	-	(0.9)	0.7	-
Junior ISAs	1.4	0.4	(0.3)	-	1.5	-
Data sharing agreements	-	3.0	-	-	3.0	-
Contract early termination	-	1.8	-	-	1.8	-
	9,276.6	**6.0**	**(0.3)**	**(1.4)**	**9,280.9**	**9,250.0**

Note: (1) Amount reported to Parliament by departmental minute

Property-based

Academy trust rental support

The Group has entered into agreements with landlords of some academy trusts to support landlords in the event of underperformance of their academy trust tenants. The agreements create obligations on the Group to identify landlords to pay monies over if the academy trust operating from the site fails to perform under its lease. The agreements were entered into to support the smooth opening of various academies and free schools.

Planning risk

The Group has provided an indemnity to the REAch2 Colchester project for costs dependent on the planning permission decision by the local authority. If satisfactory planning permission for the school is not granted and the £1.1 million 'top up' is therefore not paid, then an overage clause will take effect. This provides that on the grant of planning permission for an alternative higher value use, 50% of the net increase in value (if any) from the purchase price will be due on either a sale of the property or commencement of development. The purchase price is to be index-linked using RPI from completion of purchase to the date of the overage payment to establish the overage due.

Asset management costs

To progress the Central Ipswich Free School's property transaction, it was necessary to agree a cap in respect of an asset management indemnity. Group property experts' advice is that £250,000 is an acceptable figure for managing a town centre site in this part of the country and has been agreed. It is anticipated that the school will be built and this contingent figure will not need further consideration but it is a commercial risk for the Group, hence the cap.

Other

Academy-sector PFI contracts

The contingent liability arises from support the Department may provide local authorities for their Private Finance Initiative (PFI) arrangements. These contingent liabilities are the result of the Group, acting as an agent to the Secretary of State, agreeing to provide an indemnity to local authorities for potential costs on buildings they own but manage through existing PFI arrangements. The properties are used by academies.

This type of indemnity is considered low risk and is only a feature of the academy programme in very specific circumstances.

Universities Superannuation Scheme guarantor

The Department acts as guarantor for OfS' obligations to the Universities Superannuation Scheme (USS), which was a condition of OfS' admission to the USS as a scheme employer.

In the event of a future transfer or winding up of OfS, the Department will guarantee that employer pension liabilities will continue to be met either by a successor body, or by the Department, in the event that no other body assumes the OfS' functions.

Academy closure costs

To provide an indemnity of up to £2 million to protect Inspiration Trust (regarding Great Yarmouth High School) against potential closure costs of the academy in the event that the separate charitable foundation which owns the site withdraws consent for the academy to operate from the current site.

Free schools for principal designates

The Group underwrites the salaries of principal designates, or other key essential teaching staff, of new free schools, UTCs or studio schools before they open and receive operational grant funding.

Junior ISA account

The Department has contracted a charity to manage the JISA scheme on its behalf. Using an initial £200 payment from the Department, the contractor opens and manages JISAs on behalf of looked-after children while they remain in care. The government made a commitment in 2011 to provide £200 to set up a JISA for each child in care across the UK. Local authorities have identified young people who left care before a JISA could be opened for them, which creates the liability. The increase in the year was a result of better local authority data identifying more potential claimants.

Data sharing agreements

The Department has updated its data sharing agreement template for future agreements with third parties in line with the *Data Protection Agreement Act 2018* and the Information Commissioner's Office enforcement powers. The Department is planning to offer indemnities to third parties which will be capped in agreement with HMT at £3 million in any financial year.

Contract early termination

As part of a ten-year service contract, one of the Group's NDPBs has agreed to compensate the counterparty should the contract be ended early to compensate for their investment in systems and people due to be used over the life of the contract. As at the year end, the maximum liability has been assessed at £1.8 million. This obligation has been assessed as remote due to the very low expectation of cancelling the contract early.

A5.2 Unquantifiable

Student loan sales

Each sale of student loans necessitated separate but similar warranties and indemnities to secure interest and obtain value for money from investors into the securitisation transactions. Each suite of obligations is separate from other sales, and there is no risk of cross-over, a failure for one sale does not automatically trigger failures for other sales.

These contingent liabilities are in respect of:

- A warranty to provide investors compensation for policy changes which reduce cash flows to investors. This is because the terms of the loans remain within government control, and there is nothing investors can do to influence this. The liability will exist for the life of the securitisation transaction, and it will expire by 2056 for the December 2017 loan sale, and 2058 for the December 2018 loan sale. The likelihood of crystallisation is low.
- The need to repurchase all of the student loans as a remedy for investors if:
  - collection of repayments for the sold loans through the UK tax system by HMRC ceased
  - RPI used to calculate the interest rate of the loans was abolished without a substitute being put in place
  - there was a problem with the collection of loan repayments that could not be remedied for three consecutive annual payment dates
  - there is government policy that is implemented relating to forgiveness of student loan repayments for borrowers who are, or become, teachers pursuant to which any securitised student loan is (in whole or in part) cancelled, reduced in balance or written-off

The likelihood of any of these scenarios materialising is very low.

- An indemnity given to investors to cover potential losses if a 'servicing event' is triggered and is incurable, or cannot be cured within a reasonable time. Investors are not able to change the servicer (unlike for a typical commercial transaction) and therefore an indemnity is their only recourse in the event that the servicing is not in line with the contractually agreed standard. The liability is expected to be live for the life of each securitisation transaction, ie up to around 30 years, and will reduce over time.
- Indemnities given to the joint lead managers if they (or their employees, directors or affiliates) suffer any loss as a result of misrepresentation, misleading statement or omissions or breach of duty by government. All of the liabilities are expected to be live for the life of each securitisation transaction, ie up to around 30 years.
- Indemnities have also been provided to certain other parties connected to each securitisation transaction to cover any loss from the Department (acting as Master Servicer) failing in its performance of certain duties. These include acting with negligence, fraud, wilful default, infringement of intellectual property rights, failing to provide a remedial plan or a cure within a certain timeframe.

Local authority indemnities

Acting as developer and arising from planning decisions, the Department has provided uncapped indemnities to local authorities (acting as competent sewage and/or highways authorities) in relation to school building projects. Indemnities arise under: section 104 of the *Water Industry Act 1991* (sewers), section 38 of the *Highways Act 1980* (new highways infrastructure) and section 278 of the *Highways Act 1980* (existing highways infrastructure).

SLC pension transfer

As described in note 20, during 2019-20 SLC closed their pension scheme and transferred their staff into the main Civil Service scheme. The Department has a contingent liability for the incremental accrued benefit cost between CPI and non-CPI if the Civil Service scheme is uprated by less than CPI.

PF2 contractual warranties

As a result of entering directly into a PFI arrangement for the building of schools (PF2) there are a number of contracts in place, which have clauses that could give rise to a liability for the Group. These are considered by the Group to be remote and unquantifiable as they relate to breach of contractual conditions.

Overage clauses

As a result of entering into contracts for academy and free school site purchases, the Group is subject to a number of overage clauses. These are considered remote as they relate to changes in contractual arrangements.

Litigation - SLC

There are outstanding litigations which SLC fully intends and expects to successfully defend that are currently ongoing. The potential to incur losses as a result of these litigations is considered to be remote.

Cost allocation and charges

As a public sector information holder, the Group was compliant with HMT's issued guidance on cost allocation and charging for information services in 2020-21.

Susan Acland-Hood
Accounting Officer
1 December 2021

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

Opinion on financial statements

I certify that I have audited the financial statements of the Department for Education and of its Departmental Group for the year ended 31 March 2021 under the *Government Resources and Accounts Act 2000*. The Departmental Group consists of the Department and the bodies designated for inclusion under the *Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2020*. The financial statements comprise: the Department's and Departmental Group's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards as interpreted by HM Treasury's *Government Financial Reporting Manual*.

I have also audited the Statement of Outturn against Parliamentary Supply and the related notes, and the information in the Accountability Report that is described in that report as having been audited.

In my opinion, the financial statements:

- give a true and fair view of the state of the Department's and the Departmental Group's affairs as at 31 March 2021 and of the Department's net operating expenditure and Departmental Group's net operating expenditure for the year then ended; and
- have been properly prepared in accordance with the *Government Resources and Accounts Act 2000* and HM Treasury directions issued thereunder.

Emphasis of matter – uncertainties inherent in the valuation of student loans

I draw attention to the disclosures made in notes 1.3.5 and note 13 concerning critical accounting judgements and key sources of estimation uncertainty relating to the valuation of student loans. As set out in these disclosures there is a high degree of inherent estimation uncertainty in the loan valuation, as repayments are highly dependent on macroeconomic circumstances over the long-term. Significant changes to the valuation could occur as a result of the subsequent information and events which are different from the current assumptions adopted by the Department. My opinion is not modified in respect of this matter.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Outturn against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2021 and shows that those totals have not been exceeded; and

- the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019*. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Department for Education in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Department for Education's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Department for Education's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Department for Education is adopted in consideration of the requirements set out in HM Treasury's *Government Financial Reporting Manual*, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

Other information

The other information comprises information included in the Annual Report, but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's certificate thereon. The Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report 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 and Accountability Reports 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 the light of the knowledge and understanding of the Department for Education and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Report. I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's *Government Financial Reporting Manual* are not made; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error; and
- assessing the Department for Education's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Department for Education will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the *Government Resources and Accounts Act 2000*.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- inquiring of management, the Department for Education's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Department for Education's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Department for Education's controls relating to the *Government Resource & Accounts Act 2000, Managing Public Money,* the *Supply and Appropriation (Main Estimates) Act 2020,* the *Education Act 2002,* the *Education (Student Support) Regulations* and the *Local Government Act 2003.*
- discussing among the engagement team, including significant component audit teams, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, posting of unusual journals, bias in management estimates, manipulation of pupil numbers underpinning grant funding allocations, and the misuse of grants.
- obtaining an understanding of the Department for Education group's framework of authority as well as other legal and regulatory frameworks that the Department for Education and Group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Department for Education and Group. The key laws and regulations I considered in this context included the *Government Resource & Accounts Act 2000, Managing Public Money,* the *Supply and Appropriation (Main Estimates) Act 2020,* the *Education Act 2002,* the *Education (Student Support) Regulations,* the *Local Government Act 2003*, and relevant employment law and tax legislation.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit and Risk Committee and the Department for Education's legal counsel concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board;

- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- performing substantive procedures to test that grants have been paid out by the Department, and used by recipients, in line with the Department's framework of authorities; and
- requiring component auditors to conduct appropriate procedures (controls operating effectiveness and substantive as relevant, according to the assessed risk levels) that grants have been paid out by components and used by recipients in line with the relevant framework of authorities.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

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

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General
8 December 2021

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

Financial Statements

Consolidated Statement of Comprehensive Net Expenditure

for the year ended 31 March 2021

		2020-21		2019-20	
		Department & Agencies	Group	Department & Agencies	Group
	Note	£m	£m	£m	£m
Income	4	(343)	(650)	(434)	(724)
Total income		**(343)**	**(650)**	**(434)**	**(724)**
Staff costs	5	433	656	396	607
Policy funding:					
resource	6.1	67,866	67,492	62,934	62,665
capital	6.2	4,968	5,136	4,810	4,920
Operating expenditure	8.1	461	617	619	831
Depreciation, impairment and other non-cash charges	8.2	332	399	193	214
Total operating expenditure		**74,060**	**74,300**	**68,952**	**69,237**
Net operating expenditure		**73,717**	**73,650**	**68,518**	**68,513**
Finance income		2	(22)	(4)	(66)
Finance expense		49	69	49	69
Other (gains)/losses	9	8,401	8,401	14,068	14,068
Net expenditure for the year		**82,169**	**82,098**	**82,631**	**82,584**
Other comprehensive expenditure					
Items that will not be reclassified to net operating costs:					
net gain on revaluation of property plant and equipment and intangibles		-	(3)	-	-
actuarial loss on defined benefit pension schemes		-	15	-	9
Total other comprehensive expenditure		**-**	**12**	**-**	**9**
Comprehensive net expenditure for the year		**82,169**	**82,110**	**82,631**	**82,593**

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

The notes on pages 191 to 249 form part of these accounts.

Consolidated Statement of Financial Position

as at 31 March 2021

		2021		2020	
		Department & Agencies	Group	Department & Agencies	Group
	Note	£m	£m	£m	£m
Non-current assets					
Property, plant and equipment	10	436	465	842	870
Intangible assets		137	246	105	211
Student loans	13	74,503	74,503	66,797	66,797
Non-student loans	14	167	678	228	764
Investments		80	85	95	103
Receivables	15	92	92	183	183
Retirement benefit asset	20	-	-	-	11
Total non-current assets		**75,415**	**76,069**	**68,250**	**68,939**
Current assets					
Assets held for sale		21	21	2	2
Inventories		14	15	-	1
Student loans	13	2,893	2,893	2,438	2,438
Non-student loans	14	41	57	20	45
Investments		-	4	-	32
Receivables	15	668	763	1,078	1,107
Cash and cash equivalents	16	1,013	1,153	1,015	1,123
Total current assets		**4,650**	**4,906**	**4,553**	**4,748**
Total assets		**80,065**	**80,975**	**72,803**	**73,687**
Current liabilities					
Payables	17	(2,864)	(2,979)	(3,006)	(3,163)
Provisions	19	(56)	(80)	(71)	(71)
Financial guarantees		(25)	(25)	(12)	(12)
Total current liabilities		**(2,945)**	**(3,084)**	**(3,089)**	**(3,246)**
Total assets less current liabilities		**77,120**	**77,891**	**69,714**	**70,441**
Non-current liabilities					
Payables	18	(990)	(1,507)	(1,377)	(1,820)
Provisions	19	(270)	(275)	(256)	(264)
Financial guarantees		(119)	(119)	(135)	(135)
Retirement benefit obligations	20	-	(2)	-	-
Total non-current liabilities		**(1,379)**	**(1,903)**	**(1,768)**	**(2,219)**
Assets less liabilities		**75,741**	**75,988**	**67,946**	**68,222**
Taxpayers' equity					
General Fund		75,735	75,846	67,940	68,145
Revaluation Reserve		6	10	6	11
Charitable Fund		-	132	-	66
Total taxpayers' equity		**75,741**	**75,988**	**67,946**	**68,222**

Susan Acland-Hood
Accounting Officer
1 December 2021

The notes on pages 191 to 249 form part of these accounts.

Consolidated Statement of Cash Flows

for the year ended 31 March 2021

		2020-21		2019-20	
		Department & Agencies	Group	Department & Agencies	Group
	Note	£m	£m	£m	£m
Cash flows from operating activities					
Net operating cost	SoCNE	(82,169)	(82,098)	(82,631)	(82,584)
Adjustments for non-cash transactions		8,722	8,776	14,243	14,269
Transfers of AuC to academy trusts	10	213	213	362	362
(Increase) in inventories		(14)	(14)	-	-
Decrease in receivables	15	501	435	71	90
(Decrease)/ increase in payables	17, 18	(529)	(497)	123	3
less movements in payables relating to items not passing through net operating costs	17	(77)	(159)	182	194
Use of provisions	19	(123)	(126)	(96)	(103)
Utilisation of financial guarantees		(29)	(29)	(28)	(28)
Finance income		2	(22)	(4)	(66)
Finance expense		49	69	49	69
Net cash outflow from operating activities		**(73,454)**	**(73,452)**	**(67,729)**	**(67,794)**
Cash flows from investing activities					
Finance income		1	22	-	22
Purchase of:					
property, plant and equipment	10	(93)	(99)	(200)	(213)
intangible assets		(57)	(97)	(57)	(95)
investments		-	(2)	-	(21)
Proceeds on disposal of:					
property, plant and equipment		212	216	14	75
intangible assets		3	3	5	(8)
investments		15	49	(15)	(2)
assets held for sale		11	11	25	25
Loan assets (drawn down)/repaid:					
PF2 loan assets		-	36	-	39
student loans	13.1	(16,541)	(16,541)	(15,450)	(15,450)

		2020-21		2019-20	
		Department & Agencies	Group	Department & Agencies	Group
	Note	£m	£m	£m	£m
academy trusts	14.3	(3)	(3)	(83)	(83)
FE sector	14.3	(1)	(1)	(24)	(24)
other loans	14.3	(10)	7	-	8
Net cash outflow from investing activities		**(16,463)**	**(16,399)**	**(15,785)**	**(15,727)**
Cash flows from financing activities					
Finance expense		(49)	(69)	(49)	(28)
Consolidated Fund supply	DA SoCTE	89,975	89,975	83,412	83,412
(Decrease)/increase in receipts due to the Consolidated Fund	18	1	1	-	-
Draw down from the Contingency Fund		1,550	1,550	10	10
Repaid to the Contingency Fund		(1,550)	(1,550)	(10)	(10)
PF2 loan liabilities (repaid)	18	-	(14)	-	(12)
Capital element of PFI finance lease		(12)	(12)	(12)	(12)
Net cash inflow from financing activities		**89,915**	**89,881**	**83,351**	**83,360**
Net (decrease)/increase in cash and cash equivalents before adjustment for receipts and payments to the Consolidated Fund		**(2)**	**30**	**(163)**	**(161)**
Payments of amounts due to the Consolidated Fund		-	-	(7)	(7)
Net (decrease)/increase in cash and cash equivalents after adjustment for receipts and payments to the Consolidated Fund		**(2)**	**30**	**(170)**	**(168)**
Cash and cash equivalents at the beginning of the year net of overdrafts	16	1,015	1,123	1,185	1,291
Cash and cash equivalents at the end of the year net of overdrafts	**16**	**1,013**	**1,153**	**1,015**	**1,123**

The notes on pages 191 to 249 form part of these accounts.

Consolidated Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2021

	Note	General Fund £m	Revaluation Reserve £m	Charitable Fund £m	Taxpayers' Equity £m
Balance as at 31 March 2019		**67,052**	**7**	**80**	**67,139**
Net Parliamentary funding					
- drawn down		83,412	-	-	83,412
- deemed		1,178	-	-	1,178
Supply payable adjustment		(1,015)	-	-	(1,015)
CFERs payable to the Consolidated Fund	S4	-	-	-	-
Comprehensive expenditure for the year		(82,579)	-	(14)	(82,593)
Non-cash adjustments					
Auditor's remuneration	8.3	1	-	-	1
Movement in reserves					
Transfer between reserves		-	4	-	4
Other General Fund movement		45	-	-	45
Pension movement		51	-	-	51
Balance as at 31 March 2020		**68,145**	**11**	**66**	**68,222**
Net Parliamentary funding					
- drawn down		89,975	-	-	89,975
- deemed		1,015	-	-	1,015
Supply payable adjustment		(1,012)	-	-	(1,012)
CFERs payable to the Consolidated Fund	S4	(1)	-	-	(1)
Comprehensive expenditure for the year		(82,179)	3	66	(82,110)
Non-cash adjustments					
Auditor's remuneration	8.3	1	-	-	1
Movement in reserves					
Transfer between reserves		2	(2)	-	-
Other General Fund movement		(100)	(2)	-	(102)
Balance as at 31 March 2021		**75,846**	**10**	**132**	**75,988**

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

The Revaluation Reserve reflects the unrealised element of the cumulative balance of the revaluation adjustments to property, plant and equipment (see note 10) and intangible assets.

The Charitable Fund represents total assets less liabilities related to the Group's training boards less unrealised revaluation adjustments to property, plant and equipment (see note 10) and intangible assets.

The notes on pages 191 to 249 form part of these accounts.

Department and Agencies Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2021

	Note	General Fund £m	Revaluation Reserve £m	Taxpayers' Equity £m
Balance as at 31 March 2019		**66,995**	**5**	**67,000**
Net Parliamentary funding				
- drawn down		83,412	-	83,412
- deemed		1,178	-	1,178
Supply payable adjustment		(1,015)	-	(1,015)
CFERs payable to the Consolidated Fund	S4	-	-	-
Comprehensive expenditure for the year		(82,631)	-	(82,631)
Non-cash adjustments				
Auditor's remuneration	8.3	1	-	1
Movement in reserves				
Transfer between reserves		(1)	1	-
Other General Fund movement		1	-	1
Balance as at 31 March 2020		**67,940**	**6**	**67,946**
Net Parliamentary funding				
- drawn down		89,975	-	89,975
- deemed		1,015	-	1,015
Supply payable adjustment		(1,012)	-	(1,012)
CFERs payable to the Consolidated Fund	S4	(1)	-	(1)
Comprehensive expenditure for the year		(82,169)	-	(82,169)
Non-cash adjustments				
Auditor's remuneration	8.3	1	-	1
Movement in reserves				
Transfer between reserves		-	-	-
Other General Fund movement		(14)	-	(14)
Balance as at 31 March 2021		**75,735**	**6**	**75,741**

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

The Revaluation Reserve reflects the unrealised element of the cumulative balance of the revaluation adjustments to property, plant and equipment (see note 10) and intangible assets.

The notes on pages 191 to 249 form part of these accounts.

Notes to the accounts

1. Accounting policies

These accounts have been prepared in accordance with the 2020-21 government *Financial Reporting Manual* (FReM) issued by 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 2020*.

The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRSs) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Group for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Group for 2020-21 are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

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

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets, student loans, investments and certain financial instruments.

1.2 Going concern

This ARA is produced on a going concern basis. The Department is Supply financed and thus draws the majority of its funding from the Consolidated Fund. Parliament has demonstrated its commitment to fund the Department for the foreseeable future, including responses for COVID-19 and EU Exit.

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 amounts of assets and liabilities, income and expenditure. These assessments 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 ongoing basis.

Management has specifically made such judgements on:

1.3.1 Accounting for capital expenditure and assets under construction

The scale of the Group's capital programme means that accounting for capital expenditure is inherently complex for the Group and involves judgement over the identification of costs to be capitalised as PPE and the timing of de-recognition of AuC assets related to the academy sector.

Capitalisation of expenditure is reviewed as part of regular monthly controls and the year end process in determining the appropriate direct costs to capitalise for each project in accordance with the requirements of *IAS 16 Property, Plant and Equipment* (IAS 16) and *IAS 17 Leases* (IAS 17). Assets are initially recognised at cost.

Recognition of AuC assets requires there to be an inflow of economic benefit from the operational asset. Management judge that academy trusts receive the economic benefit of operational school sites, so academy AuC assets are recognised only when no academy trust has been identified to operate the future school site. AuC asset de-recognition occurs when management judges there to be an identified end user (the academy trust) for the future school site. On de-recognition costs capitalised previously are expensed as capital grants-in-kind.

Since AuC asset de-recognition generally occurs prior to site completion, post-de-recognition costs suitable for capitalisation are expensed as additional capital grant-in-kind.

1.3.2 Student loans – accounting classification

Student loans are carried at fair value through profit or loss (FVTPL).

Student loans have characteristics of both financial instruments and insurance contracts. The Group has judged that the loans have and exhibit properties that give rise to them being financial instruments, and so the Group accounts for these as financial instruments in accordance with *IFRS 9 Financial Instruments* (IFRS 9). The key test in determining which accounting classification (fair valued or amortised cost) the student loans falls into under IFRS 9 is the solely payments of principal and interest (SPPI) test.

The Group reviewed the repayment terms of student loans in respect of the IFRS 9's SPPI test and considers that the repayment cash flows are dependent on the income of the borrower and student loans are written-off when certain events occur, such as death or inability to work. Therefore, the Group has judged that the cash flows are not simply payments of principal and interest and thus student loans have been classified as FVTPL.

1.3.3 Student loans – initial fair value

When student loans are issued they are initially recognised at fair value. There is a difference between the amount advanced to students (transaction value) and the initial fair value of the loans due to the implied sector subsidy within student loans and actual repayment performance. The Department has determined that its valuation technique uses data from unobservable markets (see note 13). Therefore, the financial instruments are considered to be a Level 3 classification as defined in *IFRS 13 Fair Value Measurement* (IFRS 13). In accordance with IFRS 9's treatment of Level 3 financial assets the difference between transaction value and initial fair value is deferred. The difference is deferred until it is considered that there has been a change in factor that market participants would consider in pricing the student loan asset; when the difference is expensed as part of the fair value movement.

Owing to current government policy in place for student loans, there is an inherent assumption as to the level of repayments expected to be received when issuing new loans. The Group has assessed that market participants would recognise these inherent assumptions within the same year the loans have been issued. Therefore, the initial difference in fair value deferred is subsequently recognised as an in-year remeasurement to the fair value. Net fair value gains and losses are recognised within net operating expenditure.

1.3.4 Student loans – discount rate

The FReM requires that where future cash flows are discounted to measure fair value, the Group should use the higher of the rate intrinsic to the financial instrument or HMT's current discount rate. The discount rate used to discount expected cash flows to calculate the fair value of student loans is the intrinsic rate of the loan for Master's loans, and HMT's standard cross-government discount rate of RPI+0.7% for the remainder of the loan books, as required by the FReM's interpretation of IFRS 9.

The discount rate provided by HMT is based on an analysis of real yields on UK index linked Gilts and is specifically appropriate to central government.

1.3.5 Student loans – modelling risk

The value of loans issued is calculated using forecasting models which use data on the demographics of higher education and further education students to predict their likely lifetime earnings, and from this their loan repayments. There are different models for borrowers taking different loan types, Pre-2012 (Undergraduate) and Post-2012 loans (Undergraduate Loans, Advanced Learner Loans and Master's Loans). The models depend on a complex set of assumptions, in particular about the trajectory of borrowers' earnings. The models are long term in nature, but use the latest OBR short and long term forecasts for RPI, base rates and earnings growth. The valuation of the student loan book is uncertain as it is highly dependent on macroeconomic circumstances and the estimate of graduate earnings over the next 30-35 years, as well as a number of other assumptions, for around five million borrowers. There is little historic repayment data available for Post-2012 loans, as they did not enter statutory repayment until 2016.

The assumptions used in the repayment models are formally reviewed each year and the amounts provided reflect the estimate as at the year end. Note 13 provides quantitative disclosures on the impact of assumption variations and more detailed narrative over the different assumptions used.

1.3.6 Student loans – EU Exit

The country exited the transition period on 31 January 2020 after reaching agreement with the EU as to the future trading relationship. However, there remains inevitable uncertainty as to the precise terms of the UK's long term relationship with the EU, and therefore its impact on macroeconomic data, and on the Group's student loan book. The Group has previously based assumptions on macroeconomic data on the published OBR forecasts. We consider it appropriate to continue to value the student loan book under the current basis of assumptions in place.

1.3.7 Revenue recognition through performance obligations

IFRS 15 Revenue from Contracts with Customers (IFRS 15) requires revenue to be recognised when the reporting entity has completed performance obligations stipulated in its contracts with customers.

Management has applied judgement in two main areas:

- to identify performance obligations across IFRS 15 income streams
- to assess how the obligations have been satisfied; at a point in time or across a period of time

Management reviewed the income streams separately and in each case identified what the obligations were and how they were satisfied.

1.4 Basis of consolidation

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

The Department receives the authority to consolidate its Agencies and NDPBs under the *Government Resources and Accounts Act 2000 (Estimates and Accounts) (Amendment) Order 2020*. A department's Designation Order sets out those bodies that are required to be included within a department's consolidated accounts, since all such bodies are judged to be public bodies.

As permitted by *IFRS 10 Consolidated Financial Statements,* the results and the financial position of the following NDPBs have been consolidated as at 31 December 2020, which is within three months of the Group's year end:

- Aggregator Vehicle PLC
- Engineering Construction Industry Training Board

Academies have been excluded from the consolidation since 2016-17 following their removal from the Department's accounting boundary into their own standalone ARA. The Department publishes the academy sector ARA (SARA) separately.

1.4.1 Movement in Departmental bodies

Whilst there has been no change in Departmental bodies in the year, there has been a small increase in the Group's policy responsibilities. Following the adoption of a Cabinet Office Standard of Practice, the Department has gained new responsibilities from Cabinet Office relating to policy innovation and development, and leadership of the cross-government policy profession. The change is judged to be immaterial so no restatement has been performed.

1.5 Adoption of FReM amendments

There have been no significant amendments to FReM for 2020-21.

1.6 Early adoption

The Group has not early adopted any accounting standards in 2020-21.

1.7 IFRSs in issue but not yet effective

To comply with the requirements of *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*, the Group must disclose where it has not applied a new IFRS that has been issued but is not yet effective. The Group has carried out a review of the IFRSs in issue but not yet effective, to assess their impact on its accounting policies and treatment.

IFRS 16 Leases **(IFRS 16)**

Effective for annual periods beginning on or after 1 January 2022. The mandatory FReM adoption of IFRS 16 has been delayed from 1 April 2021 to 1 April 2022 as part of the government's COVID-19 response.

The proposed changes simplify the classification and measurement of leases by introducing a single lessee accounting model, removing the distinction between recognising an operating lease (off-balance sheet financing) and a finance lease (on-balance sheet financing). The new standard requires recognition of all leases which last over 12-months (on-balance sheet). This will result in the recognition of a right-to-use asset, measured at the present value of future lease payments, with a matching financing liability. The pattern of recognition of the expenditure will result in depreciation of the right-to-use asset and an associated finance cost being recognised.

The main effect of the adoption of IFRS 16 will be for lessees, which will result in a number of former operating leases being brought on-balance sheet. In addition, we expect the Group's activities in the academy sector developing free schools sites through peppercorn leases will trigger additional asset recognition. The effect on lessor accounting for the new standard is limited in scale and remains largely unchanged.

The Group is as yet unable to quantify the full impact of adopting IFRS 16 due to the potential for movement in the Group's lease portfolio up to adoption and the lack of HMT supplied discount rate. Work will continue in readiness for adoption on 1 April 2022.

***IFRS 17 Insurance Contracts* (IFRS 17)**

Effective for annual periods beginning on or after 1 January 2023. It has not yet been decided when FReM will adopt the standard for government financial reporting.

The standard makes changes to how insurance contracts are accounted for and may in certain circumstances widen the scope of which financial positions are judged to be in-scope for the standard than those caught by IFRS 4. Since the Group already adopts IFRS 4 for its insurance activities we do not expect any significant impact of the standard in accounting for our Risk Protection Arrangement.

However, prior to adoption by FReM the final version for the standard applicable to the Group has still to be decided. Consequently, the Group is unable to scope the impact of adopting the new standard.

1.8 Segmental reporting

In accordance with *IFRS 8 Operating Segments* (IFRS 8), the Group has considered the need to analyse its income and expenditure relating to operating segments. The Group has assessed that all lines of operation fall within the same geographical location and regulatory environment as envisaged by IFRS 8.

See note 2 for operational disclosures.

1.9 Income

Group income is authorised in the Supply Estimate (such as general administration receipts and income from other departments) and may include income to the Consolidated Fund that HMT has agreed should be retained by the Group and treated as operating income.

Income is stated net of recoverable VAT where applicable.

The Group receives the following income streams and accounts for them as follows:

1.9.1 Revenue from contracts (IFRS 15)

Revenue is recognised once the Group has completed performance obligations. The nature of the obligations differs between contract types.

Levy income

Levy income is collected from construction and engineering sector employers under statute by CITB and ECITB based on an annual assessment period. Payment of the levies does not create additional rights to construction sector employers from the Group.

In the absence of additional rights to employers, satisfaction of levy performance obligations is judged to occur at a point in time rather than across the levy period. Consequently, levy income is not deferred or accrued across the levy year. Levy income is fully recognised immediately on raising of the annual assessments.

Where doubts arise over collectability of levy income either through ageing, past experience, or other known factors, an impairment allowance is recognised.

The Group does not recognise apprenticeship levy income. The apprenticeship levy is collected and accounted for by HMRC as tax.

Registration fees

Annual registration fees are collected from social care professionals by SWE and higher education providers by OfS. Both bodies have been given authority to retain such income to offset against their expenditure, with OfS up to an annually approved limit. Amounts received by OfS above their annual limit are passed to the Exchequer.

In contrast to the levy income above, registration fee satisfaction is judged in both cases to occur across the registration year. The health care practitioner consumes the benefit over time as it is provided by registration through being able not to operate. HEPs consume the benefit through continued operation as an authorised provider who is able to offer student loans to its student body. Accordingly, registration fee revenue is deferred and recognised evenly across the year.

Where doubts arise over collectability of registration fees either through ageing, past experience, or other known factors, an impairment allowance is recognised.

Capital contributions

The Group has standardised the specification of new school buildings. In some instances, the Group will agree with a school's authorised body (such as local authority, academy trust or foundation body) for their new premises to exceed the standards. In such cases a capital contribution will be agreed with the body.

The Group has judged that the completion of the additional design specification is indivisible from the overall school construction programme. Consequently, the Group considers that the performance obligation is satisfied continually over the course of the build phase.

Capital contributions are initially deferred and recognised evenly over the construction phase.

Sales of goods and services

The Group sell goods and services, such as tests and training. Performance obligations for these transactions are completion of training or despatch of goods. There is no significant timing difference between satisfaction of performance obligations and receipt of income. Revenue recognition is immediate.

Master servicer fee

The Group has retained the servicer function for the portfolios of student loans sold under the previous policy to sell student loans. While both sold portfolios have separate servicer fee agreements, they are similar in structure.

For both agreements the Group has identified two separate performance obligations:

- completion of the day-to-day servicing of loans; which stretches out for a further twelve months beyond each annual servicing period ending on 31 March
- payment of the loan repayments to each loan sale counterparty in July the year after each servicing year ending in March

Management consider the first performance obligation to be satisfied on an ongoing basis since the benefit of the actions are consumed by the customer as completed. Revenue arising from the normal servicing activities is deferred over each two year cycle. Management judges the second obligation to be settled at a point in time, when cash is moved, and so revenue for these activities is recognised in July when received.

1.9.2 Grant income (IAS 20)

The Group receives grant income from other government bodies (both UK and the European Commission) which are accounted for under IAS 20 through the non-deferral option. The income relates to programmes jointly funded by the Group and other departments or governments.

Grant income is matched to the expenditure profile for each project concerned. Income not matched to expenditure at the end of the financial year is transferred to deferred income. If expenditure exceeds income, an accrual may be made for the balance of the income.

1.9.3 Risk protection arrangement (IFRS 4)

The Group operates a self-insurance arrangement for the academy sector. Income is recognised for claim cover years.

1.10 Grant financing and Grant-in-Aid

Funding to the Department's Agencies and NDPBs through financing and Grant-in-Aid payments is reported on a cash basis in the period in which payments are made. Grant financing and Grant-in-Aid as well as any intra-Group grants between the consolidated bodies are eliminated within the Group.

1.11 Policy funding

1.11.1 Grants and other policy funding payable

Funding expenditure to support the Group's policy aims is delivered in two main ways:

- grant funding payable under legislation, such as National Funding Formula payments funding maintained schools and academies
- other, such as contractual payments to providers, for example apprenticeship training providers

Recognition of the entitlement of grant or other funding varies according to the individual programme.

Grant funding

The majority of grants made by the Group are recorded as expenditure in the period in which the allocation or claim is paid, as the grant funding cannot be directly related to activity in a specific period and is not designed to, in line with legislation. The allocations or claims are deemed the only appropriate and measurable activity that truly creates an entitlement for the recipient.

Accruals accounting is adopted where timing gaps are known between entitlement and payment, or where entitlements can be quantified with a degree of certainty in a given year. In such circumstances, the grant expense is accrued in the SoCNE and shown as a liability on the SoFP.

Other funding

Some policy funding is made in accordance with contractual agreements rather than legislation. One example is apprenticeship training provision whereby the Group enters into contracts with providers to support their training costs. In addition, for a number of programmes funding is only provided on evidence of completed funded activities. For instance, attendance of apprentices at monthly training sessions.

Accruals accounting is adopted for contractual funding owing to the higher degree of certainty of the Group's obligations.

1.11.2 Recoveries

Grants and other funding may generate overfunding or unspent amounts described below. Where recoveries of overfunding or unspent amounts cross a year end a receivable will be recognised to reflect the unrecovered amount. The Group does not recognise a prepayment if the end user has not spent the grant due to timing or delays.

Overfunding

Sometimes the Group pays recipients according to a payment profile established before the final grant obligation is known. Overfunding can occur when the payment profile based on the initial assessment is larger than the final obligation, which results in accelerated funding prior to the grant obligation being finalised.

Unspent amounts

In certain circumstances recipients may be unable to apply time-bound grants as intended, which means funds may be left unspent after the stipulated timescale. The Group may choose to recover such unspent amounts.

Recovery approach

The Group's preferred options to recover overfunding and unspent amounts are through reprofiling future grant payments (same grant stream) or deducting-at-source against other grant payments.

When identification of overfunding is early enough in the grant period, recovery through reprofiling will occur within the same grant period. If identification of overfunding is later in the grant period, recovery will occur in the next grant cycle with a year end receivable being recognised if applicable. This approach is suited to annual grants which are paid evenly across a year, such as general annual grant funding to academies.

Where reprofiling is not available, predominantly one-off grant payments, the Group will apply a deduction-at-source to other grant payments to recover funds. Such deductions do not alter either grant obligations, simply a reduction in the funds transferred to the recipient. The Group will gross up the amended grant payment by the deduction to recognise the correct value of both grants.

If reprofiling or deduction-at-source are not suitable, due to an absence of suitable future grant payments to deduct against, a claim will be made to the third party.

1.12 Leases

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

1.13 Property, plant and equipment

The minimum level of capitalisation for expenditure on property, plant and equipment ranges between £500 and £10,000 across the Group. In the case of IT equipment and furniture, all items recorded as capital expenditure are capitalised and if they fall below the capitalisation threshold they are grouped together and recorded as bulk assets. The asset value on capitalisation is measured at cost plus all direct costs, such as installation, attributable to bringing them into working condition.

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

One of the Group's purposes is to fund the acquisition of premises or sites that, ultimately, academy trusts will use. The Group will also fund all the required construction works and associated professional services needed to bring the premises or sites into use.

The Group measures the value of assets under construction (AuC) at cost plus direct costs directly attributable to bringing the assets into working condition in line with IAS 16. Direct costs include all costs associated with purchasing the land and property and bringing the assets into use, and a fair proportion of the Group's internal costs. The Group recognises AuC assets where it has control over the asset, and the right to the future economic benefit from that asset. At the time at which either or both is no longer the case, the asset is removed from the Group's SoFP. A large portion of the development sites funded by the Group are not recognised as AuC assets. Once an agreement is in place between the Group and the site's end user (predominantly an academy trust) control over the asset is judged to pass to the end user and so the asset is de-recognised. Additional funds to complete development are recognised as capital grants-in-kind.

Where circumstances existing prior to the year end indicate that AuC assets cannot be opened as an academy, or previously operational sites are closed and returned to Group control, and will be sold on the open market, then an asset will be recognised and treated under *IFRS 5 Assets held for Sale and Discontinued Operations*. In that case, any difference between carrying value and fair value would be recognised as an in-year impairment and the asset presented separately.

If a project ceased, or an asset became surplus through circumstances not yet existing at the year end, the changes in asset treatment would not take effect until the following financial year.

1.14 Depreciation

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

Asset lives are in the following ranges:

- property – up to 60 years, or the lease term (whichever is shorter)
- other PPE – 3 to 20 years

1.15 Financial instruments

The Group applies *IFRS 7 Financial Instruments: Disclosures*, *IAS 32 Financial Instruments: Presentation* and IFRS 9. Financial assets and financial liabilities are recognised when the Group becomes party to the contractual provisions of the instrument.

1.15.1 Financial assets

Financial assets include cash and cash equivalents, trade and other receivables and loans. The Group determines the classification of its financial assets at initial recognition. Financial assets are recognised initially at fair value, normally being the transaction price plus, in the case of financial assets not at FVTPL, directly attributable costs. The Group does not hold derivative financial instruments.

The subsequent measurement of financial assets depends on their classification into IFRS 9's three categories: amortised cost, FVTPL and fair value through other comprehensive income.

Amortised cost

Financial assets classified as amortised cost include:

- **Trade and other receivables** which have fixed or determinable payments that are not quoted on an active market. They do not carry any interest.
- **Non-student loans** which comprise loans judged to have passed the SPPI test, are not traded on any active market and are expected to be held until maturity.
- **Cash and cash equivalents** comprise cash in hand and on demand deposits.

Where there are restrictions upon the Group's ability to access cash, for example through being held in escrow with a solicitor pending a transaction, the Group discloses these restrictions separately in the notes to the accounts. However, in accordance with *IAS 7 Statement of Cash Flows* the Group continues to present balances as cash in the SoFP and Statement of Cash Flows.

The above asset types are subsequently recognised at amortised cost using the effective interest method. Carrying values are based on initial fair value adjusted for interest charges and repayments. Appropriate impairment allowances for estimated irrecoverable amounts are recognised in the SoCNE based on expected losses for a particular asset, or group of assets. The allowance recognised is measured as the difference between the asset's carrying amount and the estimated future recoverable amount.

Fair value through profit or loss

Financial assets at fair value through profit or loss include:

- **Student loans** have been classified to FVTPL because management consider the loans to fail the solely payments of principal and interest test due to the loans' terms and conditions.

  Student loans suffer an immediate fair value loss due to the difference between the initial fair value of new loans and their transaction price at issue. Such fair value losses are deferred to SoFP since student loans are classified as Level 3 per IFRS 13's hierarchy. Deferred balances are then expensed as part of the loans' first year end fair value re-assessment.

  More information about the measurement techniques used to determine the fair value of student loans is provided in note 13.

- **Investments** the Group holds quoted investments which are recognised at fair value. Fair value is calculated as the closing bid price as at the year end. Movements in the fair value are recognised in profit and loss.

  As well as quoted investments, the Group also holds a retention note issued by the body that acquired student loans sold in December 2018. The asset is held to fulfil regulatory requirements and cannot be sold over the life of the securitised student loans. In accordance with IFRS 9, the note is designated as FVTPL due to the underlying pool of financial assets (student loans) being designated as FVTPL.

The above asset types are subsequently measured at fair value, with annual movements in fair value being recognised in profit and loss. Fair value movements are recognised as gains or losses in a gains or losses note.

1.15.2 Financial liabilities

Financial liabilities are measured at amortised cost. Financial liabilities include: trade and other payables and loans. The Group does not currently have financial liabilities measured at fair value through profit or loss and neither does it have complex derivative financial instruments. Financial guarantees are designated to fair value through profit and loss on inception. The Group determines the classification of its financial liabilities at initial recognition.

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

- **Trade and other payables,** excluding accruals, are generally not interest bearing and are stated at their face value on initial recognition. Subsequently, they are measured at amortised cost.
- **Loan liabilities,** the Group holds both interest bearing and non-interest bearing loans. The Group states such loans at their face value on initial recognition. Subsequently, the Group measures interest bearing loans at amortised cost, which includes all direct costs associated with the loans.
- **Financial guarantees** are initially recognised at fair value on the date that the guarantee was given in accordance with IFRS 9. Subsequent measurement is at the higher of:
  - the amount of the equivalent IFRS 9 expected credit loss allowance
  - the amount initially recognised less cumulative effect of income recognised

1.16 Provisions

The Group makes provision in the accounts where the following criteria are met in accordance with IAS 37. The criteria are as follows:

- a legal or constructive obligation exists that will result in the transfer of economic benefit

- the transfer is probable
- a reliable estimate can be made

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

The Group applies HMT's nominal discount rate, and separately inflation rates to discount its provisions.

1.17 Contingent liabilities

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

1.18 Value added tax

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

1.19 Service concession arrangements

Under a service concession arrangement, a government entity contracts with the private sector to construct, operate and maintain public sector infrastructure; allowing the private sector to deliver services directly or indirectly to the public. However, the government entity retains control, or regulates, the services provided (including access fees) and controls significant residual interest in the infrastructure at the completion of the arrangement.

The Group has adopted *IFRIC 12 Service Concession Arrangements* (IFRIC 12), as interpreted by the FReM, acting as the grantor to account for the 46 schools the private sector will construct and then operate for the Group under the Private Finance 2 (PF2) scheme over a 25-year period. The transaction is part of the wider Priority Schools Building Programme (PSBP) programme that is addressing condition issues across the school estate. Within these accounts the transaction is referred to as PF2.

The assets constructed under the terms of PF2 are not recognised by the Group. In accordance with the Group's existing asset recognition approach for PSBP assets, the Group does not recognise school assets being constructed under PSBP (including PF2). The Group does not judge any economic benefit to flow to the Group from the PSBP assets during and after construction. The Group instead recognises the value of the assets during construction as capital grants-in-kind.

IFRIC 12 application also results in the Group recognising the financing liability arising from constructing the assets originally. The financing liability is repaid over the term of the service concession arrangement through the unitary charges settled by the Group.

Interest on the financing liability and expenditure on services provided under the service concession arrangement are recognised in the SoCNE as they accrue. Unitary charges are apportioned between three elements: an element to pay for services; an element to pay interest on the liability and an element to repay the financing liability.

2. Restatements

2.1 Impact of restatements

The table below shows the impact of the two restatements described below, neither of which has resulted in any change to reported SoCNE or SoFP balances. The impact of the restatements is restricted to the face value of the student loans, the carrying value has remained unchanged.

	Restated disclosures			Original disclosures		
	Pre-2012 loans	Post-2012 loans	Total	Pre-2012 loans	Post-2012 loans	Total
	£m	£m	£m	£m	£m	£m
Student loan face values						
Carrying values as at 31 March 2019	22,752	45,100	67,852	22,752	45,100	67,852
Add: opening fair value adjustment	10,490	37,442	47,932	11,453	37,442	48,895
Opening face values as at 1 April 2019	**33,242**	**82,542**	**115,784**	**34,205**	**82,542**	**116,747**
Interest charged						
previously reported	571	4,943	5,514	571	4,943	5,514
restatement	-	(1,035)	(1,035)	-	-	-
	571	**3,908**	**4,479**	**571**	**4,943**	**5,514**
New loans issued	1	17,566	17,567	1	17,566	17,567
Repayments	(1,492)	(625)	(2,117)	(1,492)	(625)	(2,117)
Write-offs	(16)	(31)	(47)	(16)	(31)	(47)
	(936)	**20,818**	**19,882**	**(936)**	**21,853**	**20,917**
Face values as at 31 March 2020	**32,306**	**103,360**	**135,666**	**33,269**	**104,395**	**137,664**
Less: closing fair value adjustment	(12,754)	(53,677)	(66,431)	(13,717)	(54,712)	(68,429)
Carrying values as at 31 March 2020	**19,552**	**49,683**	**69,235**	**19,552**	**49,683**	**69,235**
Fair value loss expense						
Fair value adjustment						
value loss			18,499			19,534
capitalised interest			(4,479)			(5,514)
			14,020			**14,020**

2.2 Post-2012 loans capitalised interest

During the year an error, quantified as £1,035 million, was identified in the value of capitalised interest recognised for Post-2012 loans in 2019-20. The error was caused by a system change in how and what information was passed between SLC (as loan administrator) and the Department. In 2019-20, SLC introduced a new process to share more timely and extensive loan information with the Department. In a change from previous years, the expanded information included the RPI element of capitalised interest applied to Post-2012 loans. Previously such information was only available post year end and was estimated for year end accounting. A truing-up adjustment was then recognised in the following year to align reported balances with actual values. The Department failed to identify the change and double counted the RPI-element of Post-2012 loan interest in the 2019-20 ARA.

No borrower has suffered from the error, the correct interest was applied to individual borrower's accounts by SLC. The error's impact was restricted to how the Department reported capitalised interest in the 2019-20 ARA.

In accordance with IAS 8, a restatement has been posted for the material error correction. However, the restatement has had no impact on reported 2019-20 balances because the carrying value of student loans does not involve capitalised interest. Student loans are recognised in the SoFP at fair value; which is calculated from expected future repayments discounted at the published HMT discount rate.

The only impact has been to the face value of Post-2012 student loans which does have interest applied to it. As well as changing the closing 2019-20 face value, the restatement also posted an equal and opposite adjustment to the fair value adjustment to maintain the previously published closing fair value.

As well as the 2019-20 face value, the only other element where the correction is visible is that of the unrealised fair value adjustment loss which is broken down into capitalised interest and value loss in note 9.

Whilst there has been minimal impact to balances reported in the financial statements there is a budgetary impact. The budgeting treatment of accounting prior year adjustments differs, they are considered to be in-year outturn since the prior year's budget/Estimate is not adjusted. Therefore, the prior year adjustment is shown as in-year outturn in the SOPS.

2.3 Pre-2012 loans – disposal value

Following the identification of the error above, a review was completed of historic student loan balances to identify other possible errors. One error was identified relating to the value of Pre-2012 loans sold in 2017-18. The incorrect face value of the loans was de-recognised following the sale in the face value disclosure.

In a similar vein to the Post-2012 loans, the error has not resulted in any change to the reported carrying value of the Pre-2012 loans. In 2017-18 the Department adopted IAS 39 amortised cost approach with impairment. Whilst the face value was wrong, the post impairment value remained stable for the same reason as for Post-2012 loan error above. The post-impaired carrying value was calculated from models based on future repayments discounted at the published HMT discount rate. Any movement in the pre-impaired face value was absorbed by an equal and opposite movement in impairment.

In accordance with IAS 8, the table above presents the impact of correcting the Pre-2012 loan face value as at the first balance sheet date – 31 March 2019.

3. Statement of operating costs by operating segment

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

The vast majority of the lines of operation fall within the same geographical location and regulatory environment. Segmental analysis of the Group's assets and liabilities are not reviewed by management and consequently are not provided here.

The segmental report shown below links expenditure within the Group structure to note S1 and covers the Group's total resource and capital outturn for the year.

3.1 Segmental analysis

			2020-21			2019-20
	Gross expend'e	Income	Net expend'e	Gross expend'e	Income	Net expend'e
					(Re-presented)	
	£m	£m	£m	£m	£m	£m
Social Care, Mobility and Disadvantage Group	448	(3)	445	421	(9)	412
Early Years and Schools Group	59,813	(382)	59,431	56,470	(220)	56,250
Higher Education and Further Education Group	47,038	(8,301)	38,737	52,270	(7,856)	44,414
Education and Skills Funding Agency	2,066	(2)	2,064	2,121	(1)	2,120
COVID Response and Recovery Group	478	-	478	-	-	-
Operations Group	1,409	(637)	772	389	(68)	321
	111,252	**(9,325)**	**101,927**	**111,671**	**(8,154)**	**103,517**

3.2 Reconciliation between operating segments and SoCNE

				2020-21
	Net expenditure per segmental analysis	Reconciling items		
		Income & gains	Expenditure	Net costs per SoCNE
	£m	£m	£m	£m
Social Care, Mobility and Disadvantage Group	445	-	(2)	443
Early Years and Schools Group	59,431	293	(146)	59,578
Higher Education and Further Education Group	38,737	3,557	(23,683)	18,611
Education and Skills Funding Agency	2,064	-	(20)	2,044
COVID Response and Recovery Group	478	-	-	478
Operations Group	772	577	(405)	944
	101,927	**4,427**	**(24,256)**	**82,098**

The reconciling items are transactions which are correctly included in budgetary outturn in note 3.1 but do not result in SoCNE entries. Transactions are primarily annual movements in non-current assets (loans, PPE and intangible assets), the significant movements being:

- Early Years and Schools Group includes:
  - income and gains includes £229 million adjustment for transfers of academy sites to academy trusts from PPE
- Higher Education and Further Education Group includes in relation to student loans:
  - income and gains includes the prior year adjustment of £1,035 million generated by a reporting error for capitalised interest in 2019-20, see note 2 for more information
  - income and gains of £2,473 million student loan book repayments (see note 13.1)
  - expenditure of £19.0 billion on student loan additions and £4.6 billion of capitalised interest gains (see note 9)
- Operations Group includes:
  - income and gains contains the £214 million transfer of OAB to Government Property Agency in March 2021
  - Get Help with Technology has two reconciling items related to the closing inventory balance, one in expenditure of £376 million for the purchase of units, and one contra reconciling in income of £362 million for units dispatched to schools

3.3 Re-presentation

Following a review, we have changed how we present performance by business group for the purposes of this ARA, to align better with how business groups report their performance up to Leadership Team. Both internally and externally we report performance by which business group retains responsibility for that policy, not who retains responsibility for delivery of funding. The change led to a re-presentation of the 2019-20 analysis previously presented, but did not change the totals just which business group has reported the activity.

The largest impact has been to move performance previously presented in 2019-20's ARA as being ESFA to EYSG (schools) and HEFE (colleges). Whilst ESFA retains responsibility for delivery of funding, at a Group-level EYSG and HEFE retain responsibility for those policy areas. One consequence of the re-presentation is that ESFA performance presented below at a Group-level no longer aligns to their own ARA.

	Re-presentation			Originally presented		
	Gross expend'e	Income	Net expend'e	Gross expend'e	Income	Net expend'e
	£m	£m	£m	£m	£m	£m
Social Care, Mobility and Disadvantage Group	421	(9)	412	421	(9)	412
Early Years and Schools Group	56,470	(220)	56,250	6,538	(209)	6,329
Higher Education and Further Education Group	52,270	(7,856)	44,414	45,614	(7,707)	37,907
Education and Skills Funding Agency	2,121	(1)	2,120	58,736	(161)	58,575
Operations Group	389	(68)	321	362	(68)	294
	111,671	**(8,154)**	**103,517**	**111,671**	**(8,154)**	**103,517**

4. Income

4.1 Revenue analysis

	2020-21		2019-20	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Income from contracts				
Levy income	1	221	-	212
Fees and charges	44	82	56	79
Sale of goods and services	-	41	-	56
Capital contributions	51	51	5	5
Other income	8	12	73	72
Grant income				
Funds from other government departments	74	78	112	112
European Union funding	108	108	135	135
Other income				
RPA income	57	57	50	50
Rental income	-	-	3	3
	343	**650**	**434**	**724**

Funds from other government departments relates mainly to income from Department of Health & Social Care for jointly managed projects.

Included within funds from other government departments is £4.4 million grant income from HMT claimed by CITB through the furlough scheme to support the retention of staff for this levy-funded organisation.

Included within income from contracts is £13 million deferred from the prior year (2019-20: £2 million) and recognised in the opening contract liability. EU funding recognised above represents more than 10% of total revenue, and is reported by the Higher Education and Further Education Group segment in note 3.

4.2 Revenue streams

4.2.1 Levy income

Levy income is raised by the Group's training boards from employers in the construction and engineering sectors. Employers' levy charges are assessed by applying the statutory levy rate to employers' annual salary bills. Both levies are used by the training boards to fund training in their specific sectors. Employers who are assessed for either levy do not receive additional rights to training, training is open to all sector employers irrespective of levy charges.

4.2.2 Registration fees

Annual registration fees are raised from social care professionals and higher education providers to allow them to perform their duties in their respective fields. Practitioners are required to register with the Group each year to receive authorisation to practice. Under the *Higher Education and Research Act 2017*, HEPs are required to register with their regulator if they wish to:

- access public grant funding (such as funding to support teaching), and/or student support funding (such as enabling students at a provider to access student finance)
- apply to the Home Office for a student sponsor licence to recruit international students, or to maintain an existing licence
- apply for degree awarding powers in order to award their own degrees, and/or university title

4.2.3 Sales of goods and services

Revenue arises from the sale of training materials to third parties and the supply of health and safety tests. In both areas the Group assesses the completion of performance obligations to be the supply of either goods or tests (mostly on-line). Both areas have no significant delay between satisfaction of obligations and recovery of fees. Therefore, income is not deferred but recognised immediately.

4.2.4 Capital contributions

The Group is investing into the school estate through its Priority Schools Building Programme and Free School Programme. The Group applies standard design specifications to projects to drive value for money and efficiency. However, local authorities and academy trusts are able to amend the standard design specifications at their cost. Once revised designs have been agreed and costed, the Group will raise an invoice to recover the additional funds.

The Group considers that the performance obligation is met during construction of the school buildings, the customer consumes the benefit as their asset is constructed. Consequently, income received from local authorities is deferred to the SoFP and revenue is recognised evenly over the construction period.

4.2.5 RPA fees

Fees received from schools through membership of the risk protection arrangement are accounted for through *IFRS 4 Insurance Contracts*. Fees are recognised evenly over the cover period of September to August.

5. Staff costs

Disclosures relating to staff numbers and costs are detailed within the Remuneration and Staff Report.

6. Policy funding

6.1 Resource

	2020-21		2019-20	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Schools				
National funding formula	36,651	36,651	34,984	34,984
High needs funding	6,581	6,581	5,755	5,755
Pupil premium	2,449	2,449	2,467	2,467
Teachers' pension employer contribution grant	1,479	1,479	851	851
Free school meals	783	783	704	704
PFI grants	751	751	751	751
Life skills, disadvantage and SEND	581	581	59	59
Teachers pay grant	506	506	427	427
School improvement	416	416	488	488
Teacher supply	329	329	312	312
Primary sport premium	325	325	312	312
Other grants	617	617	31	31
Early years				
Entitlements	3,595	3,595	3,560	3,560
Early years – pupil premium	32	32	29	29
Other early year grants	22	22	17	17
Children's services				
Children in care	101	101	92	92
Children's social care	50	50	60	60
Other grants	84	84	54	54
Post 16 and skills				
Core funding	5,578	5,578	5,194	5,194
Apprenticeships	1,857	1,845	1,919	1,904
Adult education budget	1,471	1,471	1,425	1,425
Teaching grant	57	1,412	58	1,404
High needs (16-19)	654	654	656	656
HE maintenance grants	493	493	460	460
Bursary funding	228	228	211	211
FE teachers' pension employer contribution grant	137	137	80	80
Construction sector training	-	97	-	148
Professional and technical education	10	10	13	13
Other grants	110	103	86	73
Operations				
European Social Fund	108	108	135	135
Other grants	4	4	9	9
Grant-in-aid	1,807	-	1,735	-
	67,866	**67,492**	**62,934**	**62,665**

Some of the balances presented contain costs associated with the Group's response to the COVID-19 pandemic. These costs are broken out in more detail in note 7, whose level organisation matches the programmes listed above to allow for reconciliation. Note 7 then provides greater detail by response measure.

The National Funding Formula (NFF) is used to allocate funding to mainstream, state-funded schools. Funding is based on pupil numbers and characteristics from the previous October's school pupil census and aims to remove discrepancies in funding and ensure that all school budgets are set using the same criteria. NFF payments are processed slightly differently to the two different school sectors: Dedicated Schools Grant payments directly to local authorities who distribute funds to their maintained schools, and General Annual Grant payments directly to academy trusts to support their academies.

High needs funding supports provision for children and young people with special educational needs and disabilities from their early years to age 25.

Pupil premium is extra funding for state funded schools and early years providers to help them improve the attainment of their disadvantaged pupils.

Early years entitlements, local authorities are provided with six relevant funding streams which form their overall Dedicated Schools Grant funding but are additional to NFF funds. They are:

- 15-hours entitlement for disadvantaged 2-year olds
- universal 15-hours entitlement for all 3- and 4-year olds
- additional 15-hours entitlement for eligible working parents of 3- and 4-year olds
- early years pupil premium
- disability access fund
- maintained nursery school supplementary funding

16-19 core funding includes funding for the provision of study programmes for young people. Providers can work through a wide range of types including: sixth form colleges, further education colleges, sixth forms in schools and academies, special schools, special academies, independent training providers, special post-16 institutions and some HEPs and also via local authorities.

Apprenticeships funding supports the delivery of the apprenticeships programme for young people and adults.

Adult Education Budget funding aims to engage and provide the skills and learning they need to progress into work or equip them for an apprenticeship or other learning.

The Teachers Pay Grant and Teachers' Pension Employer Contribution Grant are fully funding the increased costs to schools due to the rise in the employer contribution rate of the Teachers' Pension Scheme, starting from September 2019. The Teachers Pay Grant provides funding for schools to cover the difference between the 2019 pay award and the 2% award that we assessed schools could, on average, afford at a national level.

6.2 Capital

	2020-21		2019-20	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Schools				
School condition allocations	1,829	1,830	1,345	1,345
Free schools	1,339	1,339	1,355	1,355
Priority Schools Building Programme	561	561	764	764
Get Help with Technology	374	374	-	-
Basic needs schools grants	150	150	948	948
School capital improvement	100	103	42	47
Life Skills, Disadvantage and SEND	76	76	226	226
PFI grants	-	-	(1)	(1)
Children's services				
Secure accommodation	3	3	16	16
Early years				
Other grants	11	11	(1)	(1)
Post 16 and skills				
College condition improvement	240	240	-	-
Core funding	-	-	24	24
Other grants	61	225	65	170
Operations				
Intra-government property transfer	214	214	15	15
Other grants	10	10	12	12
	4,968	**5,136**	**4,810**	**4,920**

School condition allocations (SCA) spending above covers a group of separate allocations all aimed at improving the condition of the school estate across different school sectors. Schools and those responsible for school buildings are eligible for specific funding streams depending on their size and type. Local authorities, larger multi-academy trusts and larger voluntary aided school bodies receive direct SCA to invest across their schools. Smaller academy trusts, smaller voluntary aided bodies and sixth-form colleges are instead able to bid for condition improvement funding.

Funding programmes include:

- condition improvement fund, is an annual bidding round for eligible academies, sixth-form colleges and voluntary aided schools to apply for capital funding for specific projects
- school condition allocations, with funds paid to eligible bodies responsible for maintaining school buildings to spend on projects that meet their own priorities
- devolved formula capital, is allocated for individual schools and other eligible institutions to spend on capital projects that meet their own priorities.

Free school grants above include both the value of the AuC sites transferred to academy trusts, £213 million (2019-20: £374 million), and post-transfer spending on further development of sites.

Priority School Building Programme (PSBP), is rebuilding and refurbishing school buildings in the worst condition across the country. There are two phases of the programme covering a total of 537 schools. The reduction in PSBP spending across 2020-21 and 2019-20 reflects the gradual completion of individual school projects in this programme.

Get Help with Technology, spending reflects the over 1.3 million laptops, tablets and support equipment like routers provided to help disadvantaged pupils and young people with remote and face-to-face education during the COVID-19 pandemic.

Basic Needs, the statutory duty to provide sufficient school places sits with local authorities. But the Department provides local authorities with funding for every place that is needed in their area, based on local authorities' own data on pupil number forecasts. This grant programme has shown a reduction across the last four years as demographic changes reduce Basic Need.

Life Skills Disadvantage and SEND, this predominantly comprises the Special Provision Capital Fund, which provides funding to support local authorities to create places for pupils with SEND, and to improve facilities for them in mainstream and special schools, nurseries, colleges and other education providers. The programmes covered here were predominantly three year programmes which were front loaded in 2018-19.

College Condition Improvement, the fund was first launched in September 2020 to rebuild and transform college estates and create modern, fit-for-purpose spaces that meet the needs of students and the communities they serve. The first phase of the fund was launched in September 2020, with an initial amount allocated to all colleges so they could undertake immediate remedial work to refurbish their buildings.

The intra-government property transfer capital grant-in-kind represents the value of Old Admiralty Building which transferred to the Government Property Agency in March 2021.

7. COVID-19 response

The two tables below present the Group's COVID-19 response spending split by resource and capital budget types. The majority of the COVID-19 response spending was provided through Supplementary Estimates in addition to our existing spending approvals. A much smaller element was funded by the Department reallocating existing resources. A breakdown of the Supplementary Estimates budgetary changes was presented to the Education Select Committee as described on page 52.

The two tables below cross-reference to the policy funding notes (notes 6.1 and 6.2) to identify which spending line (actuals) the balances have been included in, and also back to the Supplementary Estimates changes (called measures below) presented on page 52.

As well as the specific COVID-19 responses below, the Group also made other changes to spending as part of the government's COVID-19 response. However, these changes, such as bringing forward capital spending on the school estate, were not ring-fenced by HMT as specific COVID-19 measures and simply represent existing spending plans, albeit accelerated. Therefore, such spending has not been classified as COVID-19 response measures below and can be found in the policy funding notes.

7.1 Resource

			2020-21
Note 6 reference	Measure	Department & Agencies	Group
		£m	£m
Schools			
National funding formula	Exceptional costs incurred by schools in response to COVID-19	139	139
Universal free schools meals	Free school meals: supplementary grant (2020/21)	116	116
Universal free schools meals	COVID-19 grants	50	50
School improvement	School-to-school support recovery offer	1	1
School improvement	Oak National Academy	1	1
Life skills, disadvantage and SEND	Free school meals voucher scheme	475	475
Life skills, disadvantage and SEND	Holiday activity	20	20
Life skills, disadvantage and SEND	Family Fund Trust	14	14
Teacher supply	Initial teacher training retrieval placements	7	7
Other grants	Catch-up premium	376	376
Other grants	Home to school transport	99	99
Other grants	National Tutoring Programme	84	84
Other grants	Wellbeing for education return	8	8
Other grants	Workforce absence fund	6	6
Other grants	Oak National Academy	3	3
Other grants	Year 11 alternative provision	3	3
Children's services			
Children in care	Adoption support fund	7	7
Children in care	Unaccompanied asylum seeking children funding	6	6
Children in care	Voluntary adoption agencies support	5	5
Children in care	Partners in Practice response programme	2	2
Other grants	Assessed and supported year in employment	5	5
Other grants	Childline and NSPCC Helpline grant	4	4
Other grants	Teaching partnerships	1	1
Early years			
Other grants	Early language intervention	8	8
Other grants	Early years and voluntary community grants	1	1
Other grants	National Literacy Trust	1	1

Note 6 reference	Measure	Department & Agencies	Group
			2020-21
		£m	£m
Post 16 and skills			
Core funding	Core funding	69	69
Adult education budget	Adult education budget	14	14
Adult education budget	Skills recovery package: National Careers Service	6	6
Apprenticeships	Jobs for a new decade – apprenticeships	44	44
Bursary funding	Free school meals	7	7
OfS teaching grant	Higher education hardship funding	-	68
OfS teaching grant	Additional grant	-	10
OfS teaching grant	Mental health and wellbeing platform	-	2
Construction and industry training	Train to retain	-	2
Other Post-16 and skills grants	EdTech	6	6
		1,588	**1,670**

The Department provided additional funds to extend free schools meals in response to the pandemic. As well as a replacement voucher scheme, free school meals were also provided for the easter and Summer holidays.

The Department have a suite of proposals to help students regain lost learning from school and early years settings closures including: universal catch-up, NTP, Nuffield Early Language Intervention and 16-19 tuition.

7.2 Capital

Note 6 reference	Measure	Department & Agencies	Group
			2020-21
		£m	£m
Schools			
Get Help with Technology	Get Help with Technology	374	374
Post-16 and skills			
Other grants	Student number controls	-	10
		374	**384**

As mentioned previously, Get Help with Technology is the programme that supports remote learning for disadvantaged pupils through the provision of IT devices and broadband. As well as the grant disclosed above, inventories also includes undistributed devices valued at £14 million which represents the movement in inventories from 2019-20.

8. Operating expenditure

8.1 Operating expenditure

	2020-21		2019-20	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Staff related costs	17	19	28	33
Consultancy fees	8	9	10	13
Other professional fees	315	357	367	448
Building, maintenance and premises costs	14	26	5	16
IT and telecommunications costs	59	125	83	140
Rentals under operating leases:				
land and buildings	12	17	11	16
other operating leases	-	1	-	1
Advertising and publicity	18	20	21	33
Research and development costs	13	14	38	38
PF2 service costs	6	6	3	3
Travel and subsistence	1	3	13	21
Other expenditure	(2)	20	40	69
	461	**617**	**619**	**831**

8.2 Depreciation, impairment and other non-cash charges

	2020-21		2019-20	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Depreciation	7	14	10	16
Amortisation:				
intangible assets	19	52	12	45
deferred capital grants	-	-	-	(1)
Impairment:				
property, plant and equipment	41	41	-	-
loans	34	35	26	31
other	79	81	21	26
Loss on disposal of PPE and intangible assets	3	3	25	1
Auditor's remuneration: audit fee	1	1	1	1
Provisions:				
provided in year	129	155	71	75
not required written back	(9)	(11)	2	(5)
change of discount rate	5	4	10	10
borrowing costs (unwinding of discounts)	(3)	(2)	-	-
Financial guarantees:				
additions	8	8	9	9
net remeasurement	18	18	6	6
	332	**399**	**193**	**214**

8.3 Audit fees

	2020-21		2019-20	
	Department & Agencies	Group	Department & Agencies	Group
	£000	£000	£000	£000
Group audit:				
non-cash	1,046	1,046	1,046	1,046
cash – NAO	-	710	-	643
cash – non-NAO	-	22	-	6
SARA audit:				
cash – NAO	475	475	570	570

Non-cash audit fees for the Department and Agencies are included in note 8.2 above as Auditor's remuneration: audit fee. Non-cash audit fees are charged by NAO but are not paid. The audit fees are recognised as an expense above but also as a credit to reserves in both SoCTEs. Cash audit fees for NDPB audit costs are included within Consultancy and other professional fees in note 8.1 above.

The current year NAO cash audit fee above includes £64,000 in relation to 2019-20 audits.

The Department is responsible for preparing SARA which is then audited by the NAO. As SARA is an amalgamation of operational academy trusts it does not bear central costs itself. Consequently, the NAO's fees for auditing SARA are recognised in the Group's ARA not SARA.

9. Other (gains)/losses

	2020-21			2019-20
	Department & Agencies	Group	Department & Agencies (Restated)	Group (Restated)
	£m	£m	£m	£m
Annual valuation movements:				
student loans	8,320	8,320	14,020	14,020
investments	-	-	(8)	(8)
On de-recognition:				
write-off of student loans	60	60	47	47
write-off of non-student loans	17	17	6	6
Losses on student loans	4	4	3	3
	8,401	**8,401**	**14,068**	**14,068**

Student loans and investments (including the retention note) presented above are required to be designated as FVTPL by IFRS 9, none were unilaterally designated at initial recognition.

Annual valuation movements presented in this note relate to gains and losses recognised when remeasuring the fair value of financial assets classified as FVTPL. The student loan annual fair value movements above are the net balances between:

- £12.9 billion (2019-20: £18.5 billion restated) of value losses
- £4.6 billion negative (2019-20: £4.5 billion negative restated) of capitalised interest gains

The split of the 2019-20 fair value movement into its two constituent parts has been restated following the identification of an error in 2020-21. More information on the restatement can be found in note 2.

10. Property, plant and equipment

10.1 Analysis

				2021				2020
	Property	Other PPE	AuC	Total	Property	Other PPE	AuC	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Cost or valuation								
1 April	61	70	806	937	117	107	952	1,176
Additions	2	10	87	99	2	15	196	213
Donations	2	-	-	2	-	-	-	-
Disposals	(27)	(18)	(193)	(238)	(19)	(51)	-	(70)
Reclassifications	2	7	(30)	(21)	(41)	(1)	20	(22)
Revaluations	-	-	-	-	2	-	-	2
Impairment	-	-	(41)	(41)	-	-	-	-
Transfers regarding academy trusts:								
transfer in	-	-	16	16	-	-	12	12
transfer out	-	-	(229)	(229)	-	-	(374)	(374)
At 31 March	**40**	**69**	**416**	**525**	**61**	**70**	**806**	**937**
Depreciation								
1 April	(10)	(57)	-	(67)	(11)	(84)	-	(95)
Charged in year	(6)	(8)	-	(14)	(3)	(13)	-	(16)
Disposals	2	17	-	19	5	41	-	46
Reclassifications	1	1	-	2	-	(2)	-	(2)
Revaluations	-	-	-	-	(1)	-	-	(1)
Impairment	-	-	-	-	-	1	-	1
At 31 March	**(13)**	**(47)**	**-**	**(60)**	**(10)**	**(57)**	**-**	**(67)**
Carrying value as at 31 March	**27**	**22**	**416**	**465**	**51**	**13**	**806**	**870**
Of the total:								
Department & Agencies	9	11	416	436	30	7	805	842
NDPBs	18	11	-	29	21	6	1	28
	27	**22**	**416**	**465**	**51**	**13**	**806**	**870**

The property asset class includes freehold sites as well as leasehold improvements on leased sites recognised as operating leases. The majority of assets under construction (AuC) represents school building projects under the free school programme. Other PPE represents all other asset classes (such as motor vehicles, plant and machinery, and fixtures and fittings) not included in the other two classes presented above.

Where the Group does not yet have documentary agreements in place with the academy trust end users, management judges the AuC sites to be the Group's as we control the assets. Once the Group has an occupation agreement in place (even in advance of a formal lease agreement) with the academy trust, who will operate the free school from the site when operational, the Group de-recognises the AuC asset as a transfer out. If after de-recognition the free school project changes (site selection and/or academy trust), project sites will be re-recognised as a transfer in from academy trust as the Group regains control over the sites.

The Group operates from multiple sites, all but four of which were leased. The Group's surveyors revalue land and buildings in accordance with the Royal Institute of Charted Surveyors' *Appraisal and Valuation Manual*. The owned properties and the most recent revaluations are:

- ECITB's site in Kings Langley, December 2017 by Bidwells
- CITB's sites at Bircham Newton, Erith and Inchinnan, March 2021 by Montagu Evans LLP

In December 2020, the freehold site at King's Langley was revalued to the expected sale price of a proposed disposal, which resulted in a revaluation gain of £393,000 recognised at the year end. The disposal was successfully completed in February 2021. Owing to ECITB's non-coterminous year end with the Group, the Group will account for the disposal in the year ended 31 March 2022.

The Group has assessed all of its property leases as operating leases and rental costs are accounted for as such. The asset class leasehold improvements relates to site improvements found on these leased properties.

In March 2021, the Group completed the transfer of Old Admiralty Building to the Government Property Agency. The transfer was conducted at fair value, with the building being externally valued at £214 million by Cushman and Wakefield. The Group impaired the asset's pre-transfer carrying value down by £41 million, see note 8, before removing the remaining value (property – £22 million and AuC – £192 million) to capital grants-in-kind.

10.2 Academy sector leasing activities

As described more fully in note 1.13 above, the Group is involved in supporting the academy sector in locating and developing school sites for occupation by academy trusts. Sites are acquired by the Group and then leased out to academy trusts on 125-year peppercorn leases.

Sites have been acquired by the Group through both freehold and leasehold tenure. A portion of leasehold sites are held on long leases. Consequently, the Group is both a lessor and lessee; in some cases sites have been acquired under a head lease and then sub-leased to an academy trust. In a limited number of occasions, in order to secure suitable premises where availability is limited, the Group has acquired mixed-use sites which include both an academy site and third-party retail and/or residential accommodation. Where appropriate, the Group has put in place a managed disposal process to oversee the sale or lease of the third-party accommodation to secure value for the taxpayer. However, in some instances third-party accommodation is not suitable for disposal and so it is managed by the Group's property management operation LocatED. A small amount of rental income is recognised in SoCNE.

The majority of leases have been assessed as being finance leases since the long term, peppercorn nature of the leases transfers significantly all the risks and rewards of ownership of the leased assets to the lessees (in the main academy trusts). This approach mirrors the lease recognition approach adopted by SARA for the lessee position of the academy trusts. The classification as finance leases results in the de-recognition of any land and building or AuC assets initially recognised on lease acquisition.

11. Financial instruments

11.1 Financial assets by category

		2021		2020
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Fair value through profit or loss				
Student loans	77,396	77,396	69,235	69,235
Investments	80	89	95	135
Amortised cost				
Other loans	208	735	248	809
Receivables	539	622	1,032	1,042
Cash at bank	1,013	1,153	1,015	1,123
	79,236	**79,995**	**71,625**	**72,344**

11.2 Financial liabilities by category

	2021		2020	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Amortised cost				
Payables	1,692	1,755	1,524	1,581
PF2 imputed lease liability	613	613	625	625
PF2 loan liabilities	-	549	-	563
Financial guarantees	144	144	147	147
	2,449	**3,061**	**2,296**	**2,916**

11.3 Fair value disclosures

	2021		2020	
Fair values	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Level 1				
Investments	-	9	-	40
Level 2				
None	-	-	-	-
Level 3				
Student loans	77,396	77,396	69,235	69,235
Retention note	80	80	95	95
	77,476	**77,485**	**69,330**	**69,370**

To provide an indication about the nature of the inputs used in determining fair value, financial instruments are classified into three levels as prescribed by accounting standards.

Quoted market price (Level 1): the fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Other than the retention note, all the investments presented above are listed securities with values taken from public information as at the year end.

Valuation techniques with significant non-observable inputs (Level 3): if one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. This is the case for student loans. The retention note is also classified to Level 3 since its underlying pool of securities (student loans) is classified as Level 3.

There were no transfers between the different levels of the fair value hierarchy.

12. Financial risk

12.1 Financial risk management

As the cash requirements of the Group are met through the Estimates process, the Group is not exposed to the degree of financial risk faced by similar sized business entities. Consequently, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body.

The Group has limited powers to borrow or invest surplus funds and, except for the Group's PF2 transaction, financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Group in undertaking its activities. To support the PF2 transaction, the Group both took out and issued loans to allow funds to flow down to the construction firms building the PF2 schools.

Liquidity risk

The Group's net revenue resource and capital requirements are financed by resources voted annually by Parliament. The funding requirements of the Group's PF2 transaction required to support the school construction are aligned to the planned drawdowns from the external investors to manage liquidity risk. The Group's PF2 loan assets and liabilities have aligned maturity profiles, the loan assets are used to service the loan liabilities.

The Group is therefore not exposed to significant residual liquidity risk.

Interest rate risk

The Group's financial instruments carry nil, variable or fixed rates of interest.

The Group's variable rate financial assets are predominantly its student loans which have an interest rate cap set at RPI or the Bank of England base rate plus 1%.

The interest rate on Pre-2012 loans is the lower of RPI and the Bank of England base rate plus 1%. The amount of interest repayable is therefore subject to fluctuations in the base rate and RPI. The probability of the Department recovering the face value of loans issued is increased when the Bank of England base rate is low and the rate of inflation is comparatively high, because the base rate cap comes into operation for these loans. The impact of the interest rate risk for student loans issued under the Pre-2012 scheme is factored into the carrying value as the student loan repayment model calculates the impact of interest rate on expected future cash flows. There is inherent risk in forecasting the amount of interest payable and if England experiences base rates that are lower than RPI the future cash flows will be impaired further. Additional information about student loans is provided in note 13.

The Group's inbound and outbound PF2 financial instruments have fixed interest rates that are broadly aligned and were set within the context of the PF2 transaction as a whole.

Consequently, the Department does not consider it is exposed to significant residual interest rate risk.

Credit risk

Credit risk is the risk that a service user or counterparty to a financial instrument will fail to pay amounts due causing financial loss to the Group and arises principally from cash and outstanding debt. The Group's exposure to credit risk can be split into two broad sources: arising from loans originated by the Group (predominantly PF2 and student loans) and the funding of education providers.

The Department addressed the credit risks arising from the PF2 loans through careful planning at the origination stages (aligned drawdown and repayment schedules). In addition, the PF2 loans have been structured so that repayment starts once the school buildings are operational; and the borrowers are receiving rental income from the Department to service the loans.

The Group's student loans retain credit risk since, as per government policy, no mitigating checks on potential borrowers are performed prior to loan origination. More information pertaining to student loan risk profile is provided in note 13.

The Group has a credit (receivables) policy for education providers that ensures consistent processes are in place throughout the Group to measure and control credit risk. Commercial and charitable education providers for the Group are subjected to quality and financial status reviews to mitigate the risk of non-payment of debts as a result of insolvency.

The Group has a small number of immaterial non-student loan portfolios, predominantly to the academy and FE education sectors. The loans are designed to support the education providers and are not intended to replace commercial lending. As such credit risk is not as important in the loan management process, supporting continued education provision is more important. Loan terms are tailored to borrowers' circumstances and in some situations loan repayments are deducted at source from future grant payments.

For non-student loan assets, there is no active market and there is no intention to sell. Therefore, the Group does not disclose fair value comparatives.

Market risk

The Group is exposed to market risk through its small market valued investment portfolio held by its industry training boards. The majority of the Group's investment portfolio comprises investment funds and/or unit trusts managed by professional money managers.

The Department considers that the use of third party professional managers mitigates against significant residual market risk.

Other market risk

The other main risks resulting from a downward movement in the economy relate to the potential increase in borrowers' unemployment impacting on their ability to repay student loans. Student loans are also impacted due to the potential resultant negative impact on graduate earnings growth, which lengthens the time period before loans are in repayment and extends the repayment period. This may impact the carrying value in the accounts. It can also lead to an increase in write-offs as it increases the likelihood that some graduates may not repay their loans in full by the end of the loan period.

12.2 PF2 risk

The Group has entered into agreements for five regional batches of schools with construction consortia. These schemes are PFI arrangements, with the financing for each of the batches raised by Aggregator Vehicle PLC.

In summary, the transactions involved are:

- investor debt is raised (liability of the Group)
- a loan is made onward to the relevant regional batch consortium (asset of the Group)

- the consortium undertakes construction projects with assets controlled by the local authority or AT as relevant
- adopting the Group's AuC accounting policy the school assets are not recognised as assets, the value of construction is recognised as a capital grant-in-kind
- the Group recognises an imputed lease liability in respect of unitary charges payable to the consortia to cover the construction value of the schools

The table below sets out the principal balances included in the consolidation in respect of these arrangements, and where the relevant details are included in the accounts:

Balance	Note	Counterparty
SoFP		
PF2 loan assets	14	Receivable from regional batch consortia
PF2 senior debt	17 & 18	Loan financing
PF2 subordinated debt	17 & 18	Loan financing
PF2 lease liability	17 & 18	Payable to regional batch consortia
SoCNE		
Loan interest income		Receivable from regional batch consortia
Loan interest expense		Private sector investors
PF2 service costs	8.1	Payable to regional batch consortia
PF2 finance costs		Payable to regional batch consortia

13. Student loans

Loans for students in higher education and further education are originated and recognised by the Department.

13.1 Carrying values of student loans

13.1.1 Annual movements

			2021			2020
	Pre-2012 loans	Post-2012 loans	Total	Pre-2012 loans	Post-2012 loans	Total
	£m	£m	£m	£m	£m	£m
Balance at 1 April	19,552	49,683	69,235	22,752	45,100	67,852
Additions	-	19,014	19,014	1	17,566	17,567
Repayments	(1,961)	(512)	(2,473)	(1,492)	(625)	(2,117)
Write-offs	(19)	(41)	(60)	(16)	(31)	(47)
Fair value movement	874	(9,194)	(8,320)	(1,693)	(12,327)	(14,020)
Balance as at 31 March	**18,446**	**58,950**	**77,396**	**19,552**	**49,683**	**69,235**
Disclosed as:						
Current assets	1,822	1,071	2,893	1,725	713	2,438
Non-current assets	16,624	57,879	74,503	17,827	48,970	66,797
	18,446	**58,950**	**77,396**	**19,552**	**49,683**	**69,235**

Under IFRS 9, student loans are recognised at fair value. In determining the fair value of student loans, the Department has used a discounted cash flow model (see below) and this includes all expected cash flows, including the interest that is expected to be received. As a result, a single fair value movement is recognised in the SoCNE.

The restatement described in note 2 has not changed the 2019-20 movement balances disclosed above.

13.1.2 Carrying value breakdown across portfolios

	2021	2020
	£m	£m
Pre-2012 undergraduate loan book	18,446	19,552
Post-2012 loans		
undergraduate full time	54,185	45,930
undergraduate part-time	1,221	1,028
postgraduate master's	3,113	2,331
postgraduate doctoral	54	25
advanced learner loans	377	369
	58,950	49,683
	77,396	**69,235**

13.1.3 Fair value movement analysis

The remeasurement of the fair value balance for 2020-21 is made up of the following:

			2021	2020
Description	Pre-2012 loans	Post-2012 loans	Total	Total
	£m	£m	£m	£m
Deferral of the difference in fair value and amount advanced to students on new loans	-	(9,808)	(9,808)	(8,959)
The difference between the amount advanced to students (transaction value) and estimated fair value at initial recognition is deferred and recognised as an in-year remeasurement fair value. These fair value gains and losses are recognised within net operating expenditure. For further detail on the IFRS 9 assessment of the deferral see note 1.3.3.				
Changes made to student loan valuation model	407	249	656	(7,166)
Annual updates to the student loan valuation models are made to improve methodology and forecast outputs of the models. These are broken down in note 13.4.				
Operational costs	33	(84)	(51)	(189)
In accordance with IFRS 9 operational costs of servicing the loan books have been included in the fair value calculation.				
Interest	419	874	1,293	1,700
Interest charged on borrower balances				
Other fair value movements	15	(425)	(410)	594
Fair value revaluation				
	874	**(9,194)**	**(8,320)**	**(14,020)**

13.2 Face value of student loans

The face value is made up of the opening face value, plus additions and capitalised interest, and less repayments and write-offs. Face value excludes fair value adjustments. The table below provides a reconciliation between the carrying value and the face value of student loans issued.

			2021			2020
	Pre-2012 loans	Post-2012 loans	Total	Pre-2012 loans	Post-2012 loans	Total
				(Restated)	(Restated)	(Restated)
	£m	£m	£m	£m	£m	£m
Opening carrying value as at 1 April	19,552	49,683	69,235	22,752	45,100	67,852
Add back opening fair value adjustment	12,754	53,677	66,431	10,490	37,442	47,932
Opening face value as at 1 April	**32,306**	**103,360**	**135,666**	**33,242**	**82,542**	**115,784**
New loans issued	-	19,014	19,014	1	17,566	17,567
Interest charged	349	4,254	4,603	571	3,908	4,479
Repayments	(1,961)	(512)	(2,473)	(1,492)	(625)	(2,117)
Write-offs	(19)	(41)	(60)	(16)	(31)	(47)
	(1,631)	**22,715**	**21,084**	**(936)**	**20,818**	**19,882**
Face value as at 31 March	**30,675**	**126,075**	**156,750**	**32,306**	**103,360**	**135,666**
Less closing fair value adjustment	(12,229)	(67,125)	(79,354)	(12,754)	(53,677)	(66,431)
Carrying value as at 31 March	**18,446**	**58,950**	**77,396**	**19,552**	**49,683**	**69,235**

Please see note 2 for more information of the restatements.

13.3 Features of student loans

The different loan schemes are detailed in the table below, for simplicity these have been categorised into the Pre-2012 and Post-2012 schemes in the following tables. The Group has categorised these in this way mainly because of key differences in the loan characteristics. Post-2012 student loans are available to students at different levels of study: further education (advanced learner loans) and higher education courses (undergraduate, master's and doctoral).

	Pre-2012 loans scheme	Post-2012 loans scheme
Nature of repayments	Income contingent and generally through the tax system	
Students	Starters in higher education between academic years 1998/99 and 2011/12	**Undergraduate loans** – starters on higher education courses from 2012/13 onwards. **Advanced learner loans** – starters on eligible level 3 and 4 courses aged 24 or over from academic year 2013/14 onwards. From 2016/17 this has been extended to cover levels 3 to 6 for those aged 19 or over. **Master's loans** – starters on master's courses from 2016/17 onwards. **Doctoral loans** – doctoral courses of between 3-8 years in duration.
Value of tuition fee loan (2020/21 rates)	£3,465 (full-time starters from academic year 2006/07)	**Undergraduate loans** – up to £9,250 (full-time) per academic year. **Advanced learner loans** – set at various levels, capped in regulations, subject to size of qualification and sector subject area. **Master's loans** – up to £10,906 per academic year as a contribution to course and living costs, £11,222 from 1 August 2020. **Doctoral loans** – up to £25,000 per academic year for doctoral courses in 2018/19 increasing to £26.445 for new starters in 2020/21 onwards.
Interest rate applicable for 2020/21	Borrowers are charged the lower of RPI or Bank of England base rate plus 1%. If the latter applies, then the base rate cap is in operation.	**Undergraduate loans and advanced learner loans** – borrowers in study and until the April after leaving their course are charged RPI plus 3%. The interest rate is currently 5.3% (2019/20: 5.4%).

	Pre-2012 loans scheme	Post-2012 loans scheme
	The interest rate is currently 1.1% (2019/20: 1.1%).	From the April after leaving their course, or after 4 years if in part-time study, borrowers are charged a variable rate of interest between RPI and RPI plus 3%, depending on their income. **Master's loans** – RPI plus 3% throughout the period of the loan. Rate is currently 5.3% (2019/20: 5.4%). **Doctoral loans** – borrowers are charged interest at RPI plus 3%.
Repayment threshold	2019-20: £19,390 2020-21: £19,884	**Undergraduate loans and advanced learner loans** – £26,575 from April 2019, increasing annually in line with average earnings. **Master's loans** – frozen at £21,000 **Doctoral loans** – frozen at £21,000
Repayment rate	9% above repayment threshold	**Undergraduate loans and advanced learner loans** – 9% above repayment threshold. **Master's loans** – 6% above repayment threshold (in addition to 9% for any Advanced Learner Loans and Undergraduate Loans). **Doctoral loans** – 9% above repayment threshold (in addition to 9% for any Advanced Learner Loans and Undergraduate Loans).

13.4 Valuation modelling

Forecasting models

The fair value of new loans is calculated using a forecasting model, which uses data on the demographics of higher education and further education students in order to predict their likely repayments of loans. There are also models for different loan types – Pre-2012 (Undergraduate) and Post-2012 loans (Undergraduate, Advanced Learner, Doctoral and Master's). The models are long-term in nature and depend on a complex set of assumptions, particularly, they rely on the latest OBR long-term and short-term forecasts for RPI, Bank of England base rate and earnings growth. The valuation of the student loan books is uncertain as they are highly dependent on macroeconomic circumstances and graduate earnings over the next 30-35 years, as well as a number of other complex assumptions, for around five million borrowers. There is little historic repayment data available for Post-2012 loans as none of these loans were due for statutory repayment until 2016-17. Further information on the undergraduate model assumptions[57] is provided on the Department's website.

57 https://www.gov.uk/government/statistics/student-loan-forecasts-england-2017-to-2018

The assumptions used in the repayment models are formally reviewed each year and the amounts provided reflect the estimate as at 31 March 2021.

Assurance over the carrying fair value

Each year the fair value carrying value of undergraduate loans is compared with the latest outputs from the student loan repayment model, which is re-run using current assumptions. If there is a significant difference, a review is undertaken to determine the reasons for the variance. The carrying value would only be adjusted if there was sufficient evidence to suggest that the divergence constituted a permanent reduction in the carrying value.

13.4.1 Assumptions used to calculate the student loan fair values

Key macroeconomic assumptions that affect the value of the student loan books are earnings growth, RPI inflation and, for Pre-2012 loans the Bank of England base rate. The tables below indicate the sensitivity of the valuation of future cash flows to these assumptions. Other assumptions, for example, that future graduate earnings will mimic the available data on historical graduate earnings cannot be easily verified.

The sections below show the changes required in earnings growth, RPI inflation and Bank of England base rate assumptions to create an increase/decrease in the carrying value of each loan book of 1%.

A 1% shift in the carrying value is a relevant deviation to consider as it is larger than the magnitude of the inherent random variation present in the forecasting model. The assumptions could change by a larger amount, causing the carrying value to change by more than 1%. There are no earnings growth forecasts specifically for graduates, so the macroeconomic assumptions include both graduates and non-graduates. Figures are split into Pre-2012 and Post-2012 loan books, as the impact of these assumptions differ between the books.

13.4.2 Changes in assumptions and modelling

During 2020-21, changes in assumptions and modelling led to the following movements in fair value for student loans:

- **Macroeconomic factors**: The revised short-term forecasts for base rates, RPI and earnings growth as published by the OBR resulted in a net increase in the carrying value for 2020-21 of around £1.6 billion for Post-2012 loans and £145 million for Pre-2012 loans. The main driver of the increase in the carrying value Post-2012 was the change in relative growth of earnings compared to the repayment threshold.
- **New data/unwinding**: Updating forecasts with data contributed to a net reduction in the carrying value of around £1 billion, made up of a small increase (£262 million) Pre-2012 and decrease (£1.3 billion) Post-2012, broken down further below:
  - updated SLC data reduced Post-2012 by £409 million
  - replacing OBR's forecast of earnings growth over the twelve months to March 2021 (0.77%) increase with outturn from the ONS (4.57%) reduced the Post-2012 carrying value by £2.2 billion
  - replacing OBR's overall average earnings growth forecast (0.68%) across 2020-21 with outturn from the ONS (2.3%) increased Post-2012 by £1.3 billion and increased Pre-2012 by £262 million

Impact of changes in assumptions and modelling on loan fair value

			2021	2020
	Pre-2012 loans	Post-2012 loans	Total	Total
	£m	£m	£m	£m
Remeasurements to existing loans arising from changes to:				
modelling improvements	-	-	-	(3,268)
macroeconomic factors	145	1,557	1,702	(2,689)
new data/unwinding	262	(1,267)	(1,005)	(1,124)
policy changes	-	(58)	(58)	(33)
student number forecasts	-	17	17	(52)
Total loan remeasurement	**407**	**249**	**656**	**(7,166)**

Sensitivity analysis

The analysis shows the relative changes in carrying value for a 1% and 2% change in the applied discount rate, and the underlying assumptions (RPI, earnings, Bank of England base rate) which results in a 1% change in the carrying amount of the loan books. The changes in the tables below are value changes or relative percentage changes based on the underlying assumptions. For example, an increase in the carrying value of Pre-2012 loans by 1% (or £184 million) would require a 3.3% decrease in RPI. The carrying values used in the sensitivity analysis below do not include the limited impact of including operational costs. The sensitivity analysis workings are completed prior to the inclusion of operational costs for the IFRS 9 carrying values used in note 13.1 above.

Discount rate

	Pre-2012 undergraduate loans	Post-2012 loans
	£m	£m
Increase by 1%	(1,176)	(7,756)
Decrease by 1%	1,318	9,397
Increase by 2%	(2,229)	(14,200)
Decrease by 2%	2,800	20,856

Across the last five years (2015-16 to 2019-20), the HMT discount rate is used to calculate the remeasurements on student loans. It is the long term cost of government borrowing. This changes infrequently, with the last change occurring during 2005-06 and 2015-16.

Following the implementation of IFRS 9, we have assessed whether the discount rate currently used to value student loans is appropriate. In accordance with IFRS 9, the Group accounts for the student loan book as FVTPL. Therefore, there may be an expectation from readers that the Group will be applying a market discount rate as per IFRS 13. Per IFRS 13, the fair value considers the most advantageous market for an orderly transaction to take place. However, the rate used in these accounts is prescribed by FReM interpretation of IFRS 9, and is therefore the rate as promulgated by HMT annually to all government departments and is based on internal government borrowing costs. The table above shows the relative change in pre-operational cost carrying value for a 1% and 2% change in the discount rate for each loan book.

RPI

	Pre-2012 undergraduate loans	Post-2012 loans
	1% change = £184 million	**1% change = £589 million**
Increase by 1%	(3.3%)	(4.6%)
Decrease by 1%	3.2%	4.6%

Across the last five years (2015-16 to 2019-20), the ONS outturn figures for March RPI have varied between a low of 0.9% in 2014-15 and a high of 3.3% in 2017-18.

An increase in RPI leads to a higher discount rate, which will lower the carrying value of both Pre- and Post-2012 loans. A higher RPI will increase interest in the following year for Post-2012 loans. It will also increase it for Pre-2012 loans, unless RPI is higher than the base rate +1%, in which case RPI does not determine the interest rate. When the repayment threshold for Pre-2012 loans increases in line with RPI each year, a higher RPI results in lower repayments. The OBR outturn for March 2021 RPI for 2020-21 is 1.5% and is forecast to rise to 2.9% over the long term (2019-20: 2.60% rising to 2.90% over the long term). The table above shows the relative percentage changes in RPI that would cause a 1% shift in the pre-operational cost carrying value of each loan book.

Earnings growth

	Pre-2012 undergraduate loans	Post-2012 loans
	1% change = £184 million	**1% change = £589 million**
Increase by 1%	3.5%	6.3%
Decrease by 1%	(3.4%)	1.7%

Across the last five years (2015-16 to 2019-20), the ONS outturn figures for the financial year average of earnings growth have varied between a low of 1.3% in 2014-15 and a high of 3.1% in 2017-18.

Higher earnings growth will increase repayments for both Pre- and Post-2012 loans. The Post-2012 interest rate following graduation is linked to a borrower's earnings, so higher earnings will also increase Post-2012 interest. The OBR outturn for 2020-21 average earnings growth is 4.6% and is forecast to decrease to 3.83% over the long term (2019-20: 2.97% rising to 3.83% in the long term). The table above shows the relative percentage changes in earnings growth that would cause a 1% shift in the pre-operational cost carrying value of each loan book.

Bank of England base rate

	Pre-2012 undergraduate loans	Post-2012 loans
	1% change = £184 million	**1% change = £589 million**
Increase by 1%	49.6%	No impact
Decrease by 1%	N/A	No impact

Across the last five years (2015-16 to 2019-20), the Bank of England base rate has varied between 0.25% and 0.5% throughout this time. For 2020-21 this rate currently stands at 0.10% (2019-20: 0.10%).

A higher base rate will increase interest for Pre-2012 loans, unless RPI is higher than the base rate +1%, in which case the loan interest rate is determined by RPI. The OBR outturn for the Bank of England base rate in 2020-21 was 0.1% (2019-20: between 0.61% and 0.75%), and this is forecast to rise to between 4.0% and 4.17% in the long term. The table above shows the relative percentage changes in the Bank of England base rate that would cause a 1% shift in the carrying value of each loan book. Note that these figures are larger than the earnings growth and RPI changes, because the base rate is not forecast to impact the Pre-2012 interest rate in the long term. A large short-term impact is needed to cause a 1% shift in the pre-operational cost carrying value.

14. Other loans

14.1 Current loans

		2021		2020
	Department & Agencies	**Group**	**Department & Agencies**	**Group**
	£m	**£m**	**£m**	**£m**
PF2 loan assets	-	26	-	25
Loans to academy trusts	24	24	11	11
Loans to FE sector	7	7	9	9
Intra-Group loans	10	-	-	-
Other loans	-	-	-	-
	41	**57**	**20**	**45**

14.2 Non-current loans

		2021		2020
	Department & Agencies	**Group**	**Department & Agencies**	**Group**
	£m	**£m**	**£m**	**£m**
PF2 loan assets	-	507	-	525
Loans to academy trusts	108	108	114	114
Loans to FE sector	59	59	114	114
Intra-Group loans	-	-	-	-
Other loans	-	4	-	11
	167	**678**	**228**	**764**

14.3 Analysis

14.3.1 2021

	FE sector	Academy trusts	Intra-Group	PF2	Other
	£m	£m	£m	£m	£m
Opening balance 1 April 2020	123	125	-	550	11
New lending	22	31	10	-	-
Effective interest	(7)	4	-	20	-
Repayments	(21)	(28)	-	(36)	(7)
Write-offs	(9)	(8)	-	-	-
Impairment movement in year	(42)	8	-	(1)	-
Balance as at 31 March 2021	**66**	**132**	**10**	**533**	**4**
Gross value	141	148	10	539	4
Closing impairment allowance	(75)	(16)	-	(6)	-
	66	**132**	**10**	**533**	**4**
Disclosed as:					
Current loans	7	24	10	26	-
Non-current loans	59	108	-	507	4
	66	**132**	**10**	**533**	**4**

14.3.2 2020

	FE sector	Academy trusts	PF2	Other
	£m	£m	£m	£m
Opening balance 1 April 2019	96	72	574	19
New lending	34	111	-	-
Effective interest	5	-	20	-
Repayments	(10)	(28)	(39)	(8)
Write-offs	-	(6)	-	-
Impairment movement in year	(2)	(24)	(5)	-
Balance as at 31 March 2020	**123**	**125**	**550**	**11**
Gross value	156	149	555	11
Closing impairment allowance	(33)	(24)	(5)	-
	123	**125**	**550**	**11**
Disclosed as:				
Current loans	9	11	25	-
Non-current loans	114	114	525	11
	123	**125**	**550**	**11**

14.4 Loan types

14.4.1 FE sector loans

Loans to the FE sector represent both Exceptional Financial Support and Restructuring Facility loans provided to FE colleges in order to safeguard learner provision. These loans may be provided to FE colleges over a number of years based on the individual merits of each case.

14.4.2 Loans to academy trusts

Loans issued to academy trusts comprise the following types:

- deficit funding loans, to assist with the academy trusts' deficit funding following conversion of their schools. The loans are collected by the Group as a deduction against the academy trusts' grant payments over the loan term.
- estate condition loans, to allow academy trusts to address estate condition issues.
- voluntary aided (VA) capital project loans, issued to VA schools for capital projects under Schedule 3 of the *Schools Standards and Framework Act 1998*.

14.4.3 PF2 loan assets

These are loans made within the structure of the Group's PF2 transaction between the Group and the transaction's five regional batch consortia. Each consortium has a single loan repayable in six-monthly instalments from 31 March 2017 ending on 28 December 2041; which matches the service concession period. The loans bear interest at fixed rates; with the weighted average fixed interest rate of 3.56% (2019-20: 3.56%).

14.4.4 Intra-Group loans

The Department made a short-term loan to CITB to cover an expected working capital shortfall arising from a fall in levy receipts as a result of COVID-19. CITB, along with ECITB, is levy funded from the construction industry; which was severely impacted by COVID-19 in 2020-21. The loan was fully repaid in June 2021.

14.4.5 Other loans

Other loans comprise legacy loans to learning providers across several sectors to support specific projects of the providers. None of the loans are interest bearing.

15. Receivables

15.1 Amounts falling due within one year

	2021		2020	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Trade receivables	25	101	216	221
VAT receivable	2	-	-	-
Other receivables	9	16	4	10
Other receivables – student loans	413	413	630	630
Prepayments	29	37	33	43
Accrued income	190	196	195	203
	668	**763**	**1,078**	**1,107**

Trade receivables presented above are after applying impairment allowances of £24 million (Department & Agencies) and £101 million (Group) (2019-20: £19 million and £45 million respectively). The majority of the year-on-year increase was reported by CITB (£51 million) and arose from both COVID-19's impact on the construction sector and a change in how CITB assessed new entrants to the sector. All the new entrant assessments (£17.5 million) are now judged to be unrecoverable.

Other receivables – student loans refers to funds from borrowers recovered by HMRC through the PAYE system and yet to be passed across to the Group.

15.2 Amounts falling due after one year

	2021		2020	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Other receivables	7	7	12	12
Other receivables – student loans	85	85	170	170
Prepayments	-	-	1	1
	92	**92**	**183**	**183**

Other receivables – student loans relate to student loan grant overpayments owed to the Group. The closing net position is made up of an impairment provision of £351 million (2019-20: £299 million) applied against gross overpayments of £437 million (2019-20: £469 million).

16. Cash and cash equivalents

16.1 Analysis

	2021		2020	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Balance at 1 April	1,015	1,123	1,185	1,291
Net change in cash and cash equivalent balances	(2)	30	(170)	(168)
Balance at 31 March	**1,013**	**1,153**	**1,015**	**1,123**
The following balances are held as cash at bank and in hand				
Government Banking Service	967	993	988	1,017
Commercial banks	-	114	3	82
Cash held by third parties on behalf of Group	46	46	24	24
Balance at 31 March	**1,013**	**1,153**	**1,015**	**1,123**

Third parties holding Cash for the Group include solicitors as part of land transactions, managing agents for rentals and RPA's corporate services provider to support claim payments. Cash held by third parties is held short-term to support the underlying transactions.

16.2 Reconciliation of liabilities arising from financing activities

16.2.1 2021

			Non-cash changes			
	2020	Cash flows	Acquis'n	Fair value changes	Other changes	2021
	£m	£m	£m	£m	£m	£m
Supply	1,015	(3)	-	-	-	1,012
PF2 lease liabilities	625	(12)	-	-	-	613
PF2 loan liabilities	563	(14)	-	-	-	549
Total liabilities from financing activities	**2,203**	**(29)**	**-**	**-**	**-**	**2,174**

16.2.2 2020

			Non-cash changes			
	2019	Cash flows	Acquis'n	Fair value changes	Other changes	2020
	£m	£m	£m	£m	£m	£m
Supply	1,178	(163)	-	-	-	1,015
PF2 lease liabilities	637	(12)	-	-	-	625
PF2 loan liabilities	575	(12)	-	-	-	563
Total liabilities from financing activities	**2,390**	**(187)**	**-**	**-**	**-**	**2,203**

17. Current payables

		2021		2020
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
VAT payables	-	3	34	33
Tax and social security payables	10	14	9	11
Trade payables	29	37	133	156
Other payables	618	622	574	603
Accruals	1,155	1,206	1,089	1,149
Deferred income	15	26	79	94
IFRS 15 contract liabilities	11	11	6	6
Amounts issued from the Consolidation Fund for Supply but not spent at year end	1,012	1,012	1,015	1,015
PF2 imputed lease liability	13	13	67	67
PF2 loan liabilities	-	34	-	29
Consolidated Fund extra receipts due to be paid to the Consolidated Fund:				
received	1	1	-	-
	2,864	**2,979**	**3,006**	**3,163**

18. Non-current payables

18.1 Analysis

		2021		2020
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
PF2 imputed lease liability	600	600	558	558
PF2 loan liabilities	-	515	-	534
Other payables	388	390	817	726
Deferred income	2	2	2	2
	990	**1,507**	**1,377**	**1,820**

PF2 senior debt relates to five bank notes and five bond subscriptions. The borrowing facilities are for a total value of £563.3 million (2019-20: £563.3 million) and as at 31 December 2020 £494.9 million (2019: £515.7 million) has been drawn. Loan issue costs related to the bank borrowings have been deducted from the gross proceeds and an effective interest is used to calculate finance costs. There was £9.5 million (2019: £5.9 million) of accrued interest and an unamortised effective interest adjustment of £6.5 million (2019: £6.7 million) as at the Aggregator's year end of 31 December 2020.

The loans are repayable in six-monthly instalments commencing on 31 March 2018, and ending on 31 March 2042. Interest is charged on amounts drawn under the facilities based on a fixed rate; the weighted average fixed rate is 3.56% (2019: 3.56%).

The PF2 subordinated debt has been provided by a party related to the Aggregator Vehicle PLC. As at 31 December 2020 £7.2 million (2019: £3.8 million) interest has been accrued.

18.2 Maturity analysis

The table below shows the maturity analysis for the Group's financial liabilities with defined multi-year maturities: PF2 loans and PFI lease liabilities.

	2021		2020	
	Department & Agencies	**Group**	**Department & Agencies**	**Group**
	£m	**£m**	**£m**	**£m**
Not later than one year	13	47	12	35
Later than one year and not later than five years	62	156	58	151
Later than five years	538	959	555	1,002
	613	**1,162**	**625**	**1,188**

19. Provisions for liabilities and charges

19.1 Analysis

	2021		2020	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Balance at 1 April	327	335	341	359
Provided in year	129	155	71	75
Not required written back	(9)	(11)	2	(5)
Reclassification	-	-	(1)	(1)
Provision utilised in year	(123)	(126)	(96)	(103)
Borrowing costs (unwinding of discount)	(3)	(2)	-	-
Discount rate change	5	4	10	10
Balance as at 31 March	**326**	**355**	**327**	**335**
Presented as:				
Current provisions	56	80	71	71
Non-current provisions	270	275	256	264
	326	**355**	**327**	**335**

19.2 Analysis of expected timing of discounted flows

	2021		2020	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Not later than one year	56	80	71	71
Later than one year and not later than five years	143	144	133	133
Later than five years	127	131	123	131
	326	**355**	**327**	**335**

19.3 Analysis by provision type – Group

					2021
	Retirement comp'n	Inherited staff liabilities	RPA	Other	Total
	£m	£m	£m	£m	£m
1 April 2020	135	144	40	16	335
Provided in year	5	31	91	28	155
Not required written back	(2)	-	(7)	(2)	(11)
Reclassification	-	-	-	-	-
Provision utilised in year	(15)	(21)	(89)	(1)	(126)
Borrowing costs (unwinding of discount)	-	(2)	-	-	(2)
Discount rate change	3	1	-	-	4
At 31 March 2021	**126**	**153**	**35**	**41**	**355**

Individual provisions of less than £10 million have been aggregated on the basis of materiality.

Retirement compensation

This long term provision relates to premature retirement compensation of teaching staff of ex-Grant Maintained Schools and Colleges and pension payments relating to the staff of former Departmental bodies (Training Commission and other NDPBs).

Inherited staff liabilities

These are staff related commitments of HEPs that were previously local authority maintained. These liabilities were transferred from local authorities to HEPs on incorporation and the *Education Reform Act 1988* gave powers to the Polytechnics and Colleges Funding Council to reimburse institutions and local authorities for such liabilities.

The Department has assumed the council's main responsibilities and provided funding for reimbursements as follows:

- early retirement or redundancy compensation payments
- protection of salary
- pension increases under the Local Government Superannuation Scheme for former non-teaching staff of institutions formerly funded by the council

Risk Protection Arrangement

The RPA for academy trusts, and from 1 September 2020 local authority maintained schools who join, is a scheme that provides an alternative to insurance where losses that arise are covered by government funds. The provision is based on an actuarial model of expected claims.

Other provisions

Provisions of less than £10 million are presented as other provisions.

20. Retirement benefit obligations

SLC operated the Group's only funded defined benefit scheme, SLC Limited Retirement and Death Benefits Scheme for all permanent staff, which provides benefits based on final pensionable salary. On 31 January 2020 SLC closed the scheme to new members, and from 1 March 2020 most active members were transferred to the main Civil Service pension scheme – the Civil Servants and Others Pension Scheme (CSOPS). In parallel, a bulk transfer of qualifying active members' past benefits to PCSPS triggered a one-off settlement gain of £42.3 million.

A residual SLC scheme still exists and has some retained members, and the reduced-scope scheme's deficit as at 31 March 2021 was £2.3 million (2020: surplus of £10.6 million). Further details of the pension scheme transfer can be found in SLC's 2019-20 ARA.[58]

21. Capital and other commitments

21.1 Capital commitments

Contracted and approved commitments at 31 March not otherwise included in these financial statements:

		2021		2020
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Group assets:				
property, plant and equipment	-	-	-	1
intangible assets	1	5	-	4
Programmes:				
free schools	2,696	2,696	4,199	4,199
PSBP	284	284	474	474
school rebuilding programme	6	6	-	-
secure accommodation	1	1	3	3
exceptional capital	-	-	4	4
strategic school improvement	37	37	31	31
	3,025	**3,029**	**4,711**	**4,716**

The majority of capital commitments relate to school and college projects managed by the Group and will not generate assets recognised on the Group's SoFP under the relevant accounting policies. Capital commitments do not include the cost of contract workers engaged in the delivery of the programmes.

58 https://www.slc.co.uk/about-us/remit/annual-report.aspx

21.2 Commitments under operating leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

		2021		2020
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Land and buildings				
Not later than one year	18	24	19	26
Later than one year and not later than five years	64	70	71	84
Later than five years	253	253	125	128
	335	**347**	**215**	**238**
Expected receipts from sub-leases	-	-	-	-
	335	**347**	**215**	**238**
Other				
Not later than one year	-	1	-	1
Later than one year and not later than five years	-	-	-	1
Later than five years	-	-	-	-
	-	**1**	**-**	**2**

21.3 Obligations under PFI contracts (on-balance sheet)

Total future minimum payments under on-balance sheet PFI and other service concession arrangements are given in the table below for each of the following periods:

		2021		2020
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Not later than one year	68	68	67	67
Later than one year and not later than five years	276	276	274	274
Later than five years	1,197	1,197	1,266	1,266
	1,541	**1,541**	**1,607**	**1,607**

Under the terms of the PF2 agreement (the Group's only PFI transaction), the Group is committed to pay unitary service charges regarding each batch for the twenty-five-year operational period of the schools constructed under the financing transaction.

21.4 Other financial commitments

The Group has entered into non-cancellable contracts (which are not leases, PFI contracts or other service concession arrangements), which include but are not limited to the previous student loan debt sale, technical adviser fees for school development sites and marking key stage tests. The payments to which the Group are committed are as follows.

		2021		2020
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Non-cancellable contracts				
Not later than one year	58	60	38	38
Later than one year and not later than five years	180	180	137	137
Later than five years	25	25	48	48
	263	**265**	**223**	**223**

No commitments are included here in respect of student loans, as loan repayments only become due when student attendance is confirmed at the start of each term.

21.5 Education funding commitments

		2021		2020
	Department & Agencies	Group	Department & Agencies	Group
			(Restated)	(Restated)
	£m	£m	£m	£m
Not later than one year	5,075	5,529	4,039	4,495
Later than one year and not later than five years	4,021	5,474	3,800	5,224
Later than five years	6,022	6,022	6,733	6,733
	15,118	**17,025**	**14,572**	**16,452**

Education funding commitments include: those for private finance initiative grants to local authorities and voluntary aided schools; those with training providers including apprenticeship training providers.

The Group has commitments to apprenticeship training providers for English apprentices who are already enrolled on training courses as at the year end. The Group's commitments cover the remainder of the courses but will only crystallise when the apprenticeship training has taken place.

21.5.1 Restatement and re-presentation

	Original		Restated	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Educational grant funding commitments				
Not later than one year	1,017	1,473	2,935	3,391
Later than one year and not later than five years	3,024	4,448	3,024	4,448
Later than five years	6,730	6,730	6,730	6,730
	10,771	**12,651**	**12,689**	**14,569**
Apprenticeship levy funding				
Not later than one year	1,104	1,104	1,104	1,104
Later than one year and not later than five years	776	776	776	776
Later than five years	3	3	3	3
	1,883	**1,883**	**1,883**	**1,883**
Combined				
Not later than one year	2,121	2,577	4,039	4,495
Later than one year and not later than five years	3,800	5,224	3,800	5,224
Later than five years	6,733	6,733	6,733	6,733
	12,654	**14,534**	**14,572**	**16,452**

The comparatives presented above have been both restated and re-presented from the prior year. The re-presentation is through combining two notes which were previously presented separately in 2019-20: education grant funding commitments and apprenticeship levy funding. The tables have been amalgamated to present the total commitments supporting policy funding. The restatement was caused by additional ESFA commitments identified late which were not included in the Group disclosures last year.

22. Contingent liabilities

22.1 IAS 37 contingent liabilities

22.1.1 Quantifiable

The Group holds the following quantifiable contingent liability as described by IAS 37.

Guarantee to the Local Government Pension Scheme

A guarantee to Local Government Pension Scheme funds to meet pension deficits if an AT closes. The value increased to £14.2 million in the year (2020: £13.6 million) in line with annual estimate of AT deficits, and has been reported to Parliament by departmental minutes.

22.1.2 Unquantifiable

The Group has identified the following unquantifiable contingent liabilities.

PSBP asbestos removal

The Group is aware of two outstanding claims from PSBP contractors for the removal of asbestos found at Blackpool Aspire Academy and Annie Holgate Infant School. It is standard Group practise to negotiate with PSBP contractors and partially meet the cost of removing asbestos found during PSBP projects. In the case of Blackpool Aspire Academy and Annie Holgate Infant School, the contractors have not yet quantified the value of their claims and consequently the Group is not able to quantify its liability in respect of these two cases.

Adjudication

Under paragraph 7 of the *Schools Standards Framework Act 1998*, the Secretary of State has a statutory duty to indemnify any adjudicator against any reasonable cost and expense reasonably incurred by him in connection with any decision taken in pursuit of his statutory duty. Adjudicator decisions can be challenged through judicial review. It is not possible to quantify this.

23. Related party transactions

The Department is the parent of the Agencies and sponsor of the NDPBs shown in note 24. These bodies are regarded as related parties with which the Department has had various material transactions during the year. These are mainly financing to the Agencies and payments for grants-in-aid to the NDPBs. All such transactions have been eliminated during the preparation of these consolidated accounts.

Relationships with academy trusts, and their academies, are classified as related parties only at the trust-level which is the corporate body. Therefore, only Departmental Board members who are trustees of academy trusts are classified as being a related party. The Department considers governors of local governing bodies for individual academies are insufficiently influential at the trust-level, not being trustees, to be classified as related parties. We also take the same view on governors of local authority maintained schools. Local governorship is too distant from a local authority's decision making process to trigger a related party relationship to the governor.

In addition, the Group has had a number of transactions with other government departments, other central government bodies and local authorities. Most of these transactions have been with the Government Property Agency, Nottingham College and local authorities. The Department also makes pension contributions into public sector pension schemes.

As well as the disclosures in the Remuneration and Staff Report, the following relationships are also considered as related parties and have therefore been disclosed in line with IAS 24. Transactions are classified as related party transactions if they occurred during the period the board member named held office.

Disclosures are split between those individuals who were board members as at the year end below, and those whose term as a board member ended during the year. The following are related party transaction disclosures for those board members in post at year end:

- Nick Gibb's spouse is:
  - a non-executive governor at CityLit
  - the Chief Executive Officer of Yonder Consulting Limited (previously Populus Limited to October 2020)
- Ian Ferguson's partner is chief executive of Edmonton Academy Trust and head teacher of one of the trust's academies, Edmonton County School
- Baroness Ruby McGregor-Smith is pro-chancellor of the University of Surrey
- Irene Lucas-Hays is chair and owner of Hays Travel Limited
- Mike Green is:
  - a governor at Nottingham College
  - a non-executive board member of the Government Property Agency from 1 February 2021
- Richard Pennycook is chair of Howdens Joinery PLC

Related party disclosures for those board members who were no longer board members as at the year end are also given below. The date individuals ceased to be a board member, and so cease to be included in related party disclosures, can be found in the Accountability Report.

- Jonathan Slater's wife is chair of the education governing body for The National Centre for Young People with Epilepsy, and a member of the Committee on Standards in Public Life

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

	2020-21		2019-20	
	Net payments /(receipts)	Receivable /(payable)	Net payments /(receipts)	Receivable /(payable)
	£000	£000	£000	£000
Academy trusts				
Edmonton Academy Trust	20,628	-	19,615	(2)
Other education sector bodies				
University of Bath	-	-	22,980	5
CityLit	1,849	-	4,170	-
Nottingham College	59,719	9	57,376	-
University of Surrey	15,404	7	-	-
Non-government bodies				
Yonder Consulting Limited	-	125	333	(17)
The National Centre for Young People with Epilepsy	969	-	1,294	-
Hays Travel Limited	462	-	694	-
Howden Joinery Group PLC	10	-	-	-
Wantage Limited	-	-	1	-
Bazalgette Tunnel Limited	-	-	1	-
National Centre for Computing Education	-	-	1	-

Apart from the above related party disclosures, no minister, board member, key manager or other related parties have undertaken any material transactions with the Group during the year.

Transactions disclosed above for academy trusts include all transactions which occurred with their relevant academies.

24. Entities within the Group boundary

24.1 Closing position

The entities within the boundary during 2020-21 comprise Supply financed Agencies and those entities listed in the Designation and Amendment Orders presented to Parliament.

A dis-aggregation across reporting bodies of operating income, operating expenditure and net expenditure for the year is presented in annex D.

They are:

Executive Agency:

Education and Skills Funding Agency (ESFA)*

Standards and Testing Agency (STA)*

Teaching Regulation Agency (TRA)*

Executive NDPB:

Construction Industry Training Board (CITB)*

Engineering Construction Industry Training Board (ECITB)*

Film Industry Training Board (FITB)

Institute for Apprenticeships and Technical Education (IFATE)*

Located Property Limited (LocatED)

Office of the Children's Commissioner (OCC)*

Office for Students (OfS)*

Student Loans Company Limited (SLC)

Social Work England (SWE)*

Advisory NDPB:

School Teachers' Review Body (STRB)

Social Mobility Commission

Other:

Aggregator Vehicle PLC

Office of the Schools Adjudicator

*The ARAs of these bodies can be found on GOV.UK website. Student Loans Company Limited, Aggregator Vehicle PLC and Located Property Limited's ARAs are available on Companies House. The two advisory NDPBs, FITB and the Office of the Schools Adjudicator do not produce ARAs.

25. Events after the reporting period

These accounts were authorised for issue by Susan Acland-Hood (Accounting Officer) on the date they were certified by the Comptroller and Auditor General. There have not been any significant post year end events that have required disclosure in the accounts.

Annexes

Annex A – Additional performance reporting

Better regulation

The Department is fully committed to the principles of better regulation while recognising the need to balance this with its responsibilities to safeguard children and young people, ensure they have a good education and enforce standards. We do this through internal scrutiny of policy initiatives to ensure that regulations which impact business and civil society are both proportionate; and are introduced only where there is a clear case for doing so. Stakeholders in these sectors include childminders, nurseries, independent schools, higher education providers and FE colleges.

The Department has continued to promote effective policy making through robust assessment of evidence and proportionate, detailed and thorough impact assessments.

Business Impact Target (BIT)

The *Better Regulation Annual Report 2019 to 2020*[59] reported that during the first reporting period of this parliament, four legislative non-qualifying regulatory provisions fell above the £5 million *de minimus* threshold. These were:

- *Keeping Children Safe in Education – update 2020*
- *The Education (Independent School Standards) (Coronavirus) (Amendment) Regulations 2020*
- *The Education (Pupil Registration) (England) (Coronavirus) (Amendment) Regulations 2020*
- *The Early Years Foundation Stage (Learning and Development and Welfare Requirements) (Coronavirus) (Amendment) Regulations 2020*

Post implementation reviews

During the reporting period, the Department carried out two post-implementation reviews covering seven regulations that impacted on the business sector.

- Registration: Single Registration of Multiple Premises, and Childminders on Non-Domestic Premises
  - *The Early Years Foundation Stage (Welfare Requirements) Regulations 2012*
  - *The Childcare (Early Years Register) Regulations 2008*
  - *The Childcare (General Childcare Register) Regulations 2008*
  - *The Childcare (Early Years and General Childcare Registers) (Common Provisions) Regulations 2008*
  - *The Childcare (Miscellaneous Amendments) Regulations 2015*
- Early Years Foundation Stage (Safeguarding and Welfare Requirements)
  - *The Early Years Foundation Stage (Welfare Requirements) Regulations 2012*
  - *The Childcare (Miscellaneous Amendments) Regulations 2017*

In both cases the reviews confirmed that the regulations had met their policy objectives and recommended that the Department keep them in their current state.

59 https://www.gov.uk/government/publications/better-regulation-annual-report-2019-to-2020

Alternatives to regulation

The Department wants to ensure that all regulations are fair and effective. Complying with regulation costs businesses time and money, and red tape can make running businesses unnecessarily difficult. The Department's policy tests are a framework for improving policymaking, and its delivery tests flesh out the key delivery issues. Questioning the purpose of the policy, the role of government, the evidence base, and the creativity and deliverability of the policy helps policy-makers to consider alternative approaches, tools and methods.

Behavioural insights can help us understand how people make decisions, why people behave the way they do and what we might do to change behaviour. The Department's Behavioural Insights Unit aims to increase the impact and efficiency of education and children's services policy by applying behavioural science throughout the work of the Department. Its aims are to support the Department to use behavioural insights to tackle policy challenges, help commission high-quality behavioural research and build the Department's knowledge and ability to apply behavioural insights.

Sustainability

In response to the COVID-19 pandemic, HMT have reduced the sustainability reporting requirement for departmental ARAs. As well as disclosure in ARAs, Defra publish a cross-government report on sustainability each year – Greening Government Commitments (GGC).[60] Owing to the reporting duplication HMT has allowed departments to dispense with disclosing GGC for 2020-21 and 2019-20.

Other sustainability commitments

The Department is committed to procuring sustainably and reports against a number of transparency commitments as part of the GGC framework. Progress is summarised below.

Consumer single use plastics

The Department remains committed to removing consumer (avoidable) single use plastics from its office estate in line with the government's pledge in the 25-year Environmental Plan. Considerable success has already been achieved across the Department's core estate, where we have removed plastic cutlery and cups. Take away containers at Sanctuary Buildings, London are now compostable; plastic straws have been removed and wooden stirrers have been introduced; plastic coffee cups and drinking cups available at tea points have been replaced with compostable alternatives. Single-use condiment sachets and milk jugs have been replaced by larger sauce/milk bottles that provide a larger number of servings and reduce overall plastic use across the core estate. Other initiatives included the introduction of "bring your own" policies so that reusable coffee cups, containers and cutlery is used over other disposable or recyclable alternatives.

The Department plans to expand on these initiatives to further reduce plastics as well as work more closely with NDPBs and reach out to landlords and their caterers, where facilities are indirectly managed, to make stakeholders aware of the elimination scheme and encourage their participation.

As a result of COVID-19, the office estate has been closed or partially closed for a significant proportion of the year. In reopening catering services within the estate, health and safety guidance around COVID-19

60 https://www.gov.uk/government/publications/greening-government-commitments-2016-to-2020

safety has been adhered to meaning some initiatives like "bring your own" were temporarily paused as well as single-use condiment sachets and disposable crockery and cutlery used.

Biodiversity

The Department's estate comprises mainly of buildings with little outside space and limited opportunity to enhance the natural environment.

Sustainable procurement

The Social Value Model[61] is applied to all new procurements from January 2021 with at least one of five themes being applied to the procurement and subsequent contract. Themes are selected which are most relevant to the subject matter of the contract and one of the themes is Fighting Climate Change. In addition, new contracts require that suppliers meet the Government Buying Standards.

We have implemented *Procurement Policy Note 06/21: Taking account of Carbon Reduction Plans in the procurement of major government contracts*.[62] This came into effect on 30 September 2021.

Commercial staff involved in letting and managing contracts undertake CIPS (Chartered Institute of Procurement & Supply) ethics e-Learning which covers three key pillars of the ethical procurement and supply profession, one of which is environmental procurement.

Procurement of food and catering services

Food provided in catering outlets is local and in season, where possible. The Department buys food from farming systems that minimise harm to the environment, such as produce certified by LEAF (Linking Environment and Farming), the Soil Association or Marine Stewardship Council. Fairly traded and ethically sourced products are also available. The amount of food of animal origin eaten is being reduced, as livestock farming is one of the most significant contributors to climate change, and caterers ensure that meat, dairy products and eggs purchased are produced to high environmental and animal welfare standards. The amount of palm oil used is also being reduced.

Climate change adaptation

Climate resilient designs are incorporated in retrofit projects and new builds. In addition, robust business continuity plans are in place to manage occurrences of extreme weather events.

Sustainable construction

The Department is committed to achieving BREEAM (Building Research Establishment Environmental Assessment Method) excellent/very good, for new builds or major refurbishment in line with the Government Buying Standards.

Rural proofing

Defra's rural proofing impact assessment is an integral part of the Department's approach to developing regulation.

When developing a policy staff are required to consider sustainable development, environmental impacts, and social impacts such as rural proofing. These issues are built into the impact assessments, ensuring that they are fully evaluated as part of any new policy. For example, the National Funding Formula includes a sparsity factor that targets funding to small and remote schools, which we know often play a crucial role in the communities they serve.

61 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/940826/Social-Value-Model-Edn-1.1-3-Dec-20.pdf

62 https://www.gov.uk/government/publications/procurement-policy-note-0621-taking-account-of-carbon-reduction-plans-in-the-procurement-of-major-government-contracts

Governance

The Department undertakes a stringent monitoring regime in relation to GGC performance management working closely with the Government Property Agency as property asset managers and our NDPBs.

This is supplemented by periodic audits conducted by the GIAA, reported to the Accounting Officer via the Department's finance function.

In addition to the internal governance process, external audits are also undertaken to assure processes and systems including methodologies for recording, analysing and verifying data, as well as the calculations for quarterly GGC returns. These external validation audits are carried out on Defra's behalf by Carbon Smart. The vast majority of this report has been compiled using accurately measured data, verified through internal controls. This includes checking samples of automatically generated meter-reading data with manual meter reads. Where complete data sets have not been available, (for example through lack of detail, or due to landlord service charges), internal benchmark figures have been applied based on known parameters and data sets.

Annex B – Departmental statistics

Fire, health and safety

The Department is committed to ensuring the health, safety and wellbeing of staff, contractors and all others who could be affected by its activities. It fully accepts its responsibilities under the *Health and Safety at Work etc. Act 1974*.

We recognise that effective management of fire, health and safety makes a significant contribution to our overall business performance and strategic aims, as well as a positive impact on the wellbeing of staff. The Department acknowledges that positive, proportionate health and safety risk management prevents harm and enables efficient delivery of services across the Department.

Category	2020-21	2019-20	2018-19	2017-18
Total number of employee accidents/incidents	4	18	11	22
Total number of non-employee/member of public/detainees accidents/incidents	22	-	-	7
Total number of near misses	1	3	1	-
Total number of reporting of injuries, deaths and dangerous occurrences regulations	-	-	-	-
	27	**21**	**12**	**29**

The Department's accident and incident data illustrates an increase in the total number of reported accidents and incidents overall in comparison to last year's data.

Personal data security

All departments are required to report personal data related incidents that have occurred during the financial year in accordance with the standard disclosure format issued by the Cabinet Office.

A 'personal data related incident' is defined as a loss, unauthorised disclosure or insecure disposal of protected personal data.

Protected personal data related incidents formally notified to the Information Commissioner's Office (ICO) in 2020-21 are summarised in the table below:

Date of incident (month)		
May 2020	**Nature of incident**	**Data posted or faxed to incorrect recipient.**
	Nature of data involved	A Teachers' Pension Scheme member contacted the TPS contact centre to inform them that their P60 included their own information and the information of another member. The information included the full name, address, TPS Reference number, National Insurance number & earnings information.

Date of incident (month)		
	Number of people potentially affected	543
	Notification steps	This incident was reported to our Security Incident Management team by the Teachers' Pension Scheme on 12 May 2020. The incident was reported to the Department's Privacy and Information Rights Advisory Service (PIRAS) team the same day. Having established the facts, the PIRAS team decided to submit this incident to the ICO on 13 May 2020.
	Further action on information risk	On 4 June 2020 we received notification of the decision from the ICO. They considered the information we had provided and decided that no further action by the ICO was necessary as the data involved was only basic personal identifiers and would not constitute a high risk to the affected individuals. This incident was closed on 4 June 2020.
November 2020	**Nature of incident**	**Data sent by email to incorrect recipient.**
	Nature of data involved	On 10 November 2020 a National Careers Adviser accidentally sent an Excel spreadsheet containing customer information for 19 individuals who attended a group workshop to 6 customers. The spreadsheet contained the ethnic origin of 15 customers and the health information of 4 customers (with 11 noted as none/no disability).
	Number of people potentially affected	19
	Notification steps	This incident was reported to our Security Incident Management team on 12 November 2020. It was immediately sent on to the new Office for the Data Protection Officer (ODPO) which had replaced the PIRAS team earlier that year. Having established the facts, the ODPO team decided to submit this incident to the ICO on 13 November 2020.
	Further action on information risk	On 4 December 2020 we received notification of the decision from the ICO. In it, they stated that no further action was required for this incident. The ODPO team confirmed that they would contact the user directly to discuss the recommendations made by the ICO in their report and that no further action was required on our part. This incident was closed on 4 December 2020.

Date of incident (month)		
December 2020	**Nature of incident**	**Other**
	Nature of data involved	On 3 December 2020 a Teachers' Pension Scheme member reported that their TPS account had been compromised by a hostile actor (hacker) sometime before 5 November 2020. Using stolen credentials, the hostile actor was able to change the email address and bank account details on the TPS website (without the member's knowledge) on 5 November 2020. As a result, the member's pension was paid into the bank account set up by the hostile actor on 20 November 2020.
	Number of people potentially affected	1
	Notification steps	This incident was reported to our Security Incident Management team by the Teachers' Pension Scheme on 3 December 2020. It was reported to the ODPO and later sent the same day to the ICO. This incident has also been reported to the police and Action Fraud by the TPS.
	Further action on information risk	On 12 January 2021 we received notification of the decision from the ICO. The ODPO team confirmed that they would contact the Teachers' Pension Scheme provider directly to discuss the recommendations made by the ICO in their report and that no further action was required on our part. This incident was closed 12 January 2021.
December 2020	**Nature of incident**	**Data sent by email to incorrect recipient.**
	Nature of data involved	The TRA sent a letter to a teacher's former address in error. It was eventually received by the teacher, who then contacted the TRA to express their dissatisfaction. The personal data involved the full names and postal addresses of the teacher and one other person. All other details had been redacted.
	Number of people potentially affected	1
	Notification steps	This incident was reported to our Security Incident Management team by the TRA on 9 December 2020. It was reported to the ODPO the next day on 10 December 2020. Having established the facts, the ODPO team decided to submit this incident to the ICO on 14 December 2020.

Date of incident (month)		
	Further action on information risk	On 12 January 2021 we received notification of the decision from the ICO. The ODPO team confirmed that they would contact the TRA directly to discuss the recommendations made by the ICO in their report and that no further action was required on our part. This incident was closed on 12 January 2021.

Note: Incidents, the disclosure of which would in itself create an unacceptable risk of harm, may be excluded in accordance with the exemptions contained in the *Freedom of Information Act 2000* or may be subject to the limitations of other UK information legislation.

Protected personal data related incidents reported in 2020-21 are summarised in the table below. Incidents which do not fall within the criteria for reporting to the Information Commissioner's Office, but are recorded centrally within the Department, are included. Smaller, localised incidents are not included.

Category	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured government premises	-
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured government premises	-
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	-
IV	Unauthorised disclosure	-
V	Other	142

Nearly half of other incidents above were due to data sent by email to incorrect recipients. Other incidents also included failure to redact data and data posted or faxed to an incorrect recipient.

The information contained in the table above only relates to personal data security for the Department and its Agencies. The Department's NDPBs report personal data related incidents in their own statutory ARAs.

Departmental correspondence

All government departments and executive agencies have published targets for answering correspondence. The Cabinet Office's minimum target is for departments to reply to 95% of all correspondence within 20 working days. The Department has set itself the more challenging target of replying to 95% of 'treat official' correspondence within 15 working days and ministerial correspondence within 18 working days. The COVID-19 pandemic resulted in substantial increases in correspondence during 2020-21, as a result timeliness fluctuated throughout the year. Other government departments have also experienced similar pressures. A Departmental recovery plan has been successfully implemented to ensure that performance improves in the next reporting period. Cabinet Office are reviewing correspondence handling across government to explore opportunities for improved ways of working.

Freedom of information requests have a deadline of 20 working days as governed by the Information Commissioner's Office.

Treat official correspondence

	2020-21	2019-20	2018-19
Internal 15-day deadline			
Number	30,904	21,765	23,037
Deadline met	51%	89%	92%
20-day deadline			
Deadline met	61%	95%	96%

Ministerial correspondence

	2020-21	2019-20	2018-19
Internal 18-day deadline			
Number	28,298	7,267	8,584
Deadline met	24%	91%	93%
20-day deadline			
Deadline met	39%	93%	95%

Freedom of Information requests

	2020-21	2019-20	2018-19	2017-18
20-day deadline				
Number	2,330	3,133	2,825	2,501
Deadline met	78%	88%	85%	87%

Communications, publicity and advertising

In 2020-21, the Department continued to deliver communications activity in support of ministerial priorities and the wider government communications plan. This was dominated by the communications response to the COVID-19 pandemic and its impact on the economy, education and children's social care.

We also engaged with a significant new change programme initiated by the Cabinet Office to reshape the Government Communications Service and change how the Department uses paid-for and in-house communications to achieve its objectives in the future. As part of this work, we have aligned our communications with the government priority communications theme of Build Back Better and its sub-themes of Fairer, Greener, Safer and Stronger as well as the immediate priority theme of responding to COVID-19.

The work of the Department is crucial to the country's efforts to managing COVID-19 and its future recovery and success. Communications continued to play an important role in both its accountability and as a lever for change by delivering against five strategic objectives:

- mitigate the impacts of COVID-19 on children and young people by supporting parents to engage with both remote education and face-to-face education, including the new safety measures introduced
- change the behaviour of parents, teachers, young people, employers, and others to support the achievement of the Department's objectives
- provide an effective service to parliament, the public, teachers and the education sector and meet our responsibilities as a department of state

- build trust and confidence in the Department and its Agencies, manage and improve its reputation, and contribute to the active management of risk and issues
- contribute to stronger democracy by explaining our policies to the public, our stakeholders and the media and actively tackling disinformation and misinformation

Alongside this, engaging and supporting our people with the information they need to work in new ways and contribute to the government's response to coronavirus remains key, alongside continuing to motivate them around our core purpose, vision and ambitions.

Every policy is important and all the Department's work is valuable. However, to make sure that our resources align with ministerial, government and Department priorities and to focus where communications can have the greatest impact, we focused on three priorities throughout the year:

- Manage COVID-19 – our communications campaigns supported attendance by aligning with the partial closure and wider reopening of education settings to ensure parents, students and pupils were well informed and confident to engage with remote learning or return to education. The other key focus was to support the take up of school testing, alongside other safety measures.
- Build Back Better – focus on reform and support that will drive the economic recovery by delivering the skills that employers need, offer technical routes for young people and allow adults to retrain, as part of the Plan for Jobs.
- To increase the number of teachers joining or returning and improve retention in the profession.

Most communications continue to be delivered in-house at no additional cost, as part of cross-government campaigns or at low cost by supporting and co-ordinating partners' activity.

Communications Group had the following staff and spend on centrally commissioned activity (not including campaigns funded by business areas). This spend falls within budget.

	2020-21	2019-20	2018-19	2017-18
Number of staff	83	80	79	64
Spend on activity (£000)	£1,422	£580	£646	£790

Payments policy

Under the *Public Contract Regulations 2015*, the Department is legally required to pay correctly submitted invoices within 30 days of receipt from the day of physical or electronic arrival at the nominated address of the Department. In addition, it is practice for the Department to pay all correctly submitted invoices within five calendar days.

The Department & Agencies prompt payment data can be found online.[63]

Complaints policy

The Department's complaint policy and guidance on how to make a complaint can be found online.[64]

63 https://www.gov.uk/government/publications/prompt-payment-data-for-dfe
64 https://www.gov.uk/government/organisations/department-for-education/about/complaints-procedure

Guidance[65] on how to complain about a maintained school, academy or free school and how the Department will consider your complaint is also published.

Complaints to the Parliamentary Ombudsman

The Parliamentary and Health Service Ombudsman considers complaints about a service provided by the NHS or a government department, agency or other organisation acting on their behalf providing that the body falls within its jurisdiction and that it has been referred to the Ombudsman by a MP. Cases which relate to local authorities and schools (where most of the services are delivered to the public) are normally outside the Ombudsman's jurisdiction.

The table below shows the complaints about the Group that the Ombudsman processed in 2019-20. This is the most up-to-date information at the time of reporting. This year's data had no recorded complaints against the Office of the School's Adjudicator, but includes the Independent Review Mechanism.

				2019-20	2018-19
	Department	Agencies	NDPBs	Group	Group
Enquiries received	36	28	2	66	54
Complaints assessed	10	15	-	25	12
Complaints resolved through intervention	-	5	-	5	1
Complaints accepted for investigation	1	1	-	2	-
Investigations upheld or partly upheld	1	-	-	1	1
Investigations not upheld	-	-	-	-	-
Investigations resolved without a finding	-	-	-	-	-
Investigations discontinued	-	-	-	-	-
Number of recommendations	-	-	-	-	-
Number of recommendations complied with	-	-	-	-	-

The Enquiries Received row is the number of enquiries the Ombudsman received in 2019-20; qualifying complaints are then assessed and either closed, resolved through intervention or accepted for investigation.

Investigations resolved without a finding are complaints where the Ombudsman starts an investigation but is able to resolve the complaint without having to formally complete the investigation.

Investigations discontinued are complaints where the Ombudsman ends the investigation for a variety of reasons, for example, because the complainant asked them to.

65 https://www.gov.uk/complain-about-school

Effectiveness of whistleblowing arrangements

The Department has stringent whistleblowing processes and procedures in place. Out of the 17 cases raised last year, four are still being investigated. 12 out of 13 resolved cases were closed with no case to answer or no evidence of wrongdoing.

We have begun introducing minor recommendations from GIAA following their audit in December 2020. These include presenting a foreword by Mike Green (the Chief Operating Officer) explaining the importance of whistleblowing and promoting the policy; creating a dedicated whistleblowing mailbox for more confidence when whistleblowing; providing clearer steps on the investigation process; and adding measures that monitors and progresses cases without undue delay.

The Department's whistleblowing policy is being reviewed and we are looking to make a more streamlined, effective transparent process so employees who 'blow the whistle' know they are protected from any potential repercussions and their concerns will be impartially and independently investigated.

Sponsorship agreements over £5,000

There were no sponsorship agreements in the year (2019-20: none).

Annex C – Data tables

The Core Tables represent expenditure for resource and capital, set for each year in the Spending Review process (amended to incorporate transfers of functions to other government departments as they have arisen). These tables are not reported on the same basis as the financial statements disclosures, with differing categories and headings based on the Department's Estimates allocation of activities and budgeting not financial reporting terms. The Core Tables are produced automatically from the HMT system (Online System for Central Accounting and Reporting (OSCAR)) which is used by all central government departments to record their spending and plans. At 31 March 2021, OSCAR reflects the position agreed at the 2020 Budget. This does not match the outturn in previous years' financial statements and some spending may also appear on different lines, this may frequently result in restatement of the previous years' Core Table figures.

Table 1: Total Departmental Group spending

Summary

	2016-17 Outturn	2017-18 Outturn	2018-19 Outturn	2019-20 Outturn (Restated)	2020-21 Outturn
	£m	£m	£m	£m	£m
Resource DEL	68,280	73,333	67,900	79,409	78,279
Resource AME	(1,841)	(1,589)	(1,029)	(1,739)	(1,291)
Total resource	**66,439**	**71,744**	**66,871**	**77,670**	**76,988**
Capital DEL	5,732	4,908	5,402	4,865	4,830
Capital AME	13,073	15,771	15,631	19,947	21,144
Total capital	**18,805**	**20,679**	**21,033**	**24,812**	**25,974**
	85,244	**92,423**	**87,904**	**102,482**	**102,962**
Less depreciation	(8,735)	(11,386)	(6,453)	1,608	(65)
Total Departmental spending	**76,509**	**81,037**	**81,451**	**104,090**	**102,897**
Of which:					
Total DEL	65,277	66,856	66,850	84,178	83,044
Total AME	11,232	14,181	14,601	19,912	19,853

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

Spending reported for 2019-20 has been restated to reflect the student loan capitalised interest error described in note 2.

Resource spending

	2016-17 Outturn £m	2017-18 Outturn £m	2018-19 Outturn £m	2019-20 Outturn £m	2020-21 Outturn £m
Resource DEL					
Activities to Support all Functions	262	350	348	364	442
Early Years and Schools (Department)	-	-	-	1,364	1,996
School Infrastructure and Funding of Education (Department)	537	179	214	-	-
Education Standards, Curriculum and Qualifications (Department)	4,271	4,236	4,438	-	-
Early Years and Schools (ALB) (net)	-	-	-	1	2
School Infrastructure and Funding of Education (ALB) (net)	1	22	(17)	-	-
Social Care, Mobility and Disadvantage (Department)	328	192	321	347	382
Social Care, Mobility and Disadvantage (ALB) (net)	20	21	4	9	10
Standards and Testing Agency	50	53	61	57	22
Teaching Regulation Agency	-	-	6	6	7
National College for Teaching and Leadership	401	398	-	-	-
Education and Skills Funding Agency	-	3,271	3,404	2,068	2,022
Education Funding Agency	89	-	-	-	-
Skills Funding Agency	3,250	-	-	-	-
Grants to Local Authority Schools via ESFA	30,353	30,027	29,642	29,560	31,049
Grants to Academies via ESFA	16,739	18,661	20,705	22,904	25,252
Higher Education	10,104	13,934	7,132	16,327	10,301
Further Education	179	242	107	4,801	5,174
Higher Education (ALB) (net)	1,680	1,739	1,522	1,582	1,599
Further Education (ALB) (net)	16	8	13	19	21
Total resource DEL	**68,280**	**73,333**	**67,900**	**79,409**	**78,279**
Of which:					
Staff costs	390	362	490	563	606
Purchase of goods and services	666	593	641	697	614
Income from sale of goods and services	(77)	(162)	(138)	(210)	(139)
Current grants to central government (net)	-	-	-	-	25,854
Current grants to local government (net)	30,579	30,456	30,098	30,411	32,127
Current grants to persons and non-profit bodies (net)	10,694	11,982	9,582	32,022	9,272

	2016-17	2017-18	2018-19	2019-20	2020-21
	Outturn	Outturn	Outturn	Outturn	Outturn
	£m	£m	£m	£m	£m
Current grants abroad (net)	(31)	(202)	(197)	(134)	(108)
Subsidies to private sector companies	-	-	-	13	-
Subsidies to public corporations	6	-	2	-	-
Rentals	172	22	21	15	16
Depreciation	8,735	11,385	6,452	96	64
Impairment	-	-	-	-	(8)
Student loan impairment	-	-	-	-	9,673
Interest payable to private sector	-	-	-	-	53
Take up of provisions	-	-	84	97	124
Profit/loss on disposal of assets	-	-	-	-	5
Other resource	17,146	18,897	20,865	15,839	126
Resource AME					
Activities to Support all Functions (Department)	21	(10)	(8)	11	46
Activities to Support all Functions (ALB)	-	-	-	5	-
Executive Agencies	1	(5)	6	(13)	1
Higher Education	(1,882)	(1,621)	(1,031)	(1,725)	(1,281)
Further Education	12	(13)	(12)	(6)	(4)
Higher Education (ALB) (net)	(33)	(14)	2	(54)	(2)
Further Education (ALB) (net)	40	74	14	43	(51)
Total resource AME	**(1,841)**	**(1,589)**	**(1,029)**	**(1,739)**	**(1,291)**
Of which:					
Staff costs	-	64	58	43	48
Purchase of goods and services	104	74	87	112	9
Income from sales of goods and services	-	(110)	(244)	(268)	-
Current grants to central government (net)	-	-	-	-	(4)
Current grants to persons and non-profit bodies (net)	-	284	144	148	97
Subsidies to private sector companies	-	-	-	4	-
Rentals	-	2	2	2	1
Depreciation	-	1	1	(1,704)	1
Impairment	-	-	-	-	49
Student loan impairment	-	-	-	-	(1,288)
Levies, licences and regulatory fee income	-	-	-	-	(220)
Fees and charges	-	-	-	-	(1)
Take up of provisions	39	25	35	50	17

	2016-17 Outturn	2017-18 Outturn	2018-19 Outturn	2019-20 Outturn	2020-21 Outturn
	£m	£m	£m	£m	£m
Release of provisions	(58)	(44)	(64)	(95)	-
Unwinding of discount on provisions	-	-	-	-	(2)
Change in pension scheme liabilities	-	(15)	-	(42)	-
Unwinding of the discount rate on pension scheme liabilities	-	-	8	10	-
Interest payable to private sector (net)	-	-	-	-	(3)
Profit/loss on disposal of assets (net)	-	-	-	-	2
Other resource	(1,926)	(1,870)	(1,056)	1	3
Total resource budget	**66,439**	**71,744**	**66,871**	**77,670**	**76,988**
Of which:					
Depreciation	8,735	11,386	6,453	(1,608)	65

Capital spending

	2016-17 Outturn	2017-18 Outturn	2018-19 Outturn	2019-20 Outturn (Restated)	2020-21 Outturn
	£m	£m	£m	£m	£m
Capital DEL					
Activities to Support all Functions	30	42	86	72	33
Early Years and School (Department)	-	-	-	1,835	2,122
School Infrastructure and Funding of Education (Department)	-	2	1,494	-	-
Education Standards, Curriculum and Qualifications (Department)	-	-	6	-	-
Early Years and School (ALB) (net)	-	-	(4)	(32)	(30)
School Infrastructure and Funding of Education (ALB) (net)	356	68	-	-	-
Social Care, Mobility and Disadvantage (Department)	(13)	-	7	17	3
Social Care, Mobility and Disadvantage (ALB) (net)	1	1	2	3	2
Standards and Testing Agency	-	2	2	3	2
Education and Skills Funding Agency	-	1,478	190	37	6
Education Funding Agency	1,999	-	-	-	-
Skills Funding Agency	51	-	-	-	-
Grants to Local Authority Schools via ESFA	2,468	2,320	2,301	1,846	1,126
Grants to Academies via ESFA	612	763	1,023	819	1,041
Higher Education	12	18	120	16	13
Further Education	23	-	8	101	312
Higher Education (ALB) (net)	193	214	167	147	199
Further Education (ALB) (net)	-	-	-	1	1
Total capital DEL	**5,732**	**4,908**	**5,402**	**4,865**	**4,830**
Of which:					
Staff costs	-	-	-	-	3
Purchase of goods and services	-	1	12	12	2
Capital support for central government (net)	-	-	-	-	3,062
Capital support for local government (net)	2,471	2,345	3,421	2,055	1,292
Capital grants to persons & non-profit bodies (net)	-	385	1,577	2,714	606
Capital grants to private sector companies (net)	2,725	2,060	105	214	114
Purchase of assets	563	116	472	(54)	(222)
Income from sales of assets	-	(1)	-	-	-

	2016-17 Outturn	2017-18 Outturn	2018-19 Outturn	2019-20 Outturn (Restated)	2020-21 Outturn
	£m	£m	£m	£m	£m
Net lending to the private sector and abroad	-	-	27	(23)	(42)
Other capital	(27)	2	(212)	(53)	15
Capital AME					
Higher Education AME	12,845	15,565	15,417	19,717	20,942
Further Education AME	229	205	212	212	203
Higher Education (ALB) (net)	(3)	-	-	-	-
Further Education (ALB) (net)	2	1	2	18	(1)
Total capital AME	**13,073**	**15,771**	**15,631**	**19,947**	**21,144**
Of which:					
Purchase of assets	2	-	-	-	(1)
Net lending to the private sector and abroad	13,074	15,771	15,629	19,950	21,146
Other capital	(3)	-	2	(3)	(1)
Total capital budget	**18,805**	**20,679**	**21,033**	**24,812**	**25,974**

Depreciation in the table above also includes amortisation, impairment and revaluation. Pension schemes report under IAS 19, the pension figures include cash payments and contributions received, as well as certain non-cash items.

The ESFA became operational on 1 April 2017 following the merger of the Education Funding Agency and the Skills Funding Agency. The ESFA budget is the aggregate of the two former bodies. Following a 2019-20 structural change within the Department, the former Schools Infrastructure and Funding of Education line and the former Education Standards, Curriculum and Qualifications line have been replaced by a new Estimates line - Early Years and Schools. As a result, outturn prior to either change has been presented against the original Estimate lines with post-change outturn and plans balances presented under the revised name.

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

Total Departmental revenue and capital costs within the table above differ from those published elsewhere in this ARA due to differences in compilation methodology between these core tables and this ARA.

Total Departmental provisions within the table differ from those published elsewhere in this ARA, because the balances in the table above include costs arising from an NDPB pension scheme, which have been presented differently elsewhere in this ARA.

Table 2: Administration costs

	2016-17	2017-18	2018-19	2019-20	2020-21
	Outturn	Outturn	Outturn	Outturn	Outturn
	£m	£m	£m	£m	£m
Resource DEL					
Activities to Support all Functions	253	320	329	336	370
Early Years and Schools (ALB) (net)	-	-	-	2	1
School Infrastructure and Funding of Education (ALB) (net)	2	2	(1)	-	-
Social Care, Mobility and Disadvantage (ALB) (net)	15	16	2	2	2
Standards and Testing Agency	4	4	3	3	2
National College for Teaching and Leadership	12	15	-	-	-
Education and Skills Funding Agency	-	98	77	81	75
Education Funding Agency	76	-	-	-	-
Skills Funding Agency	63	-	-	-	-
Higher Education (ALB) (net)	69	68	74	56	48
Further Education (ALB) (net)	15	5	7	10	11
Total administration budget	**509**	**528**	**491**	**490**	**509**
Of which:					
Staff costs	317	362	337	368	386
Purchase of goods and services	273	157	141	140	120
Income from sales of goods and services	(20)	(21)	(51)	(61)	(59)
Rentals	3	20	19	13	14
Depreciation	32	35	25	34	35
Other resource	(96)	(25)	20	(4)	13

Annex D – Analysed performance reporting

Body	Total operating income	Total operating expenditure	Other expenditure	Net expenditure for the year (including financing)	Permanently employed staff		Other staff	
					Number of employees	Staff costs	Number of employees	Staff costs
	£m	£m	£m	£m	Number	£m	Number	£m
Department	(233)	9,751	8,447	17,965	5,273	302	228	22
Executive agencies								
Education and Skills Funding Agency	(110)	62,455	5	62,350	1,741	100	34	-
Standards and Testing Agency	-	22	-	22	123	6	1	-
Teaching Regulation Agency	-	7	-	7	70	3	4	-
Non-departmental public bodies								
Aggregator Vehicle PLC	-	-	(1)	(1)	-	-	-	-
Construction Industry Training Board*	(238)	194	(1)	(45)	772	41	8	2
Engineering Construction Industry Training Board	(30)	29	-	(1)	74	5	-	-
Film Industry Training Board (dormant)	-	-	-	-	-	-	-	-
Institute for Apprenticeships and Technical Education	(1)	22	-	21	193	14	7	-
Located Property Limited*	-	9	-	9	50	5	3	-
Office of the Children's Commissioner	-	3	-	3	31	2	-	-
Office for Students	(28)	1,549	-	1,521	376	24	9	1
Student Loans Company Limited*	(1)	242	(2)	239	3,087	114	112	8
Social Work England	(9)	17	-	8	151	8	68	-
Group	**(650)**	**74,300**	**8,448**	**82,098**	**11,941**	**624**	**474**	**33**

The balances above show current year Group balances dis-aggregated across Group bodies. Where intra-Group activities occur these balances have been removed against the individual bodies involved. Consequently, the balances disclosed here may differ from those presented in each body's own annual report and accounts.

Group bodies marked with an asterisk in the table above have not yet finalised their ARAs at the date this Group ARA was published. In such instances draft numbers are included above for those bodies. Management do not consider the use and disclosure of unaudited balances in these limited circumstances to have a material impact on reported Group performance and/or balances.

Annex E – Glossary of key terms

Abbreviation or term	Description
Academies	All schools operated by academy trusts encompassing academies, free schools, university technical colleges and studio schools
Agency	Executive agency
ALB	Arm's length body
AME/CAME/RAME	Annually Managed Expenditure (capital/resource)
ARA	Annual report and accounts
ATs	Academy trusts: the charitable companies that operate all types of academy schools
BAME	Black, Asian and minority ethnic
CITB	Construction Industry Training Board, an NDPB of the Department
CRRG	COVID Response and Recovery Group, a business group of the Department
DEL/CDEL/RDEL	Departmental Expenditure Limit (capital/resource)
Department, DfE	The core Department for Education, excluding executive agencies, non-departmental public bodies and academy trusts
Department & Agencies	The core Department plus its executive agencies but excluding non-departmental public bodies
Departmental Group, the Group	The Departmental Group (the Group) encompassing the core Department, executive agencies and non-departmental public bodies
ECITB	Engineering Construction Industry Training Board, an NDPB of the Department
ESFA	Education and Skills Funding Agency, a business group and executive agency of the Department
Estimate	Group funding, as approved by HM Treasury and subject to specific limits by category of spending
EYSG	Early Years and Schools Group, a business group of the Department
FE	Further education
FITB	Film Industry Training Board, an NDPB of the Department
FReM	Financial Reporting Manual, issued by HM Treasury
GGC	Greening Government Commitments
GIAA	Government Internal Audit Agency
HE	Higher education
HEFE	Higher Education and Further Education Group, a business group of the Department
HEP	Higher education provider
HMT	HM Treasury
IFATE	Institute for Apprenticeships and Technical Education, an NDPB of the Department
LocatED	Located Property Limited, an NDPB of the Department
NAO	National Audit Office
NDPB	Non-departmental public body
OCC	Office of the Children's Commissioner, an NDPB of the Department

Abbreviation or term	Description
OfS	Office for Students, an NDPB of the Department
ONS	Office for National Statistics
Operations Group	Operations Group, a business group of the Department
PAC	Public Accounts Committee
PSBP	Priority School Building Programme, a programme to address the needs of the schools most in need of urgent repair
RPA	Risk Protection Arrangement
RPI	Retail Price Index
SARA	Sector annual report and accounts, the standalone annual report and accounts for the academy sector
SCMD	Social Care, Mobility and Disadvantage Group, a business group of the Department
SCS	Senior Civil Servant
SEND	Special Educational Needs and Disability
SoCF	Statement of Cash Flows
SoCNE	Statement of Comprehensive Net Expenditure
SoCTE	Statement of Changes in Taxpayers' Equity
SoFP	Statement of Financial Position
SOPS	Statement of Outturn against Parliamentary Supply
SLC	Student Loans Company Limited, an NDPB of the Department
STA	Standards and Testing Agency, an executive agency of the Department
STEM	Science, Technology, Engineering and Mathematics
SWE	Social Work England, an NDPB of the Department
TME	Total Managed Expenditure
TRA	Teaching Regulation Agency, an executive agency of the Department
2019-20 & 2020-21	Financial years, ending on 31 March
2018/19 & 2019/20	Academic years, ending on 31 August

E02676861
ISBN 978-1-5286-2955-3

Department
for Education

E02676861
ISBN 978-1-5286-2955-3