Department for Education

Department for Education

Consolidated annual report and accounts

Year ended 31 March 2024

HC59

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for Education

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HC59

This is part of a series of departmental publications which, along with the Main Estimates 2024-25 and the document Public Expenditure: Statistical Analyses 2024, present the government's outturn for 2023-24 and planned expenditure for 2024-25.

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

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Performance Report

Foreword

Permanent Secretary's foreword

Here is our annual report and accounts. Because the document has been prepared through the pre-election period, we present the annual report and accounts without commentary, and so I will limit my foreword to recording my thanks and appreciation to all those who have worked across the education and children's social care systems this year, including colleagues in the Department for Education. Your work to support the next generation is greatly appreciated.

Susan Acland-Hood
Permanent Secretary

18 July 2024

Overview

This section outlines the Department for Education's (the Department's) responsibilities in 2023-24, priority outcomes, key risks, the sectors we serve and our performance against agreed targets.

Throughout this annual report and accounts (ARA) we have used terminology consistently:

- Department, to mean the core department
- Agencies, to mean our three executive agencies, either individually or collectively
- Non-departmental Public Bodies (NDPBs), to mean our non-departmental public bodies, whether individually or collectively
- Group, to mean the single economic unit comprising the Department, Agencies and NDPBs, which is the focus of this ARA
- financial years to 31 March are written '2023-24', whereas academic years (colleges – to 31 July or academies – 31 August) are styled '2023/24'

Further information about the make-up of the Departmental Group follows.

Reporting period

This consolidated ARA covers the year to 31 March 2024 before the general election was called. The performance described herein was achieved under the priorities and objectives of the sitting government of the day. Those objectives may differ from the stated aims and policy objectives of the new government installed from 5 July 2024. Individuals named are those that served in the reporting year.

Our organisation

The Department for Education is a ministerial department supported by a number of executive agencies, non-department public bodies and non-ministerial departments.

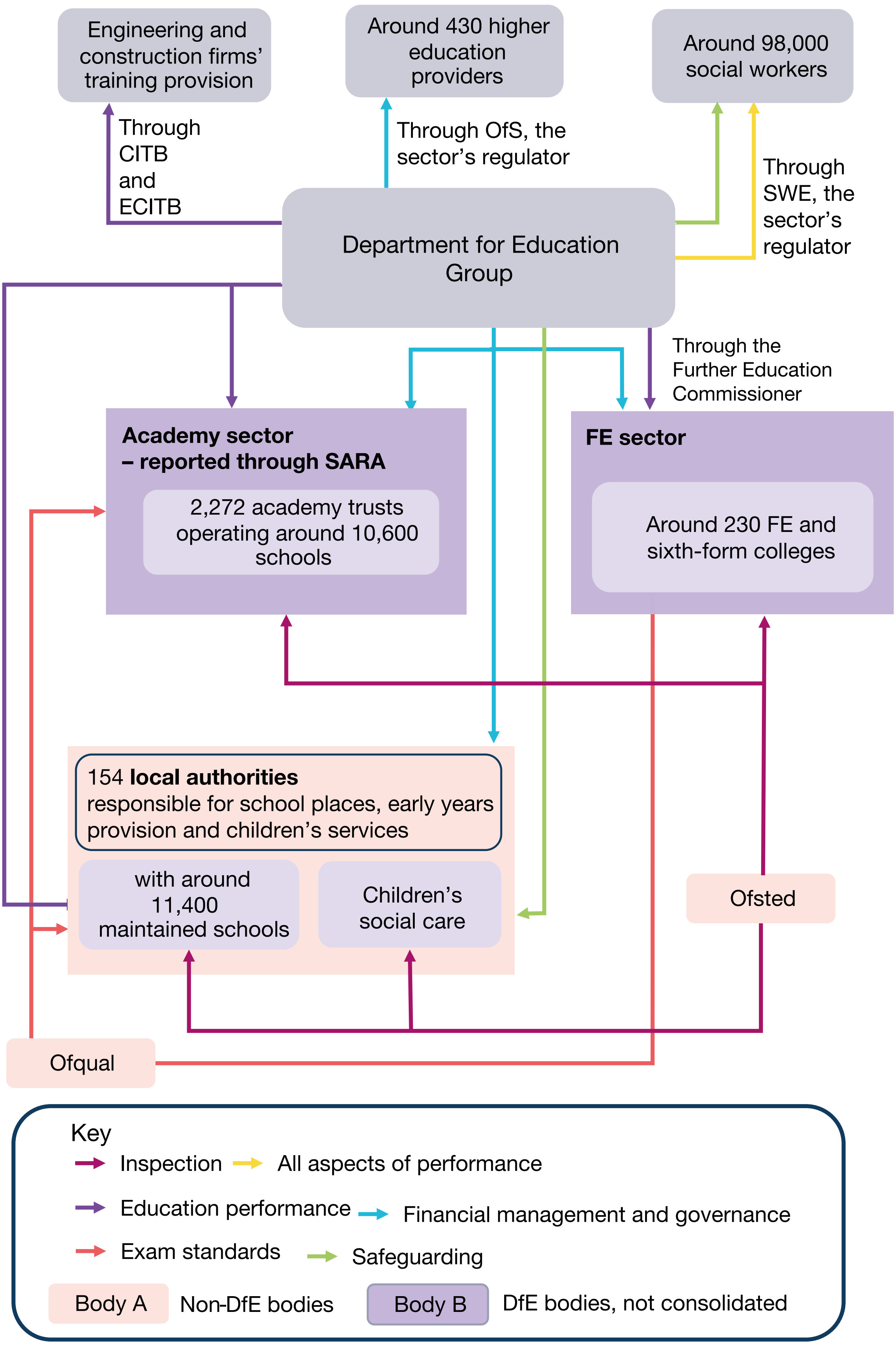
We are responsible for children's services and education, including early years, schools, further and higher education policy, apprenticeships and wider skills in England.

We work closely with:

- childcare providers
- local authorities, academy trusts, further and higher education providers and children's services organisations
- professionals in the education, children's services and health service sectors

Figure 1 illustrates the Group's activities and our interactions with the sectors we are responsible for.

Figure 1: Business model



Our vision

The Department enables children and learners to thrive, by protecting the vulnerable and ensuring the delivery of excellent standards of education, training and care.

Our overriding priority outcomes across Skills, Schools and Families, as set by the government in office for this reporting period, guide the work we do as a department:

- Skills – level up productivity and employment by improving the skills pipeline and supporting people to work
- Schools – level up education standards in every part of the country, and support children and young people to recover from the COVID-19 pandemic
- Families – support families and protect young people through high-quality local services, early education and childcare

Our priority outcomes

This summary provides an at-a-glance overview of how we worked towards delivering our priority outcomes in this financial year (2023-24).

Priority outcome 1:

Level up productivity and employment by improving the skills pipeline and supporting people to work

Senior sponsor: Julia Kinniburgh, Director General, Skills Group

We scaled up our priority skills programmes. There are now almost 700 employer-designed apprenticeship standards, more than 1,000 Skills Bootcamps, 106 higher technical qualifications and 18 T Level subjects available across the country.

We continued to increase the reach of our lifelong learning interventions, with 40,000 learners undertaking Skills Bootcamps training in 2022-23.

We made progress with the delivery of the lifelong learning entitlement (LLE) which will change the higher education student finance system and mean that people can access funding throughout their working lives. Progress has included publishing a consultation response, the Lifelong Learning (Higher Education Fee Limits) Act 2023 receiving Royal Assent in September 2023 and launching the modular acceleration programme.

We continued to roll out T Levels as a technical alternative to A levels. Over 16,000 students have studied all or part of a T Level since they were launched in 2020. Last summer, more than 90% of students achieved a pass or above, surpassing the target of 85%.

We strengthened the higher technical education market to provide qualifications that meet employer needs through the rollout of higher technical qualifications (HTQs). The first digital HTQs were taught from September 2022, followed by health and science, and construction in September 2023. From September 2024, there will be a further 66 approved HTQs available for delivery across seven occupational routes, including engineering and manufacturing and all previous rolled out routes.

This year we invested £185 million to help further education colleges tackle recruitment and retention issues in high-value technical, vocational and academic provision.

We increased investment in the apprenticeships system in England to over £2.5 billion this year. We removed the limit on the number of apprentices that small and medium-sized enterprises (SMEs) can recruit and are now fully funding the training costs for smaller employers hiring someone aged 16 to 21.

We continued to implement employer-led local skills improvement plans (LSIPs). LSIPs bring together local employers, education and training providers, and stakeholders to collaboratively align provision of post-16 technical education and training with local labour market needs. 38 LSIPs[1] covering all areas of the country were drawn up for a 3-year period and published in summer 2023. In autumn 2023, collaborations of further education (FE) providers received allocations of £165 million from our local skills improvement fund (LSIF) to help them make changes to their provision and facilities, as part of a collective response to the priorities in the LSIPs.

1 https://www.gov.uk/government/publications/designated-employer-representative-bodies/notice-of-designated-employer-representative-bodies

Priority outcome 2:

Level up education standards in every part of the country and support all children and young people to realise their potential

Senior Sponsor: Juliet Chua, Director General, Schools Group

For teachers new to the profession, our early career framework provides the foundation for a career in teaching, with over £148 million funding in the year. For existing teachers, there is a new suite of national professional qualifications (NPQs).

Latest key stage 2 results show the overall percentage of pupils meeting the expected standard in reading, writing and mathematics (combined) in 2023 is 60%, up from 59% in 2022 but down from 65% in 2019. In individual subjects, attainment increased in 2023 in mathematics and writing compared to 2022 but fell in reading.

We took action to improve behaviour and attendance. In 2023/24 we expanded our attendance hub programme and rolled out our mentor pilot further.

The National Tutoring Programme (NTP) was launched in 2020 to support pupils most in need to catch up on lost learning following the disruption of the pandemic. Since the beginning of the programme, 5.3 million tutoring courses have been started. According to the NTP's guidance to schools, a course should be between 12 and 15 hours of tutoring time received by a pupil.

At key stage 4, 45.3% of pupils sitting GCSEs in 2023 achieved a grade 5 or higher in both English and mathematics. This is an increase of 2.1% (from 43.2%) in comparison with 2019. Attainment in English and mathematics has also increased compared to 2019.

The core schools budget in England increased by over £3.9 billion compared to last year. This followed additional funding announced at the 2022 Autumn Statement and additional funding to support schools with the 2023 teachers' pay award, announced in July 2023.

Priority outcome 3:

Support families, protect young people and enable all to engage with education and training through high-quality local services and childcare

Senior sponsor: Justin Russell, Director General, Families Group

We invested in childcare to extend our 30 hours free childcare offer from the point a child is 9 months old to when they start school. Our support for families extends beyond early years and into children's time in school.

We worked with schools to improve and maintain behaviour. We provided guidance to help establish clear policies that promote this in and out of the classroom alongside a programme of support and best practice for schools that need it.

We spend over £1 billion each year on free meals and have significantly extended eligibility to free meals. Free meals are supported through two different funding approaches: direct grants for universal infant free school meals (FSM) and FE free meals, and also as part of national funding formula (NFF). We have also invested to provide breakfast through our national breakfast programme and in school holidays through the holiday activity and food programme.

Our performance at a glance

Funding

£4.0bn

Early years childcare entitlements (prior year: £3.7bn)

£6.8bn

Core funding for 16 to 19 provision (prior year: £6.6bn)

English student loans – £20bn paid out, which included over £11.4bn tuition fees

to students on higher education courses this year (prior year: £20.0bn and £11.5bn respectively)

£57.0bn

Core funding for schools, high needs and pupil premium (prior year: £53.5bn)

£2.5bn Apprenticeships

and

£1.4bn Adult education budget

(prior year: £2.4bn and £1.4bn)

Sector management and oversight

26,903

Number of individuals awarded qualified teacher status in England this year (prior year: 32,873)

398

Number of individuals awarded qualified teacher status from Europe this year (prior year: 668)

1,342

Number of individuals awarded qualified teacher status from the rest of the world this year (prior year: 1,429)

157

teachers prohibited from teaching, and interim prohibition orders imposed on

95

teachers (prior year: 137 and 95)

97% of social workers

renewed their registration (prior year: 96%)

Services

585,818
reception baseline assessments administered by
16,436
schools (prior year: 618,787 assessments and 16,441 schools)

254 providers covering 20 T Levels
(prior year: 164 providers and 17 T Levels)

337,000 starts
of which
33.5%
were
higher level apprenticeships
(level 4+) in 2022/23 (2021/22: 349,000 and 30.5%)

691
available apprenticeships (prior year: 668)

174 HTQs
approved higher technical qualifications as at March 2024 (prior year: 106)

2,024
Number of individuals who hold both Approved Mental Health Professional and Best Interest Assessor (prior year: 1,803)

The sectors we served this year

User volume data

1.29m
2- to 4-year-olds in funded 15-hour entitlement at January 2024 (prior year: 1.32m)

362,000
3- and 4-year-olds in funded 30-hour entitlement at January 2024 (prior year: 363,000)

36,726 in 381 nurseries
Pupils in state-funded nurseries in January 2024 (prior year: 37,496 in 383 nurseries)

Schools – 10,640 academies and 11,392 maintained schools
at January 2024 (prior year: 10,176 and 11,858 respectively)

4.61m in 16,764 schools
Pupils in state-funded primary schools in January 2024 (prior year: 4.65m in 16,783 schools)

1.31m
Funded 19+ further education and skills participants at Aug-2023 to Jan-2024 (Aug-2022 to Jan-2023: 1.30m)

Pupils – 5.1m in academies and 3.4m in maintained schools
at January 2024 (prior year: 4.9m and 3.5m respectively)

3.67m in 3,452 schools
Pupils in state-funded secondary schools in January 2024 (prior year: 3.63m in 3,444 schools)

652,000
Adult education and training funded participation (Aug-2023 to Jan-2024) (Aug-2022 to Jan-2023: 624,000)

403,090

Children in need at 31 March 2023 (prior year: 404,310)

83,840

Looked-after children at 31 March 2023 (prior year: 82,080)

1.24m

pupils with SEN support and

434,000

EHC plans

in 2023/24 (prior year: 1.18m & 389,000)

50,780

Children subject to a protection plan at 31 March 2023 (prior year: 50,920)

Workforce data

979,000
State-funded schools workforce (full time equivalent) in November 2023 (prior year: 974,000)

205,000
FE sector workforce (headcount) in 2022/23 (prior year: 205,000)

101,052
Number of registered social workers at November 2023 (prior year: 100,654)

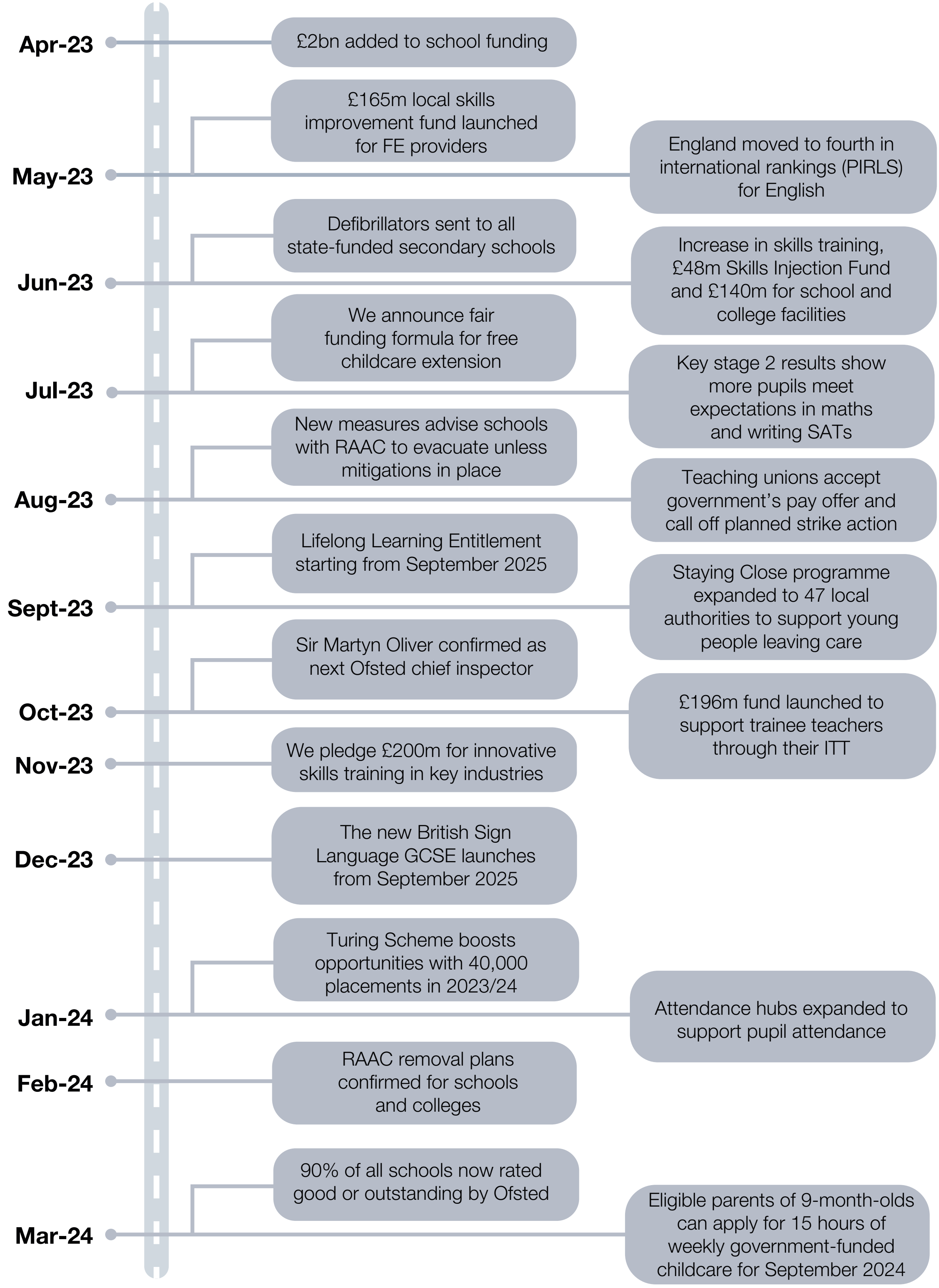
469,000
Teachers in state-funded schools (full time equivalent) in November 2023 (prior year: 486,000)

82,000
Teachers in the FE sector (headcount) in 2022/23 (prior year: 81,000)

Major announcements

Figure 2 presents a selection of the major announcements in the sectors served by the Group over the past year.

Figure 2: Timeline of major announcements this financial year



Where we spent taxpayers' money

In this ARA the Group reports its activities through two different but related financial frameworks: a financial reporting framework and a budgeting framework. The Financial Statements and some elements of the Remuneration Report are prepared under International Financial Reporting Standards as adapted and interpreted by HM Treasury (HMT) for the public sector context; and published in the Financial Reporting Manual (FReM).[2] To support parliamentary accountability the Group also reports its activities in the Statement of Outturn against Parliamentary Supply (SOPS) which is prepared under HMT's budgeting framework set out in the Consolidated Budgeting Guidance (CBG)[3] and aligns to the Estimates process whereby departmental funding is authorised by Parliament. Both frameworks apply the accruals concept so cover cash and non-cash spending.

Terminology associated with the frameworks differs but has been used consistently throughout this ARA:

- actuals – activities reported under the accounting framework (Financial Statements)
- net expenditure – total of actuals as reported in the Statement of Comprehensive Net Expenditure (SoCNE)
- outturn – activities reported under the budgetary framework (SOPS)
- total managed expenditure (TME) – total outturn across all budget types
- budget cover – refers to the value of spending authorised by Parliament through the Estimates process, also called voted totals
- budget scoring – a term meaning which budget class spending is allocated to, so that 'this spending is scored to RDEL' means the spending will be recorded as RDEL outturn

For the purposes of brevity and consistency, budget cover is termed Estimates throughout this ARA. More information about the different budget types is provided in the Financial Review of the Year.

Reconciliation of outturn to net expenditure

Figure 3 presents a high-level reconciliation of the Group's activities between TME (SOPS) and net expenditure for the year (SoCNE). TME includes all areas of spend that are reported against budgets, which may include values that are recognised in the Statement of Financial Position (SoFP) rather than the SoCNE. The most significant element of the reconciliation is student loan movements. Note 12 and Annex C provide more information on student loans.

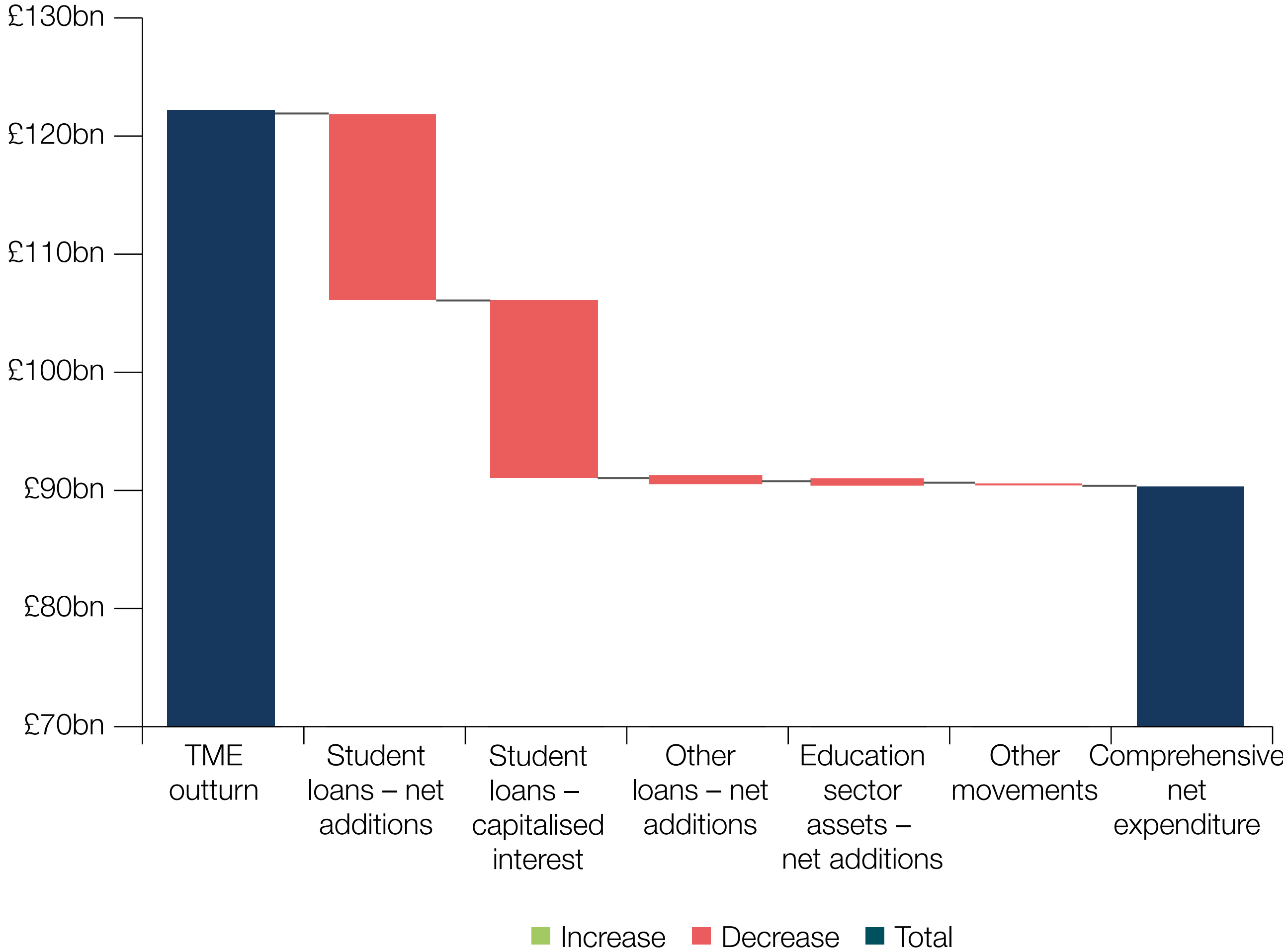
There are two types of reconciling items:

- the first is spend that is recognised in the SoFP which needs to be removed from TME to align to the SoCNE; which includes student loan net additions (the net of loan advances and repayments)

2 https://www.gov.uk/government/collections/government-financial-reporting-manual-frem
3 https://www.gov.uk/government/collections/consolidated-budgeting-guidance

- the second is to partially remove spend that is double counted in TME (against different budget types) to allow for the single recognition in SoCNE; which includes student loan capitalised interest that is reported in both the SoCNE (part of fair value movement) and the SoFP (asset values)

Figure 3: Reconciliation of TME to comprehensive net expenditure



The Financial Review of the Year provides more detail on spending, variances between budget cover claimed at Estimates and outturn; and a reconciliation between outturn and actuals. Further details of net expenditure (actuals) can be found in the Financial Statements.

Net expenditure

Figure 4 shows the Group's net expenditure for the year analysed across the main expense types as presented in the SoCNE. Resource policy funding has been further analysed across business groups. The following figures then break down the forward-facing business groups' performance by significant programme component as set out in note 5.

Figure 4: A breakdown of the Departmental Group's net expenditure (£90.4 billion)

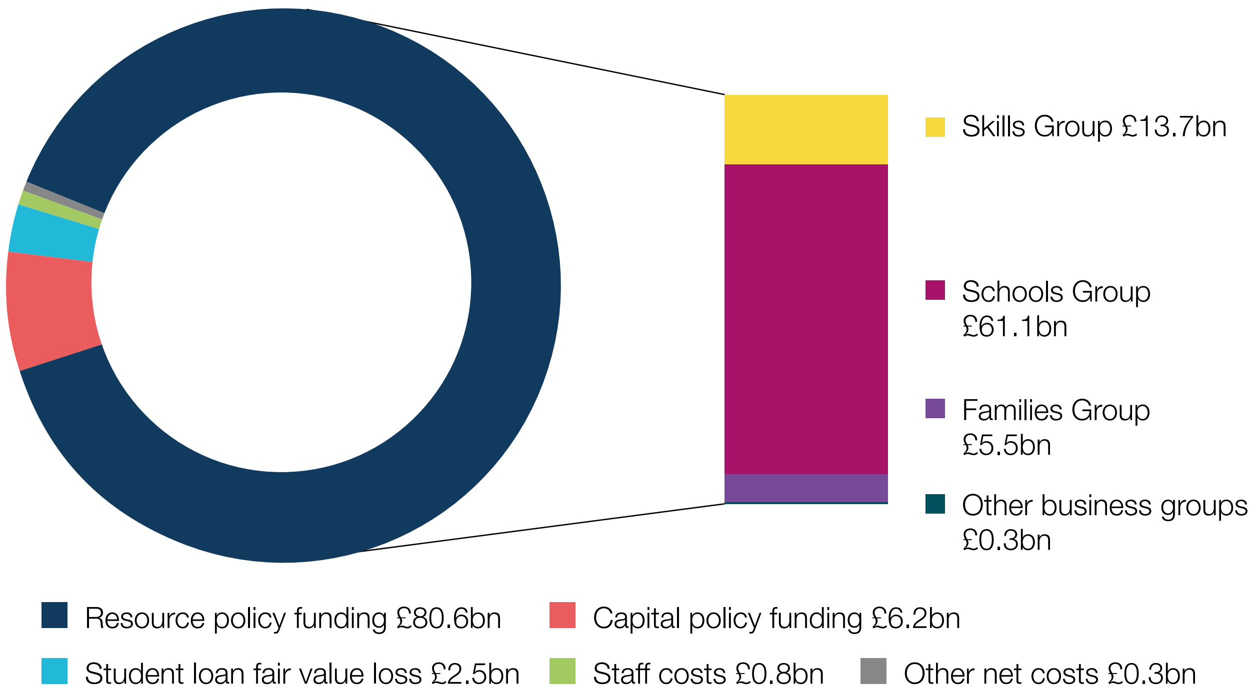


Figure 5: Skills Group resource policy funding (£13.7 billion)

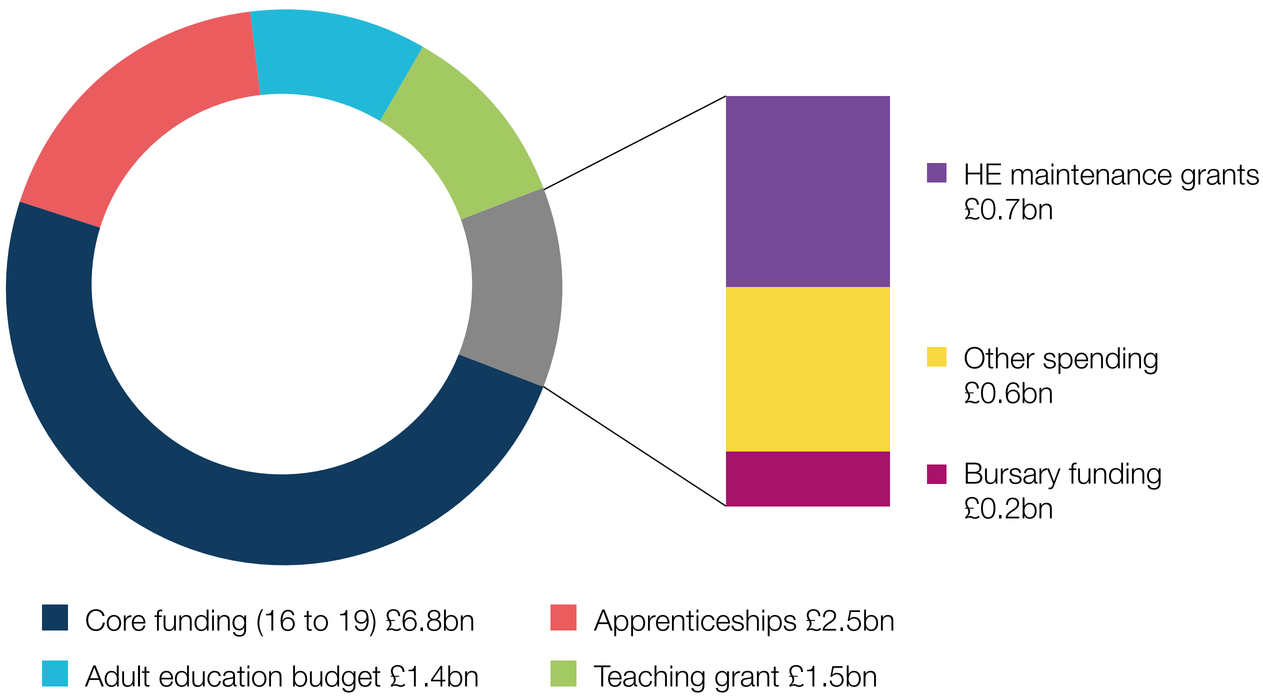


Figure 6: Schools Group resource policy funding (£61.1 billion)

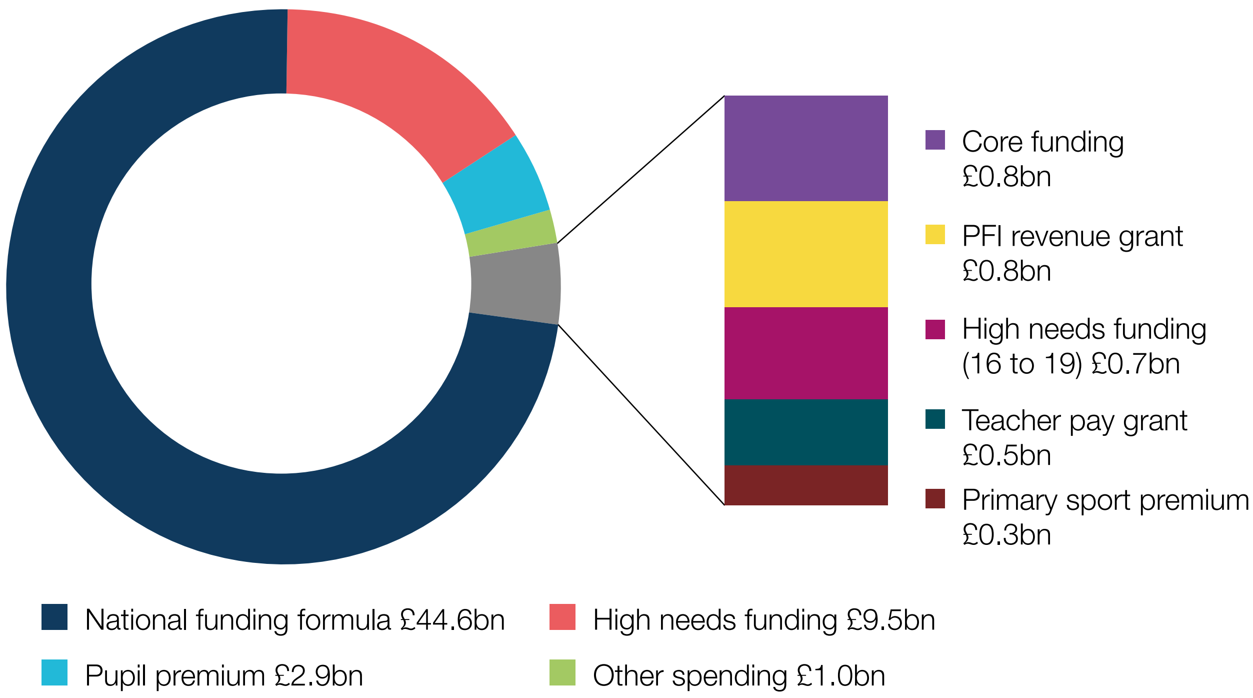
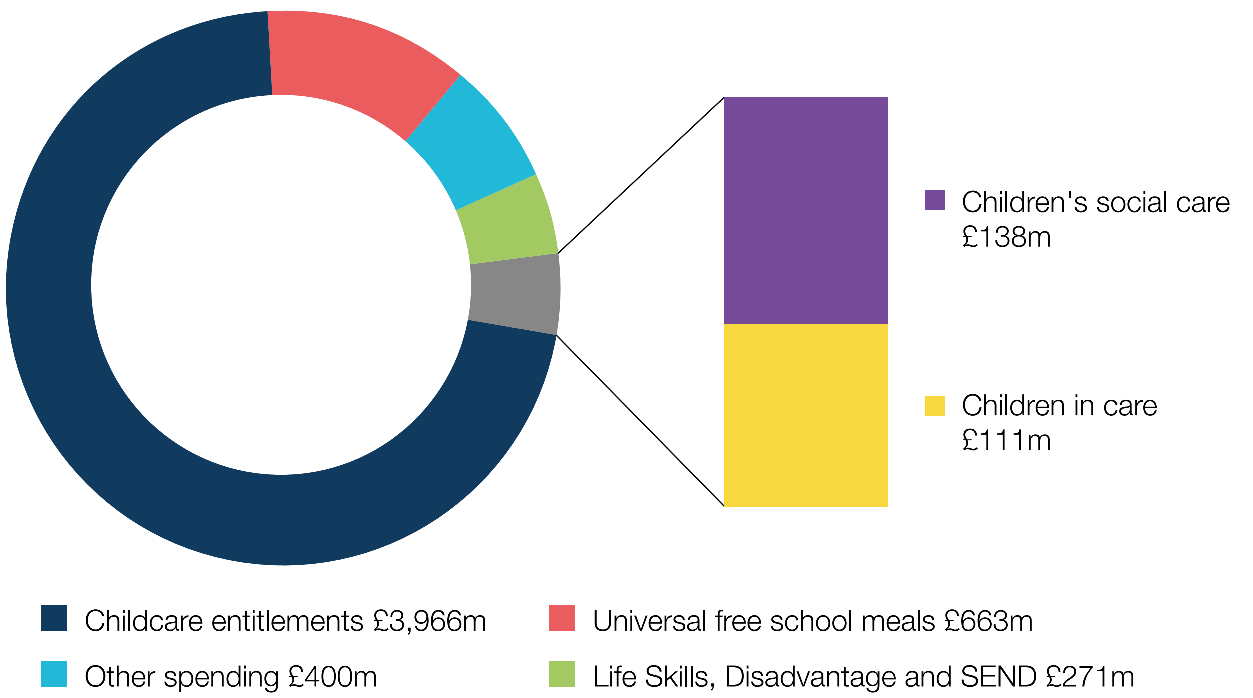


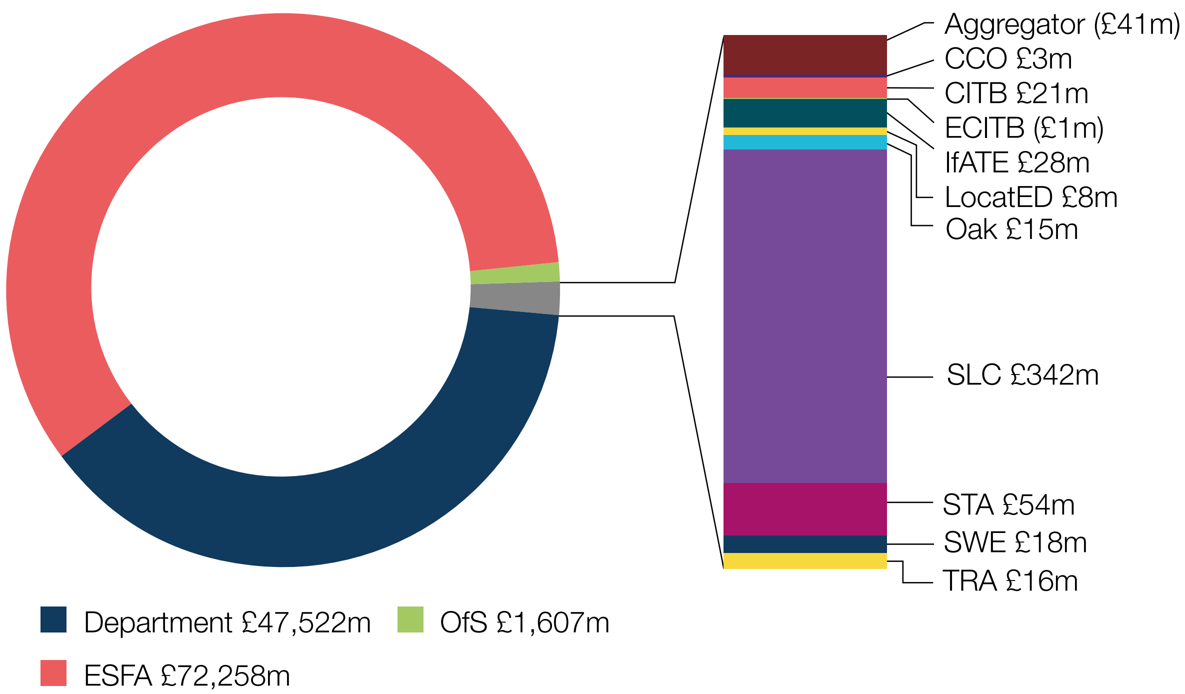
Figure 7: Families Group resource policy funding (£5,549 million)



Outturn analysis

Outturn is activity reported under the budgetary framework so covers all activities, including activities that are recognised away from SoCNE such as student loan advances and repayments. Figure 8 presents TME analysed across Group bodies, with values in brackets denoting net income for those bodies. The values reported in the figure are with reference to the Group-bodies' own ARAs before analysis by business segment. The four previous figures reported balances at a Group-level by business segment, which includes the bodies named below. As part of the conversion from Group-body to business segment ESFA's activities, which for management reporting purposes are reported through OIG, are allocated to the other business segments depending upon their nature of the funding. The majority of activities reported in ESFA's own ARA are allocated to Schools Group predominantly covering NFF.

Figure 8: A breakdown of TME by body (£121,850 million)



Annex E provides a breakdown of net expenditure by Group body.

Summary of key risks and issues

Below are summaries of the key risks managed by the Department during the year.

Risk 1 – Local authorities’ financial challenges
There is a risk that local authorities’ financial challenges impede delivery of essential support services and reform activity across childcare; special educational needs and disability (SEND) and alternative provision (AP); and children’s social care (CSC) worsening outcomes for the most vulnerable and exacerbating cost pressures.

This risk was escalated to top-tier in the year where it is now rated Critical – Likely.

Risk 2 – Social worker capacity
A risk that the workforce lacks capacity and stability to meet demand, in the context of recruitment and retention challenges.

This risk’s rating increased to Critical – Very likely in the year.

Risk 3 – School buildings
A risk of building collapse in the school estate resulting from structural safety issues. While general deterioration of building condition increases the risk of building collapse, of greatest concern are buildings constructed post-1945 that use materials or designs that are past their intended design life and could be subject to defects that increase the risk of collapse. If buildings have not been carefully monitored and maintained by responsible bodies, the risk of structural failure increases.

This risk’s rating (Critical – Very likely) remained unchanged across the year. Work to identify any reinforced autoclaved aerated concrete (RAAC) in use in school buildings has been completed and risks are being managed.

Risk 4 – Looked after children placement market failure
A risk that local authorities are unable to access appropriate placements to meet the needs of children in their care; and the prices they pay continue to increase. There is also a risk of disorderly exit of some providers from the market which would worsen the position.

This risk’s rating (Critical – Very likely) has remained stable across the year.

Risk 5 – High needs cost pressures
A risk that despite substantial real terms increases in high needs funding, high needs pressures continue to outstrip available funding significantly, making the SEND and AP system financially unsustainable. Increased funding for high needs has been driven in part by rising demand for education health and care plans (EHC plans).

This risk’s direction has worsened in the year to a Critical – Very likely rating.

Risk 6 – Cyber security
A risk that a cyber-attack or security breach could result in a loss of access to critical systems and services, and a loss of critical departmental data.

This risk's rating (Critical – Likely) remained stable across the year.

More detail on the risks described here can be found in the Key Risks section towards the end of the Performance Report.

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 policymaking and managing public funds.

Public sector bodies are classified based on the level of control a department has over them. Executive agencies (Agencies) act as an arm of the Department, undertaking executive functions, rather than giving policy advice. The other bodies in the Group, termed non-departmental public bodies, are separate legal entities but the Department usually sets their strategic framework. In addition, the Department normally appoints the body's Chair and all non-executive members of their boards and is consulted on the appointment of the body's chief executive officer.

Group bodies are judged to be controlled by the Department and so fall within the financial reporting boundary and so are consolidated into this ARA. In addition to the Agencies and NDPBs, the Office for National Statistics (ONS) has judged two education sectors, academy schools and further education, to be controlled by the Department and so should also be consolidated into this ARA. However, for the reasons given, we have excluded both sectors from this ARA.

As well as the bodies controlled by the Department, we work closely with other education sector and children's social care sector public bodies. However, ONS does not judge that we have control over these bodies, so they do not form part of the Group. For completeness we have described these non-controlled bodies as well.

Executive agencies

Education and Skills Funding Agency (ESFA)

ESFA is responsible for funding the education and training sectors, providing assurance that public funds are properly spent and providing, where necessary, financial support for education providers.

Standards and Testing Agency (STA)

Responsible for assessment of children in education up to end of key stage 3, although presently focused on assessments for children between reception and the end of key stage 2. STA is also responsible for managing the general qualifications planning service provided to exam centres and examiners.

Teaching Regulation Agency (TRA)

Responsible for the regulation of the teaching profession, including misconduct hearings and maintaining the database of qualified teachers.

Non-department public bodies

Executive NDPBs

Children's Commissioner's Office (CCO)

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.

Construction Industry Training Board (CITB)

Responsible for helping the construction industry attract talent and to support skills development in Great Britain.

Engineering Construction Industry Training Board (ECITB)

Responsible for working with employers and training providers to give the British engineering construction industry workforce the skills it needs to meet the challenges of the future.

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.

Oak National Academy Limited (Oak)

Responsible for supporting teachers to teach and enable pupils to access high-quality digital curriculum resources which are free, optional and adaptable.

Office for Students (OfS)

The independent regulator of higher education in England which also disburses government funding to the higher education sector.

Social Work England (SWE)

Regulates social workers in England and is committed to raising standards through collaboration with everyone involved in social work.

Student Loan Company Limited (SLC)

Responsible for administering loans and grants to students in colleges and universities in the UK on behalf of the Department and Devolved Administrations.

Advisory NDPBs

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.

Other Group bodies

Aggregator Vehicle Plc (Aggregator)

Acted as a single source of market funding to support the construction of new buildings for local authority-maintained schools and academies through our private finance initiative transaction.

Excluded bodies

Academy sector

The academy sector was reclassified to the public sector in 2004 by ONS with the Department judged to be their controlling department. From 2011-12, departments have been required to consolidate all the bodies judged to be controlled by them, which for us includes the academy sector. However, we secured an exemption to consolidate the academy sector from HMT for 2011-12. The Department included the sector in its consolidated ARA from 2012-13 to 2015-16.

From August 2016 with HMT and parliamentary approval, we removed the sector from this Group ARA and instead consolidate the academy sector into its own published standalone sector annual reports and accounts (SARA)[4] with a year end of 31 August.

FE sector

On 29 November 2022, ONS reclassified the FE sector (FE colleges, sixth form colleges and designated institutions, together 'colleges') from the private sector to the public sector following a review of recent legislation and areas of control. The reclassification resulted in colleges becoming Group NDPBs. We continue to work with HMT to agree the most appropriate consolidation approach and timing.

For both years reported here, the Department received a derogation from HMT concerning the consolidation of the FE sector and as such it has not been included in this consolidated ARA for either year presented.

4 https://www.gov.uk/government/collections/academies-sector-annual-reports-and-accounts

Non-Group bodies

Non-ministerial departments

The bodies named below control their own policies and operational activities including Estimates processes, with their own accounting officers. Consequently, the bodies are judged to be not controlled by either the Department or Secretary of State and so are not consolidated into this Group ARA.

Teachers' Pensions Scheme (England and Wales)

A statutory, unfunded multi-employer defined benefit occupational pension scheme for the teaching profession.

Ofqual

A non-ministerial department separate to the Department, which regulates qualifications, examinations and assessments in England.

Ofsted

A non-ministerial department separate to the Department, which 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.

Other bodies

In addition, we also work with other public sector bodies in furtherance of joint objectives. The bodies do not produce their own ARAs and the Department provides administrative support.

Child Safeguarding Practice Review Panel

An independent panel that commissions reviews of serious child safeguarding cases, with a focus on improving learning, professional practice and outcomes for children, through local and national reviews.

The panel meets regularly to decide whether to commission national reviews of child safeguarding cases that are notified to it. The panel's decisions are based on the possibility of identifying improvements from cases which it views as complex or of national importance.

Independent Review Mechanism

The review mechanism team provide independent panels that review suitability to adopt or foster and other decisions made by adoption and fostering providers.

Office of the Schools Adjudicator

The adjudicator decides on objections and variations to admission arrangements, appeals from schools directed to admit pupils, significant changes to schools and ownership of school land.

Operational structure

Business segments

The Group separates its strategic responsibilities and priorities into six business segments which had the following responsibilities during the year.

Families Group

Director general: Justin Russell

Contributing bodies: CCO and SWE

Responsibility for oversight of work to support families, protect young people, and enable all to engage with education and training through high-quality local services, early education and childcare, including:

- early years and childcare provision
- family hubs and family help policy
- SEND and AP, including development and delivery of the SEND and AP Improvement Plan
- CSC strategy and workforce – including delivering major reforms to CSC
- safeguarding
- behaviour, attendance and school food policy
- cross-cutting strategic work to support vulnerable children and families

Schools Group

Director general: Juliet Chua

Contributing bodies: STA, TRA, Oak and STRB

Responsibility and oversight for schools, including:

- the school curriculum
- exams and general qualifications
- school accountability
- pupil wellbeing and safety
- recruitment and retention in the teaching workforce
- targeted support, including the NTP
- school system, strategy, analysis and infrastructure

Skills Group

Director general: Julia Kinniburgh

Contributing bodies: SLC, OfS, IfATE, ECITB and CITB

Responsibility for oversight of the skills system including:

- skills strategy and engagement with employers
- apprenticeships and Skills Bootcamps
- technical qualifications and essential skills
- higher education strategy and funding
- further education strategy and funding
- regional engagement with providers
- user experience and social justice, including careers information, advice and guidance

Regions Group

Director general: John Edwards

Contributing bodies: none

Responsibility for oversight of:

- addressing underperformance in schools, academies, CSC and SEND services, offering support, and intervening where necessary to deliver rapid improvement
- taking decisions on academy sponsor matches and significant changes to academies
- deciding on new free schools and the creation, consolidation and growth of multi-academy trusts (MATs)
- working with school and trust leaders, as well as local authorities, to grow the number of high-quality trusts across all areas of the country
- supporting local authorities to ensure that every local area has sufficient places for pupils
- leading the response to SEND Ofsted and Care Quality Commission inspections, ensuring effective challenge and support to enable areas of weakness to be remedied quickly
- leading the response to Ofsted's inspections of local authority children's services, intervening whenever there is evidence of failure to deliver CSC
- checking that academies are complying with safeguarding regulations and taking the lead on ensuring there is an appropriate response to safeguarding cases arising in academies, working closely with local authorities and Ofsted
- responding to complaints about academy and maintained school compliance with aspects of regulations relating to school complaint handling, admissions, directions to admit, exclusions, safeguarding, SEND and Office of the Schools Adjudicator determinations

Strategy Group

Director general: Tony Foot

Contributing bodies: none

Responsibility for:

- education strategy and delivery of strategic priorities across the Department
- cross-cutting strategy on disadvantage and place
- sustainability
- international education
- strategic analysis, research, data and science
- communications
- rapid response and emergency planning
- policy capability
- private offices

Operations and Infrastructure Group

Director general: Jane Cunliffe

Contributing bodies: ESFA, Aggregator and LocatED

Responsibility for:

- Providing excellent corporate services to support our colleagues in delivering outcomes, including finance, HR, commercial, technology, estates, legal, security and governance expertise.
- Supporting the education sector to deliver improvements in estates, digital, data, finance and commercial functions. This includes running digital services for provision of skills programmes, services to schools and supporting local authorities in their children's services responsibilities.

Reporting in this ARA

The lowest level of financial information presented in this ARA is the sub-consolidation of the core department and its Agencies, presented as 'Department and Agencies'. The full consolidation ('Group') is the core department and Agencies together with the NDPBs named above and in note 22.

Financial Review of the Year

Introduction

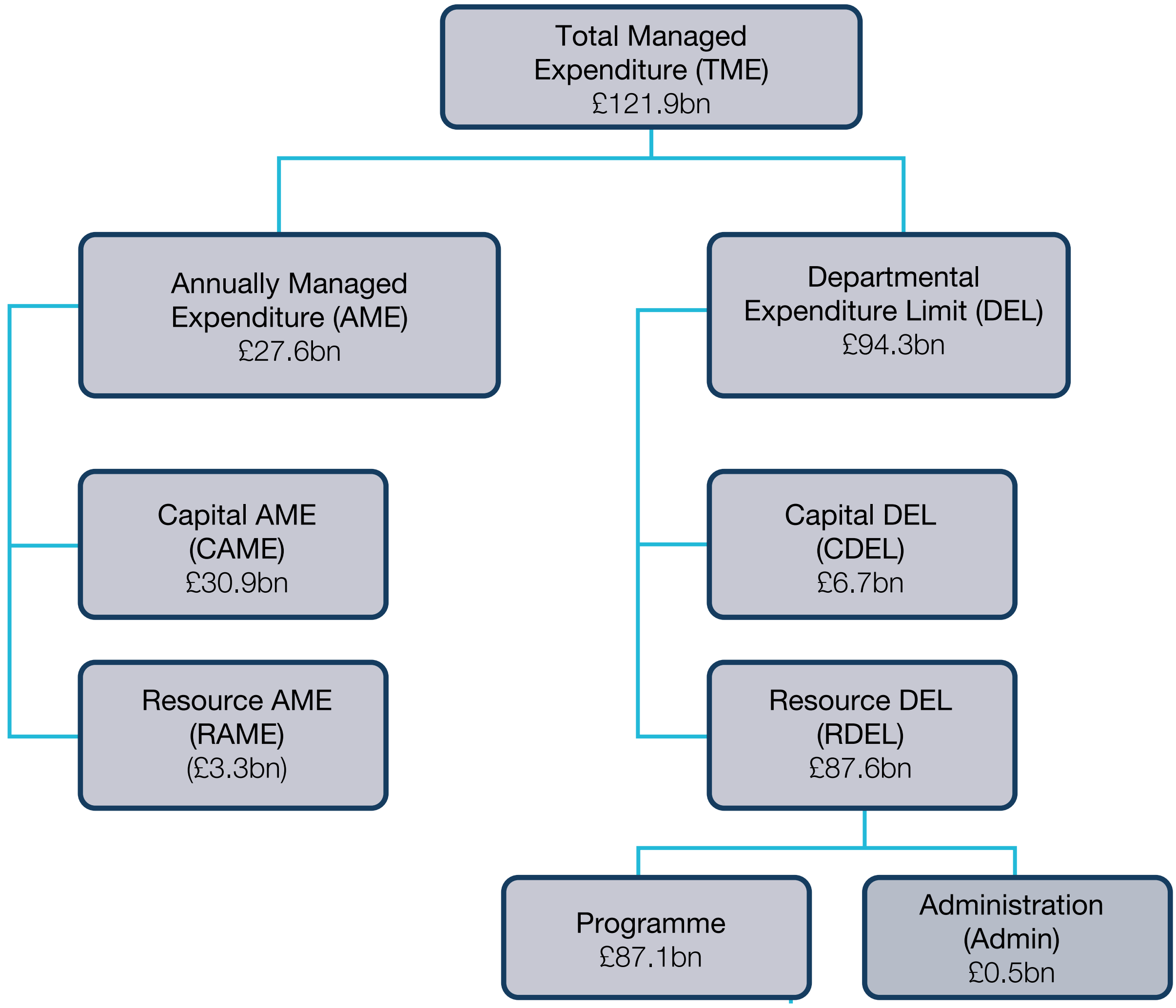
This section provides commentary and explanation on:

- what the Group has spent in the year under the budgetary framework (outturn)
- explanation of the different budgetary classifications
- commentary of significant variances between outturn and control totals
- five-year trend analysis of outturn
- significant issues

Outturn

In this section we report and explain our performance as reported under the budgeting framework. As well as performance, we also provide an explanation of the different budgets managed by the Department across the Group and their purpose. The balances presented are the outturn for the year with values in brackets representing net income or gains. Explanations of budget types are provided after Figure 9. For more detailed explanations see HMT's Consolidated budgeting guidance.

Figure 9: Current year's TME breakdown



Summary of budget types

Total Managed Expenditure (TME)

The total amount that the Group spends reported within the budgetary framework. TME is split into: Departmental Expenditure Limit and Annually Managed Expenditure, both of which in turn consist of resource and capital sub-divisions.

Departmental Expenditure Limit (DEL)

Captures spending that is subject to limits set in a 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 and can be split into resource and capital budgets.

Annually Managed Expenditure (AME)

Captures spending that is subject to HMT control. AME budgets are volatile or demand-led in a way that departments cannot fully control and are split into resource and capital budgets. The majority of the Group's AME expenditure is derived from student loans.

Resource

Resource budgets capture current expenditure (including depreciation, which is the current cost associated with non-current assets). 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, including staff costs, 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 non-front-line staff, buildings, depreciation and technology.

Resource DEL (RDEL)

Resource DEL is current expenditure in DEL, which can be split between programme and admin. Part of the annual student loan fair value movement is reported under this budget type.

Capital DEL (CDEL)

Capital DEL is spending on assets and investment such as education provider buildings and facilities.

Resource AME (RAME)

Resource AME budgets include part of the student loans annual fair value movement, provisions and resource costs of levy bodies.

Capital AME (CAME)

Capital AME budgets cover student loan advances, repayments and capitalised interest, plus the capital cost of levy-funded bodies (CITB and ECITB).

Ringfence

An HMT stipulated restriction whereby ringfenced budgets can only be spent on particular activities and underspends cannot be utilised for other activities. Restrictions can be specific, such as student loan fair value movements, or wider across transaction types such as depreciation and amortisation.

Estimates to outturn variances

The TME limit for the year, set through the Estimates process, was £143.7 billion (prior year: £98.9 billion) against which the Group spent £121.9 billion (prior year: £83.6 billion). Table 1 shows the Group's performance, for the last two years, against its control totals as agreed by Parliament at Supplementary Estimates.[5]

Table 1: Comparison of Estimates against outturn for the current and prior years

			2023-24			2022-23
Type of spend	Estimates	Outturn	Variance	Estimates	Outturn	Variance
	£m	£m	£m	£m	£m	£m
DEL	**111,394**	**94,264**	**17,130**	**82,066**	**73,103**	**8,963**
Resource						
Programme	104,051	87,097	16,954	75,227	66,609	8,618
Admin	563	530	33	570	546	24
Capital	6,780	6,637	143	6,269	5,948	321
AME	**32,327**	**27,586**	**4,741**	**16,862**	**10,514**	**6,348**
Resource	(2,054)	(3,327)	1,273	(10,391)	(14,314)	3,923
Capital	34,381	30,913	3,468	27,253	24,828	2,425
TME	**143,721**	**121,850**	**21,871**	**98,928**	**83,617**	**15,311**
Analysed as:						
non-student loan activities	88,724	88,345	379	82,754	82,581	173
student loans	54,997	33,505	21,492	16,174	1,036	15,138

The table is a summary of the more detailed analysis of outturn to Estimates presented in the audited Statement of Outturn against Parliamentary Supply and associated notes. SOPS is the primary element of parliamentary accountability by comparing actual performance (outturn) with expected activities (Estimates) authorised through the parliamentary voted totals (control totals) process.

5 https://www.gov.uk/government/collections/hmt-supplementary-estimates

The large underspend recognised by the Group is predominantly generated by student loans. The underspend is driven by difficulties in forecasting year end student loan valuation model inputs (such as RPI) at the time of the Supplementary Estimates process, in advance of the year end economic inputs for the valuation model being known. Large year end Estimates to outturn variances are typically a product of over-prudence in the Estimates setting process and do not indicate a lack of control over the management of student loans or their accounting values.

At Supplementary Estimates, the Department secured a £20.7 billion increase to authorised spending over the current financial year from that previously authorised at Main Estimates at the start of the financial year. Most of the increase reflected an increase in the Department's student finance forecasts, primarily for fair value movements given the sensitivity of the loan book to macroeconomic conditions.

The main changes by budget category are:

- RDEL – an £18.6 billion increase, which included £18.5 billion for student loan fair value movements
- RAME – a £2.4 billion increase, which covered £2.3 billion for the costs of unwinding the discount applied to value student loans
- CDEL – a £258 million decrease, of which £250 million represented a budget switch from CDEL to RDEL
- CAME – a £47 million decrease, of which student loan changes amounted to £55 million
- net cash requirement – a £912 million reduction, of which £826 million covered the expected reduction in cash required for student loans

The changes at Supplementary Estimates represent our revised planned expenditure in this financial year. These changes are reflected in our control totals; they are not outturn or actuals. The post-change values are presented in SOPS, and accompanying notes, as 'Estimates'.

Impact of student loans

Calculating student loan valuations, for accounting purposes (note 12) and to support the Estimates claim, is inherently difficult and different to commercial loan portfolios. Unlike commercial mortgage books (which are similar in duration) the student loan portfolios do not have stable monthly contractual 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. None of the year end values for these variables, which are required by the valuation models, are known by the Department to support either Estimates claim (Mains or Supplementary).

In addition, the very large size of the student loan portfolio (£234.0 billion face value, note 12.1) presents challenges. The student loan valuation models apply valuation inputs to student loan face value balances to calculate the carrying values. The size of the portfolio means that even minor movements of a valuation input can generate extremely large movements to the student loan carrying value recognised. Therefore, small differences between model inputs forecast at Supplementary Estimates and actual values at the year end can generate very large variances. See note 12.4 and Annex C for more explanation on valuation model input sensitivities; and note 7 records the annual movement in fair value.

Consequently, the Department is prudent when it prepares its annual Supplementary Estimates claim for budget cover for student loan balances across all budget categories. The Department requests budget cover for what we reasonably expect to spend if macroeconomic forecasts change, but not a worst-case scenario.

To add further complexity to student loan outturn reporting (away from net loan advances), the performance of student loans scores to multiple budget categories even if in accounting terms there is just a single fair value movement. HMT requires further analysis of the fair value movement to support fiscal reporting and is set out in CBG. Annex C has more details.

In general terms, the single accounting performance measure (fair value loss/gain) is split into the following budget categories:

- RAME
  - the cost of unwinding the discount applied to future student loan repayments by one year
  - the impact of changes in the discount rate on the fair value of the existing stock of loans
  - the impact of changes in the discount rate on loans issued in year
  - differences in student loan outlay between models in the student loan pipeline arising from assumptions on when cashflows occur
- RDEL – the remaining fair value movement

Note 12 provides further analysis of the student loan outturn split by net advances, the initial fair value gain/loss and the year end fair value gain/loss.

Variances discussion

Here we explain large pre-virement variances of Estimates to outturn highlighted in SOPS (and associated notes) which are identified as those over £1 billion or over 10% of Estimates value and over £250 million, across the different budget types.

Resource DEL-Programme

Every year the Group recognises a large movement at Supplementary Estimates generated by student loans. The Department is unable to forecast the student loan year end position in time for inclusion at the Main Estimates.

Note S1.1 breaks down the overall RDEL underspend of £17.0 billion by Estimates lines which approximate operational areas. Almost all of the overall underspend, £16.8 billion (before and after virements), is held by the higher education (HE) Estimates line which is driven by student loan fair value losses and other valuation movements. The underspend arises from more favourable economic determinants (RPI and earnings) than those applied at Supplementary Estimates to determine student loans budget cover.

Resource AME

As shown in note S1.1, the Group reported an overall underspend of £1.3 billion, which is in the HE Estimates line. Student loans impact RAME through unwinding a year of discounting as the loan book is revalued twelve months on from the previous valuation. As student loans are discounted using the HMT rate of RPI-1.05% for cash flows up to 2030 and RPI-0.05% for cash flows thereafter, the student loans impact on RAME is highly dependent on RPI. The underspend arises from March 2024 RPI outturn (4.8%) being lower than the estimate applied at the Supplementary Estimates, because a decrease in RPI reduces the gain received from unwinding the discount on student loans.

Capital AME

The underspend of £3.5 billion (predominately within the HE Estimates line) is a result of unused budget cover secured at Supplementary Estimates to cover the difficulties in forecasting student loan principal movements (loan advances, capitalised interest and loan repayments). The variance is primarily a result of a net overall underspend across the three student loan movement types: repayments, capitalised interest and new loans issued in the year.

Trends in TME

The following table and figures present 5-year summaries of the movements in the Group's outturn analysed by budget type. The table and figures are summarised versions of the tables presented in Annex D.

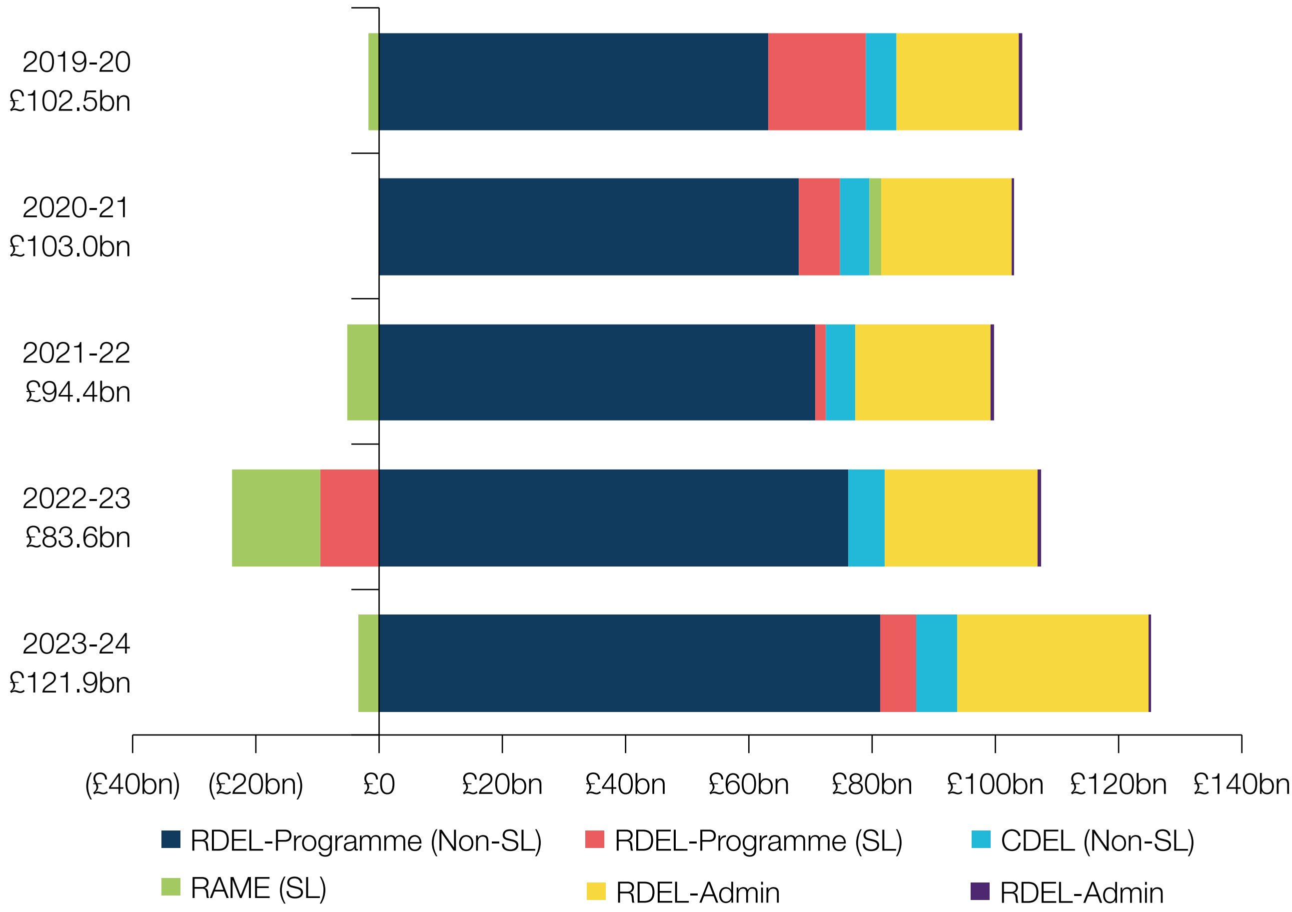
In recognition of the impact of student loans on specific budget types, the Group's financial performance presented below has been split between non-student loan activities and student loans. Student loans are judged to be the loans themselves and include loan advances, repayments and interest. Costs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

Table 2: Outturn analysed across budget types for the last five years

Type of spend	2023-24 Outturn £m	2022-23 Outturn £m	2021-22 Outturn £m	2020-21 Outturn £m	2019-20 Outturn £m
DEL					
Administration	**530**	**546**	**540**	**509**	**490**
non-student loan activities	530	546	540	509	490
student loans	–	–	–	–	–
Programme	**87,097**	**66,609**	**72,406**	**74,712**	**78,920**
non-student loan activities	81,180	76,000	70,759	68,097	63,141
student loans	5,917	(9,391)	1,647	6,615	15,779
Capital	**6,637**	**5,948**	**4,798**	**4,830**	**4,864**
non-student loan activities	6,637	5,948	4,798	4,860	4,864
student loans	–	–	–	–	–
Total DEL	**94,264**	**73,103**	**77,744**	**80,051**	**84,274**
non-student loan activities	88,347	82,494	76,097	73,436	68,495
student loans	5,917	(9,391)	1,647	6,615	15,779
AME					
Resource	**(3,327)**	**(14,314)**	**(5,180)**	**1,767**	**(1,739)**
non-student loan activities	(9)	84	12	(3)	(41)
student loans	(3,318)	(14,398)	(5,192)	1,770	(1,698)
Capital	**30,913**	**24,828**	**21,863**	**21,144**	**19,947**
non-student loan activities	7	3	(4)	(1)	18
student loans	30,906	24,825	21,867	21,145	19,929
Total AME	**27,586**	**10,514**	**16,683**	**22,911**	**18,208**
non-student loan activities	(2)	87	8	(4)	(23)
student loans	27,588	10,427	16,675	22,915	18,231
TME	**121,850**	**83,617**	**94,427**	**102,962**	**102,482**
non-student loan activities	88,345	82,581	76,105	73,432	68,472
student loans	33,505	1,036	18,322	29,530	34,010

After removing budget types with insignificant spending (such as CAME and RAME non-student loan activities) the following figures illustrate that the main drivers of TME across the years outlined (from a high of £121.9 billion to a low of £83.6 billion) are movements in student loan RDEL and RAME. These are the most variable of the different budget and activity types for the Group. The size of the student loan portfolio drives the RDEL and RAME annual movement values, which means that they can absorb the increased programme spending (RDEL-Programme – non-SL) to reduce overall TME.

Figure 10: TME for the last five years analysed between non-student activities and student loans



The large prior year RDEL-Programme (SL) and RAME (SL) negative values arose from the fair value gain (£24 billion) on student loans which primarily resulted from the changes in assumptions and modelling, in particular to Plan 2 repayment thresholds.

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 activities and student loans. Where one outturn type is negligible it has been removed from the figures and commentary for simplification. Reporting units used in the figures vary across figures due to the range of spending across the budget types.

Resource DEL-Programme

Figure 11 presents a comparison of Estimates to outturn for RDEL-Programme across the last five years. Outturn values are split between non-student loan activities (non-SL) and student loans (SL).

Figure 11: RDEL-Programme Estimates to Outturn, 5-year comparison

RDEL-Programme Estimates for this financial year presents an increase of £28.8 billion compared to the prior year. Most of the total uplift from last year (£20.5 billion) was within student loans (£15.3 billion), with non-student loan activities outturn increasing by £5.2 billion. This year's student loan outturn reflects the RDEL-Programme portion of the more usual fair value loss. The non-student loan activity uplift was split across programmes with the NFF and high needs funding increasing by £3.7 billion.

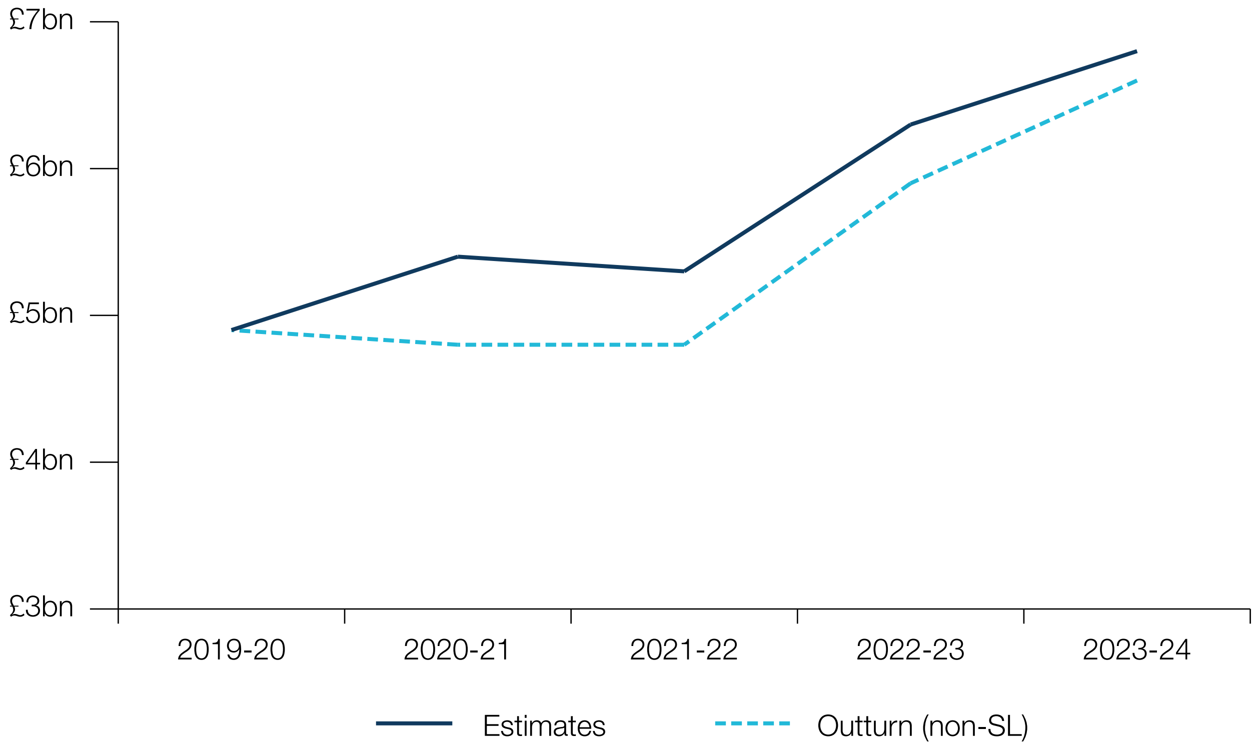
The prior year student loan movement was a large gain resulting from updated modelling assumptions, mainly around the future Plan 2 repayment threshold, and a significant increase in the impact of unwinding the discount due to the increase in RPI from 2021-22. This year we secured budget cover for a fair value loss, in line with our central forecast.

The increase in non-student loan outturn is driven by continued investment by the Group in its priorities, including increases to the core schools budget.

Capital DEL

Figure 12 presents a comparison of Estimates to outturn for CDEL across the last five years. Since there is no CDEL spend on student loans, the graph below only presents non-student loan activities (non-SL).

Figure 12: CDEL Estimates to Outturn, 5-year comparison



The majority of our capital investment (in a budgetary context) is spent on the school estate, including creating new school places and to fund maintenance of buildings. It also includes major programmes, delivered by the Group, to build new schools and rebuild existing school buildings or repair colleges in response to condition concerns. Other investments in skills include funding for T Levels roll out and in CSC policy.

The Spending Review 2021 settlement provided the most budget cover this year to reflect the capital delivery cycle. The increased outturn follows that pattern of investing more spend in builds in the second year of the spending review. Difficult capital delivery and construction markets have resulted in slower outturn in comparison to Estimates budget, but the Group continues to deliver capital programmes and funding directly to education providers.

Resource AME

Figure 13 presents a comparison of Estimates to outturn for RAME across the last five years. Since there is no significant RAME spend on non-student loan activities, only student loans (SL) outturn is presented.

Figure 13: RAME Estimates to Outturn, 5-year comparison

The current year increase in budget cover secured at Estimates, £8.4 billion, results from RPI returning to more normal levels which means a reduction in the gain to be expected from unwinding the discount.

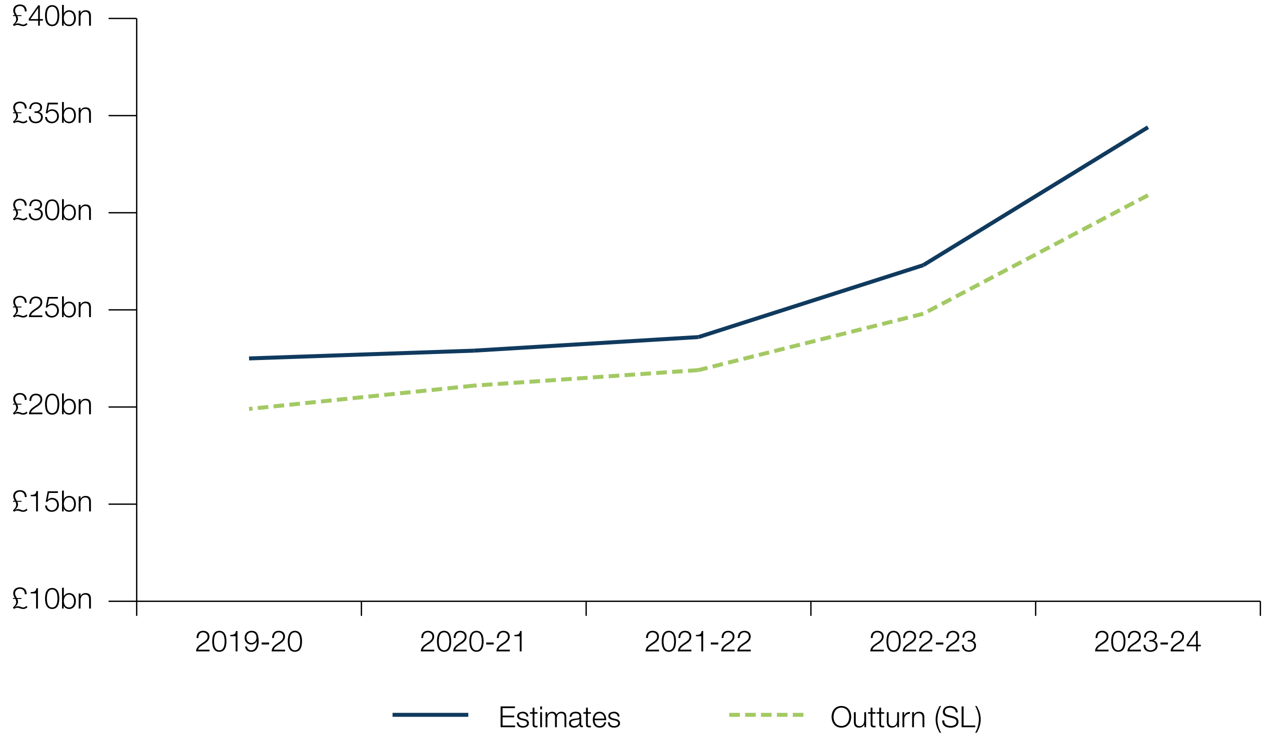
The downward movements seen in the last two previous years were driven by an increase in the scale of the impact of unwinding the discount, caused by the increase in RPI throughout that period from 1.5% in March 2021 to 13.5% in March 2023.

Before then, the increase seen in 2020-21 was caused by a £3 billion management charge levied by HMT. The spending control on student loans was revised in the autumn due to the expansion of the loan book and changing cost of providing loans. No management charges under the updated spending control have been levied this year.

Capital AME

Figure 14 presents a comparison of Estimates to outturn for CAME across the last five years. There is no significant CAME spend on non-student loan activities.

Figure 14: CAME Estimates to Outturn, 5-year comparison



The budget cover secured at Estimates increased by £7.1 billion in the year, which is required to support the expected increase in student loan balances.

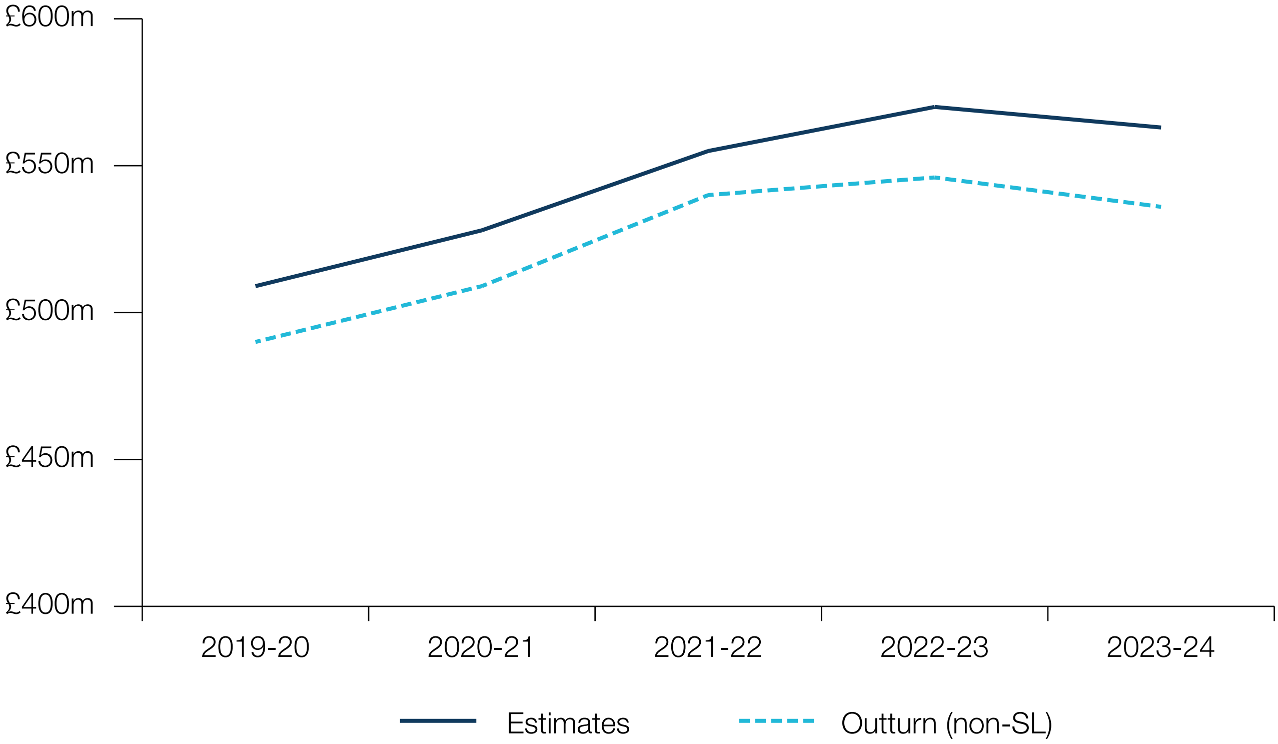
The main driver of CAME is the creation of new student loans through either loan advances or capitalised interest. Both of these balances are largely predictable based on expected student numbers and so do not have the same volatility as RDEL (driven by loan performance).

As with other student loan budgets, the underspend is driven by the prudent approach the Department takes when securing budget cover given the forecasting uncertainty surrounding student loans at the time.

Resource DEL-Admin

Figure 15 presents a comparison of Estimates to outturn for RDEL-Admin across the last five years. There is no RDEL-Admin spend on student loans.

Figure 15: RDEL-Admin Estimates to Outturn, 5-year comparison



The RDEL-Admin budget covers the running costs of the Department, including areas of spend like back-office functions such as HR, Finance and IT. The above figure shows the Group has managed within its budget for this year.

Significant events

National Funding Formula miscalculation

In September 2023, Departmental analysts realised that an error had been made in the calculation of the indicative schools NFF allocations for 2024-25, which had been published in July 2023.

Specifically, an error was made when calculating the total cost of the schools NFF, which meant that the per-pupil funding rates in the formula were set too high, at a level which was unaffordable from the core schools budget envelope. A mismatch in the local authority lists in the datasets used to calculate the NFF's affordability meant that the costs of the two new local authorities in Cumbria (Westmorland & Furness, and Cumberland) were erroneously omitted when determining the total cost. Subsequent quality assurance activity prior to the July publication failed to spot the error.

Once identified, the error was corrected swiftly, and revised 2024-25 schools NFF allocations were published on the Department's website in October 2023.

In light of the error, an internal review was conducted, led by two senior analysts within the Department who work outside of the schools funding analysis team. The Secretary of State also asked Peter Wyman CBE, the chair of the Institute of Chartered Accountants in England and Wales, to conduct an external review.[6]

The review provided recommendations for the NFF analysis specifically, plus recommendations for the Department's analytical quality assurance processes more widely. Revised internal quality assurance guidance was launched in early January 2024, accompanied by an internal communication strategy to ensure awareness across the Department and to embed and monitor the changes. The recommendations specifically for the NFF analysis will be implemented when the Department undertakes the modelling and quality assurance for the 2025-26 NFF.

Potential misuse of public funding in higher education franchising partnerships

Franchised provision in higher education refers to a lead provider subcontracting delivery of part of its approved programme to another provider. The lead provider retains responsibility for the franchised provision and the students. Where the lead provider is registered with OfS, the independent regulator for HE in England, students are able to access government student funding. Subcontracted delivery partners do not need to be registered with OfS.

During 2022-23, we became aware of concerns regarding insufficient governance and controls in a number of franchise partnerships. The Department takes potential risk to public funds extremely seriously and took immediate action with these providers, with support from the Government Internal Audit Agency (GIAA). The Department has engaged with franchised providers in the year, and where justified has sought additional assurances in relation to these providers to obtain assurance to inform funding decisions. Where necessary, we have suspended certain payments until the providers have given us sufficient evidence and

6 https://www.gov.uk/government/publications/national-funding-formula-nff-2024-to-2025-independent-review

assurance that students were in attendance and met the requirements of the course, and appropriate controls were in place.

The Department has been working closely with other Group bodies, OfS and SLC, to find more effective ways of protecting public money, including clarifying roles and responsibilities for each organisation, agreeing a joint incident response plan and implementing more effective data and intelligence sharing processes.

Reinforced autoclaved aerated concrete

RAAC is a lightweight form of concrete used in building construction from the 1950s until the mid-1990s. The Department has been engaging with responsible bodies about the potential risks of RAAC since 2018, when we published a warning note with the Local Government Association. Following evidence of three new cases where RAAC had failed with no warning, in August 2023 the Department decided to take a more precautionary approach for education settings, so that all spaces with confirmed RAAC should close until mitigations were put in place.

There are over 22,000 schools and colleges in England and the majority are unaffected by RAAC. A list of schools and colleges[7] with confirmed cases of RAAC in England was published on 8 February 2024. This included 234 education settings, around 1% of the total number of schools and colleges in England, with confirmed RAAC in some areas of their buildings. Schools and colleges with confirmed RAAC are providing full time face-to-face education for all pupils with appropriate mitigations in place, which have been funded where necessary.

The Department is committed to provide funding for the removal of RAAC and all reasonable requests for additional help with revenue costs, like transport to locations, are being considered. During the year, the Department provided funding of £67 million in response to RAAC which consisted of RAAC identification surveys funding of £8.6 million, works to mitigate RAAC of £53.8 million and revenue support for responsible bodies of £3.8 million.

As set out in the published list:

- 119 schools are now included in the school rebuilding programme where works to remove RAAC are more extensive or complex
- 110 schools and colleges are receiving grant funding where works will typically be smaller in scale
- 5 schools and colleges have alternative arrangements in place, for example the building will not be part of the school or college estate over the longer term

7 https://www.gov.uk/government/publications/reinforced-autoclaved-aerated-concrete-raac-management-information

Industrial action

In 2023, the National Education Union (NEU) took 10 days of national and regional strike action in schools and colleges in England. The division provided advice to ministers, co-ordinated teams within the Department and across government to mitigate industrial action and address trade disputes. In July 2023 all four education trade unions involved in the trade dispute accepted a 6.5% increase to teacher pay with additional funds to meet the cost of the pay rise.

The Industrial Action Division was set up in November 2022 in response to two trade unions balloting for industrial action. The team was designed to co-ordinate the Department's response to industrial action in the education sector and to consider options to reduce the impact on children and learners' education, including consulting on minimum service levels in education.

In March 2024, two unions (NEU and NASUWT) launched preliminary ballots to ask whether members will take industrial action over pay and funding for 2024/25. The process for setting teachers' pay is ongoing, and NEU has committed to hold a snap poll once the pay award is announced to decide whether to move to a formal ballot.

Performance Analysis

The Performance Analysis section of the ARA sets out the Group's performance against its objectives in greater detail than in the Performance Overview. For the last two years we reported performance against four priority outcomes (POs) and associated key performance indicators (KPIs). For this year, following an update to the outcome delivery plan (ODP) we are reporting against three priority outcomes that are focused on the ministerial objectives of Skills, Schools and Families. KPIs can be financial or non-financial (such as attendance) and cover financial years (such as 2023-24) or academic years (eg 2022/23) depending upon what is being described. Unless otherwise stated all financial disclosures refer to financial years.

In light of the recent general election, we remind readers that the performance reported here was managed under the priority outcomes and ministerial priorities extant during the year to 31 March 2024. As such they may not align to those the Group now works to and which we will report on in next year's ARA.

As well as performance against our ODP, we also provide:

- additional analysis of TME by budget type and business group, from page 85
- a summary of strategic enablers, from page 94
- non-financial performance reporting, from page 107

Performance against our priority outcomes

In order to manage our POs, we have divided each outcome into several lower-level sub-objectives which are assigned to named senior management to deliver against.

As well as reporting on our priority outcomes, we also map the POs to the UN Sustainable Development Goals (UN SDGs).

UN Sustainable Development Goals

The government is committed to mainstreaming sustainable development, in the way policy is made, buildings are run and goods and services are purchased, to maximise the positive impacts on the economy, society and the environment. It relies on the successful delivery of some high-profile commitments including action to tackle climate change and address its impacts, protecting and enhancing the natural environment, building a green economy, and improving estates' operations and procurement. This will include ensuring rural proofing, climate change and environmental considerations are built into policy. Departments are required to report against the impact operations have on the environment as part of wider sustainability reporting.

The UN SDGs[8] are part of the 2030 Agenda, a package of goals aimed at securing an end to poverty and promoting peace and prosperity globally. The UK played a leading role in the negotiations, and UN members signed up to the UN SDGs in September 2015.

The government is delivering and monitoring the UN SDGs through each department's ODP. Departments are responsible for delivering the UN SDGs as relevant to the policy areas for which they are accountable. Within their ODPs, departments are expected to set out how their planned activity will support the delivery of relevant goals (and international targets). There are 17 goals, under which there are a series of 169 targets. UN SDGs map to ODP priority outcomes as follows:

Table 3: How our work contributes to the UN SDGs

UN Sustainable Development Goal	Priority outcome 1	Priority outcome 2	Priority outcome 3
1 – End poverty in all its forms everywhere			Yes
3 – Ensure healthy lives and promote wellbeing for all at all ages		Yes	Yes
4 – Ensure inclusive targets and equitable quality education and promote lifelong learning opportunities for all	Yes	Yes	Yes
8 – Decent work and economic growth	Yes		
10 – Reduce inequality within and among countries	Yes	Yes	Yes
16 – Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels			Yes

8 https://sdgs.un.org/goals

Priority outcome 1
Level up productivity and employment by improving the skills pipeline, levelling up productivity and supporting people to work

Business group owner: Skills Group, senior sponsor Julia Kinniburgh, Director General

With 80% of the 2035 workforce already in work, we have a strategy to upskill and retrain adults as well as nurture the next generation of talent. This will help us to address skills shortages now, respond to evolving skills needs and drive national productivity in the long-term.

Over 40% of adults in the UK have attained level 6[9] or above, the highest in the G7 group of developed countries and above both OECD and EU averages.

This year we opened a further six Institutes of Technology, collaborations between business, further and higher education partners, raising the number to 19. These institutes specialise in delivering high-quality training and education in STEM-based (science, technology, engineering and mathematics) sectors. They bridge a vital skills gap in our economy in areas such as engineering and manufacturing, digital, and construction.

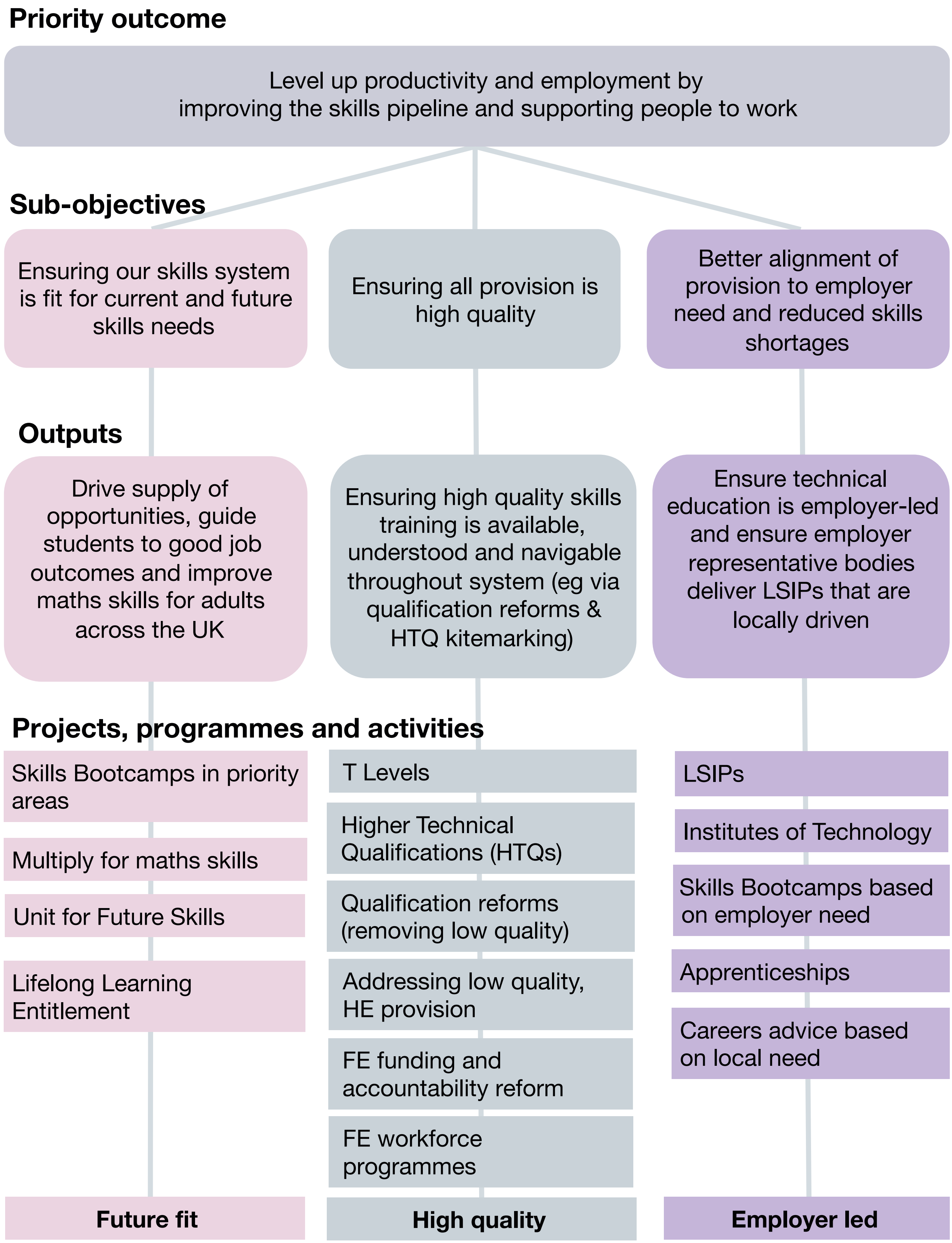
We are also committed to increasing participation in the statutory entitlements for English, mathematics and digital. Our Multiply programme is a key part of this commitment to help more adults to develop essential skills that can unlock access to higher-level education and training.

We established 38 employer-led LSIPs across England to strengthen provision and design qualifications in partnership with employers.

The LLE will change the higher education student finance system across both further and higher education. It offers all eligible adults the equivalent of four years' worth of student loans to use flexibly on quality education and skills training over their working lives.

9 https://www.gov.uk/what-different-qualification-levels-mean/list-of-qualification-levels

Figure 16: Priority outcome 1 structure



Delivery strategies

Ensuring our skills system is fit for current and future skills needs

Our ambition was to ensure that every person has an excellent journey through the skills system which helps them to find the right information, make the right decision, apply easily to courses and go on to achieve a positive outcome.

The Education Select Committee noted the strong foundations of the careers system we have in place. Achievement, as quantified by the Gatsby Benchmark,[10] continues to improve with schools and colleges achieving an average of 5.5 out of 8 benchmarks in 2022/23 – more than half a benchmark higher than the previous academic year of 4.9.

The adult education budget and free courses for jobs programme fund classroom-based learning for adults up to and including level 3. This year approximately 60% of these budgets were devolved to 9 mayoral combined authorities or delegated to the Mayor of London acting through the Greater London Authority. These mayoral combined authorities are responsible for commissioning provision in their areas. In the remainder of England, the Group directly commissions provision. This funding largely goes to colleges, local authorities and other grant-funded training providers. To compliment this provision, we ran a procurement in 2023 and awarded contracts to 56 providers to deliver provision.

Through Multiply, the programme to improve adult literacy, we are providing up to £270 million to local areas in England, and up to £160 million to Scotland, Wales and Northern Ireland (DLUHC-led) to deliver interventions to improve adult numeracy. It is a programme funded through DLUHC's UK Shared Prosperity Fund. The Multiply programme is also building the evidence base on what works, including through randomised control trials. Multiply numeracy provision in England is available in all 81 local areas that were allocated funding. So far over 90,000 learners have started and over 66,000 courses were completed to January 2024.

Skills Bootcamps offer free, flexible courses of up to 16 weeks, giving people the chance to build sector-specific skills with an offer of a job interview on completion. Training providers work with employers to ensure training is designed to teach the skills employers need. The average length of a course is 12 weeks, and Skills Bootcamp courses are available part-time and full-time, in a range of locations, including some online courses. In addition, individual education or training providers offer other flexibilities to ensure that all eligible adults can take advantage of these training opportunities.

The Unit for Future Skills provides decision makers in the skills system with information they need to invest in the right skills to meet national and local employer needs and support economic growth. The unit proactively works across departments and with organisations beyond government to improve the coverage and timeliness of jobs and skills data to provide a robust foundation of research and data. It is also working to structure and improve access to the data and provide insights to enable learning, thinking and discussion on skills data and research. The unit published a local skills dashboard, showing statistics on local employment and skills which reached over 39,000 users and 75% of published LSIP reports referenced the unit and its data.

10 https://www.gatsby.org.uk/education/focus-areas/good-career-guidance

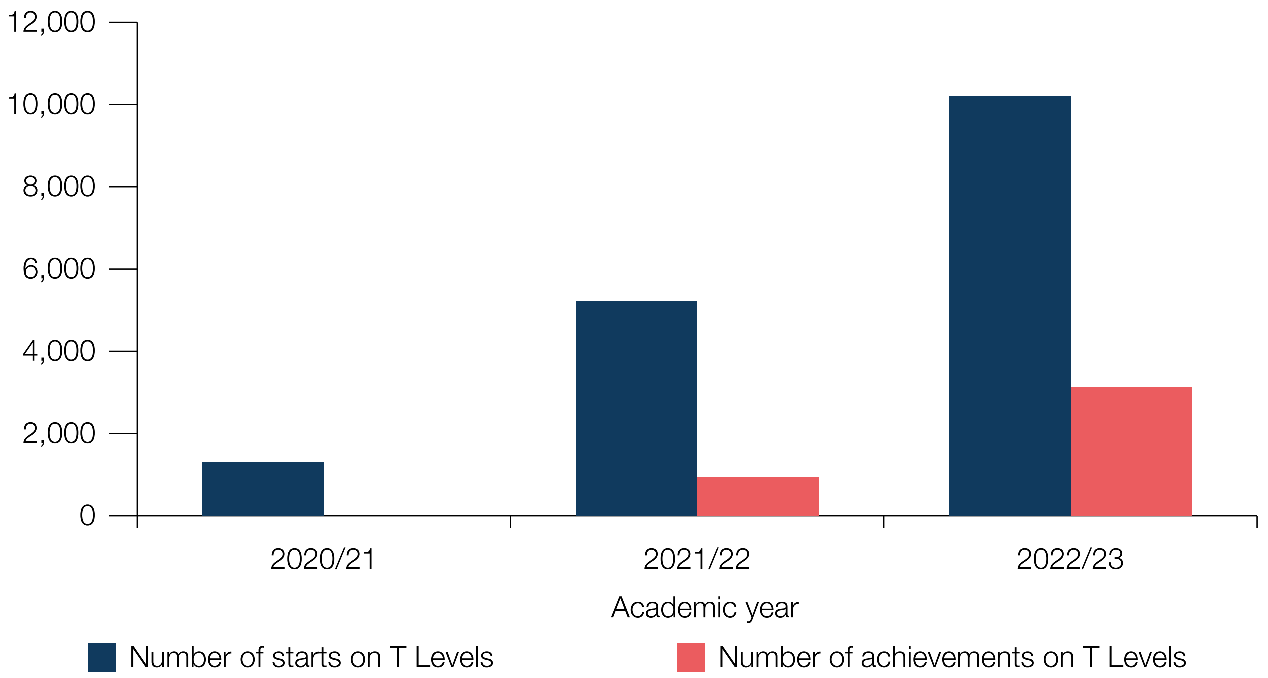
Ensuring all provision is high-quality

We remain committed in our support of the FE sector to recruit, retain and develop the staff they need to deliver high-quality education and training. In July 2023, we announced an investment of £185 million this year to improve skills delivery in the FE sector. This funding is helping FE colleges, sixth form colleges and other FE providers to address key priorities, including the recruitment and retention of staff.

To support teacher recruitment and retention in FE, we continued to run a national recruitment campaign to support prospective FE teachers into jobs. We offered FE teacher training bursaries to trainees to teach high-priority subjects (including mathematics), worth up to £30,000 each, tax-free, in 2024/25. The Taking Teaching Further programme continued to support industry experts to start FE teaching careers, with this year's round resulting in 389 successful enrolments, taking the total number supported since 2018 to over 1,400.

We have introduced T Levels which are designed with employers to meet rigorous standards with an industry placement built in, to give the all-important experience of work. T Levels have longer teaching hours than most current technical qualifications. One T Level is equivalent in size to three A levels. A further two T Levels were launched in 2023, amounting to 18 T Levels in total now being taught across all regions of the country.

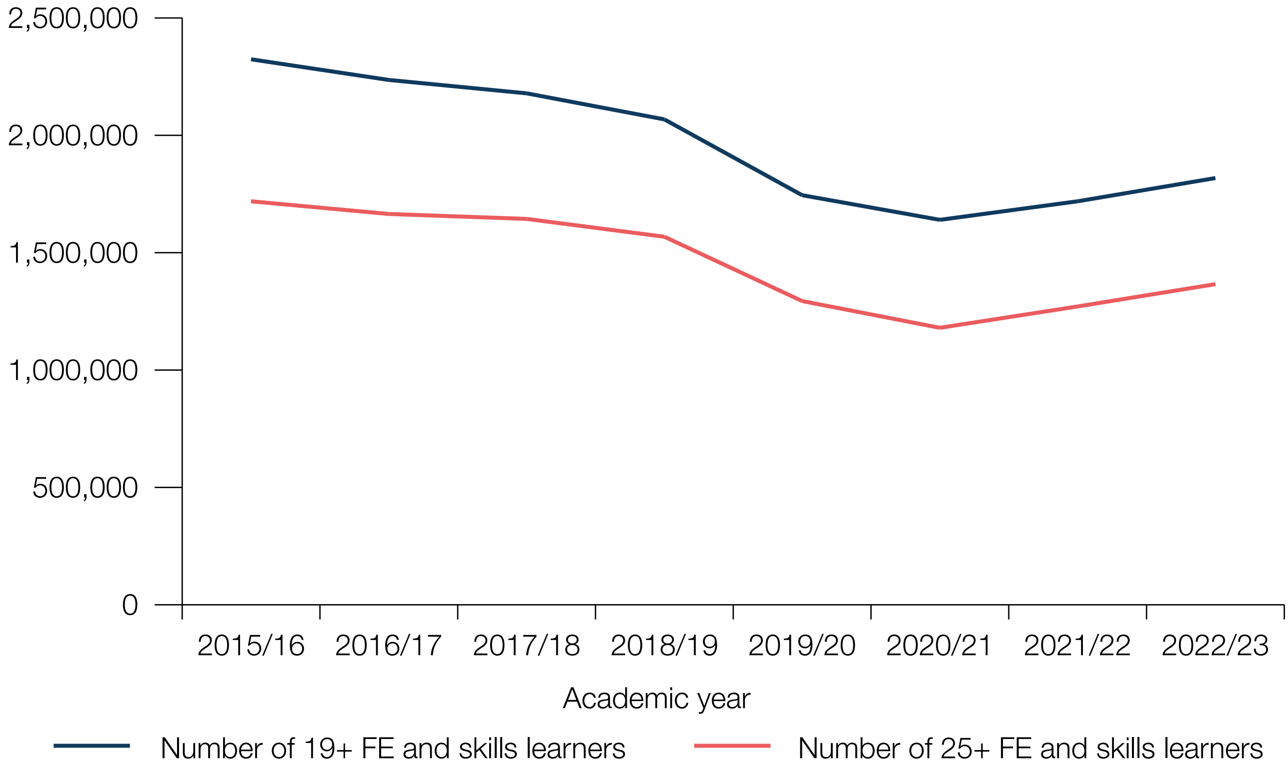
Figure 17: Total number of T Level starts and achievements



Student starts increased by 58% between September 2022 and September 2023 to over 16,000, almost as many as the first three cohorts combined. Since their launch four years ago, over 30,000 students have enrolled on a T Level with an overall pass rate of over 90% in 2022 and 2023. The pass rate for T Levels in summer 2023 was 90.5%.

At levels 4 and 5, we have continued to roll out HTQs. HTQs are approved against employer-developed standards and quality marked by the Group's regulator IfATE. HTQs are now available and being taught across the country, with 106 becoming available for teaching in 2022/23. An additional 66 HTQs were approved for teaching from 2023/24. We are supporting providers to deliver HTQs via our skills injection fund, which will help support delivery with capital and resource funding. We have supported over 150 providers with funding.

Figure 18: Participation in further education and skills by adults aged 19+ and 25+

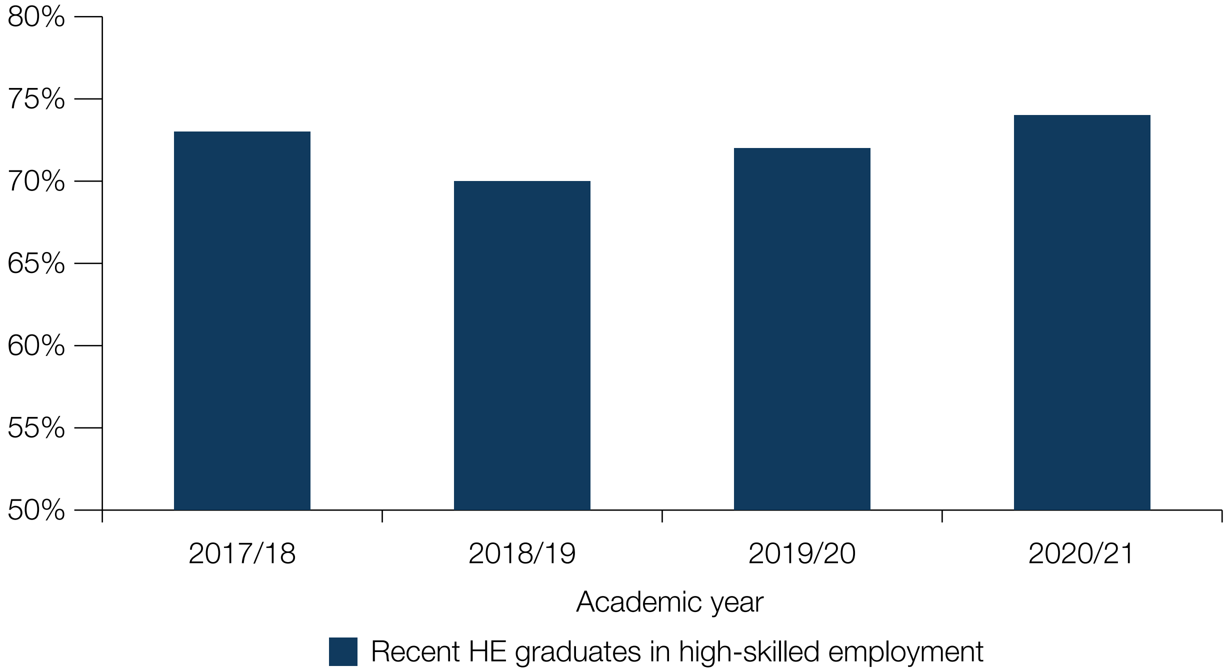


The adult education budget is worth £1.34 billion, with 60% devolved to mayoral combined authorities and the Greater London Authority, who determine which provision to fund to better meet local skills needs. Whilst adult participation (aged 19+) has fallen since 2015/16, the last two academic years have seen a partial reverse of this trend with participation rising to 1.8 million in 2022/23. In Group-funded areas, we are introducing five new funding rates to simplify the system and encourage participation.

As the independent regulator, OfS publishes the 'B3 metrics' which act as quality indicators for the HE sector. These include the proportion of students who complete their courses, as well as statistics on progression to professional occupations or further study 15 months after graduation. These statistics are based on the Higher Education Statistics Agency's (HESA's) 2020-21 Graduate Outcomes Survey.[11]

11 https://www.gov.uk/government/statistics/higher-education-graduate-outcomes-survey-uk-2020-to-2021

Figure 19: Percentage of recent HE graduates in high-skilled employment or further study



Data for 2021/22 and 2022/23 are expected to be available after publication of this ARA.

The key finding of these statistics is a dip in progression rate for 2018/19 graduates, followed by two consecutive increases for their 2019/20 and 2020/21 counterparts. 2020/21 graduates also had the highest progression rate over the 4-year time-series. Students who graduated in summer 2019 were surveyed in autumn 2020, during the height of the pandemic. These statistics suggest that progression rates were impacted by the COVID-19 pandemic but have begun to return to pre-pandemic levels. This interpretation is consistent with wider labour market trends reported by ONS (see HESA's Impact of the COVID-19 Pandemic on Graduate Outcomes 2019/2020[12]).

Note that we have restated this KPI using our new metric for progression first published in September 2022. This satisfies one of the conditions the Group requires that providers must deliver positive outcomes for students on their higher education courses. These metrics are used to regulate quality in higher education and are thus the most appropriate source for this KPI.

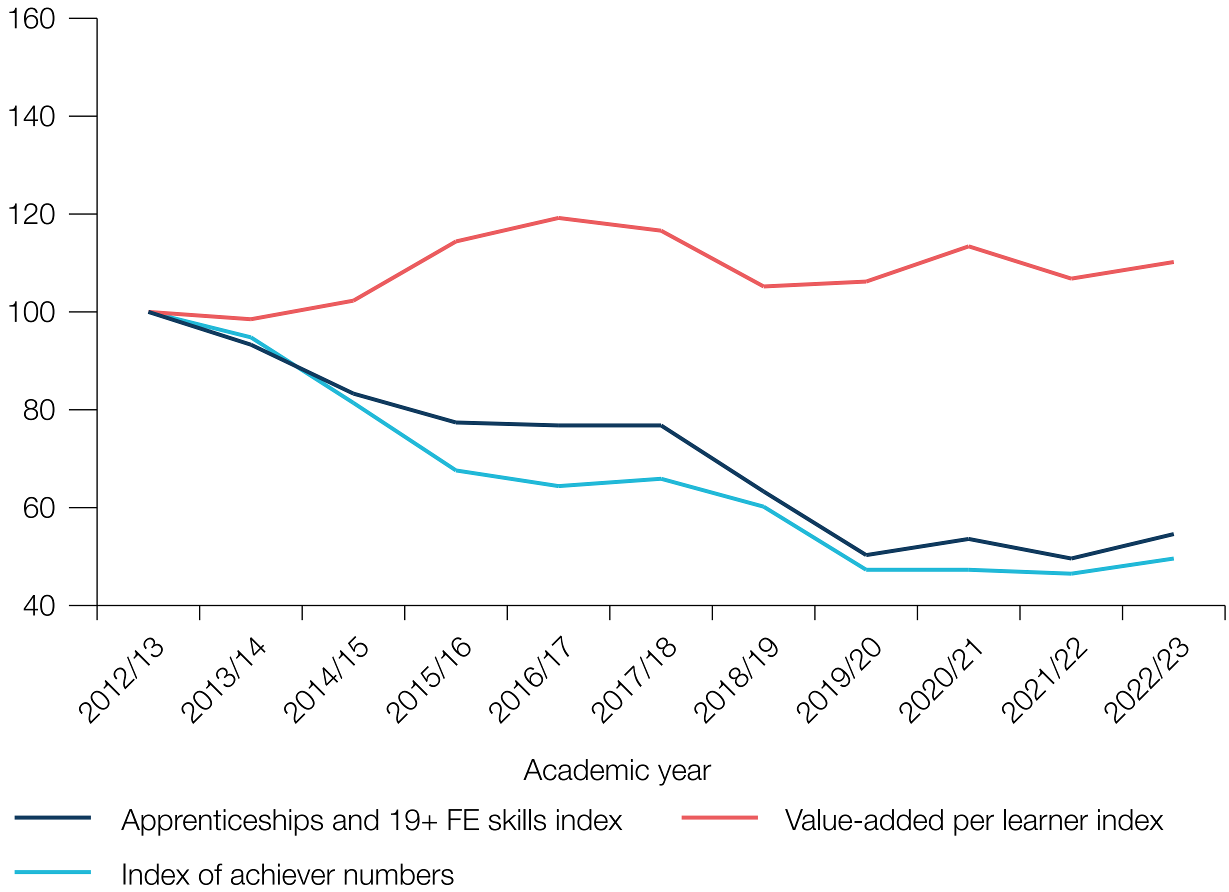
Better alignment of provision to employer need

Apprenticeships give employees high-quality, hands-on training to start and progress in work and give employers the skills they need to grow, helping them fill their vacancies and train their workforces to address industry skills gaps. We have introduced new high-quality standards, designed by over 5,000 employers, and invested in degree apprenticeships to help widen access to higher education and employment.

12 https://www.hesa.ac.uk/insight/16-06-2022/impact-covid-19-graduate-outcomes

Since 2017 apprenticeships have been supported by the apprenticeship levy. We have also replaced apprenticeship frameworks with employer-designed apprenticeship standards; and training is delivered by registered providers that are regularly inspected. Apprentices complete rigorous independent end-point assessments to show they are fully competent in their role. Apprenticeships offer a high-quality route into almost 700 occupations, from entry-level to expert roles, spanning levels 2 to 7.

Figure 20: Apprenticeship and 19+ further education skills index



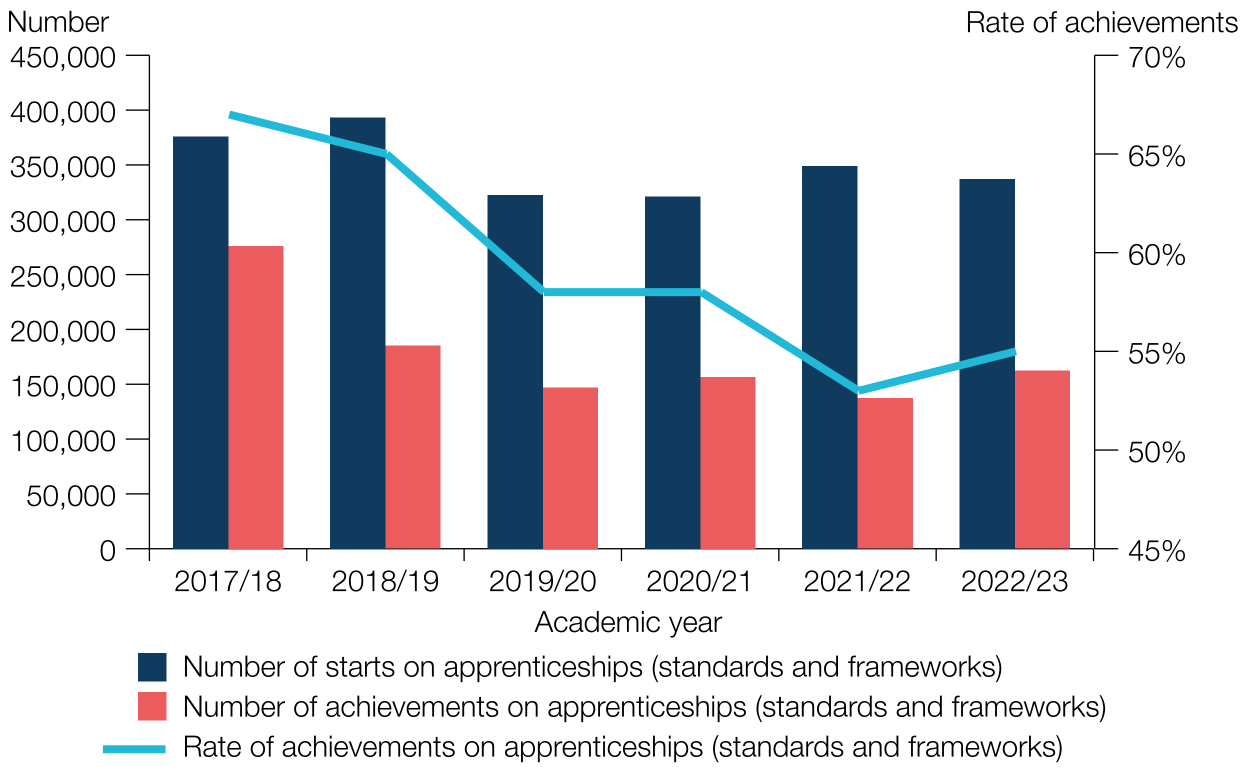
The apprenticeship and 19+ FE skills index[13] tracks the economic value of the system over time.

The index measures the increase in earnings attributable to different types of apprenticeships and 19+ FE training. This index provides an estimate of the total value-added from the system over time, providing a proxy measure for their impact on productivity. The underlying assumption is that in a well-functioning labour market, an individual's earnings reflect their productivity. The index reports on the value of funded adult (19+) FE achievements and all apprenticeship achievements. It is essentially measured as the change in value-added over time (starting from a base in 2012/13), calculated as the number of achievers multiplied by the employment rate for those achievers and the estimated additional earnings from achieving the qualification.

13 https://explore-education-statistics.service.gov.uk/find-statistics/apprenticeships-and-19-plus-further-education-skills-index

In 2022/23, the total value-added of the apprenticeships and 19+ FE system increased by 10% from the previous year, driven by a 7% rise in the number of achievers and a 3% increase in average value-added per learner. The index is now at the highest level since 2018/19. While volumes have fallen since 2012/13, the average value-added per learner increased by 10% over the same period, indicating a shift towards more economically valuable training and reflecting our strategy to drive up quality and value.

Figure 21: Total number of apprenticeship starts and total number, and rate, of achievements on apprenticeships



Employers decide which apprenticeships they offer, and demand is also subject to learners choosing to undertake apprenticeships. After the recovery in apprenticeship starts during 2021/22 following the COVID-19 pandemic, starts were 3.5% lower in 2022/23. At the start of 2023/24 (August to January) there have been 207,490 starts and 73,530 apprenticeship achievements, up 1.5% and 18.5% respectively compared to the same period last year. Achievements means an apprentice has completed their apprenticeship term and passed the end point assessment.

The number of apprentice achievements increased by 18.3% in 2022/23 to 163,320. The achievement rate for standards increased by 2.9 percentage points in 2022/23. Standards, which are designed by employers, are more rigorous and difficult to achieve than the frameworks which they replaced.

LSIPs support the Department's long-term priority of driving economic growth by improving the alignment between local skills training and employer needs. Their key purpose is to identify the skill needs of an area and the actions needed to drive change, based on information gathered from employers about their particular skills needs. As required by legislation, each LSIP is led by an employer representative body (ERB). The 38 designated ERBs have engaged with thousands of local businesses in developing their LSIPs. In summer 2023, all 38 areas of England published plans setting out local skills priorities and actions. LSIPs are backed by the local skills improvement fund through which the Group is providing £165 million across this and the next financial year to help collaborations of FE providers improve their leadership, teaching, and facilities; and reshape local skills provision in line with LSIP priorities. Projects funded include training to plug key skills gaps in digital, net zero/green, construction, artificial intelligence and health and social care, all of which were identified as priorities by employers through the LSIPs.

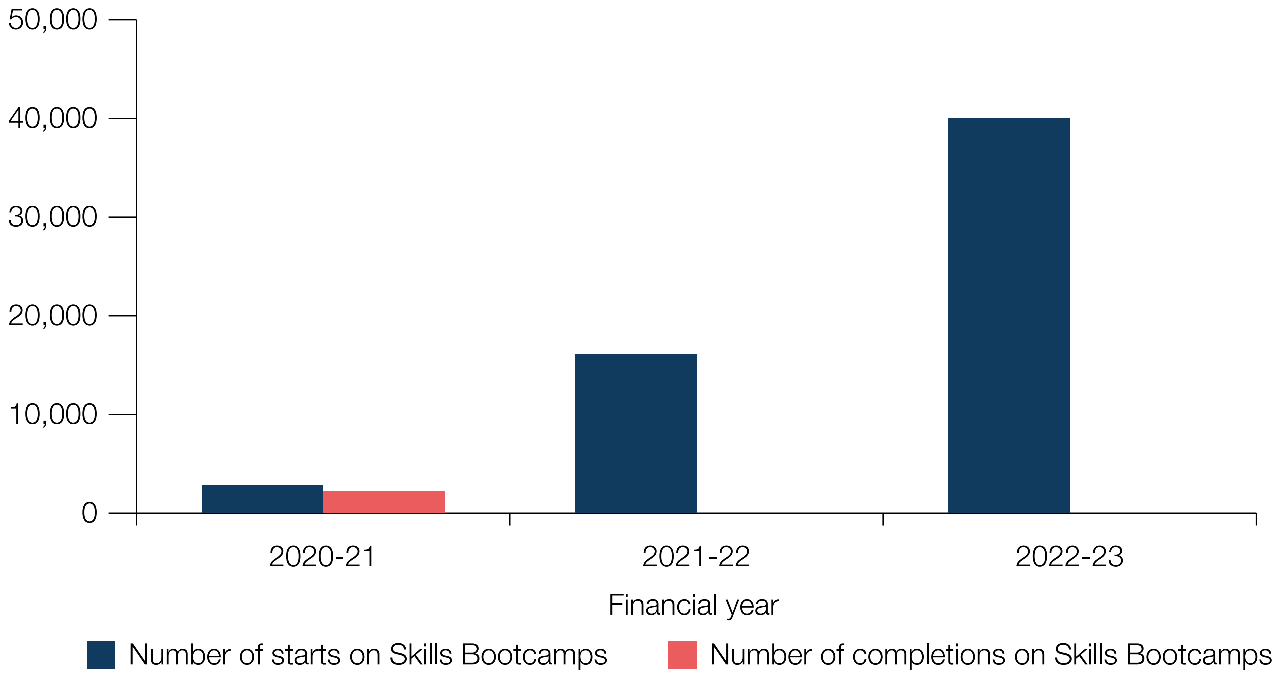
Strong industry engagement is at the heart of each Institute of Technology. Almost 100 businesses including Siemens, Nissan and Microsoft are involved directly in the design and delivery of training, helping to shape the curriculum to suit local skills needs; ensuring there is a local technically skilled recruitment pool.

We delivered 40,040 Skills Bootcamps starts last year against a target of 36,000 and aim to deliver 50,000 starts in this financial year.

There are now more than 1,000 Skills Bootcamps available across the country, offering training in digital, technical (including engineering and manufacturing), construction, logistics (HGV driving) and skills that support the green economy (including heat pump engineer and electric vehicle maintenance and repair and zero carbon construction). They are also offered in sales, marketing and procurement, and business admin; and this year we have opened up two new sectors for delivery in early years, and creative and design.

To date, over 1,000 employers have been involved in Skills Bootcamps. Employers play a range of roles from supporting the design and delivery of the training, to facilitating learners that complete training into a job or an apprenticeship. Employers can use Skills Bootcamps to upskill their existing employees, subject to a 10% contribution for SMEs and 30% contribution for large employers. Around 10% of Skills Bootcamps delivery is co-funded in this way.

Figure 22: Total number of Skills Bootcamps starts and completions



We have scaled up the offer since launching Skills Bootcamps in 2020, and in 2022-23 there were 40,040 learner starts compared to 2,800 in 2021-22. Statistics on learner completions and outcomes for 2021-22 will be published later in 2024.

An evaluation of delivery in 2021-22 published in March 2023, showed high demand from adults wanting to upskill and improve their employment prospects with over three times the number of applicants (55,481) to starts (16,120).

Priority outcome 2
Level up education standards in every part of the country, and support all children and young people to realise their potential

Business group owner: Schools Group, senior sponsor Juliet Chua, Director General

We are dedicated to our mission that through schools, every child will get a great education and the right support. To achieve this, the Department's vision is for training and professional development at every stage of a teacher's career. This is why we have a professional development system in place for existing and new teachers, which will ensure that the quality of teaching a pupil receives is at the forefront for improving outcomes.

The Department has frameworks in place, such as the early career framework, which sets out what teachers who are early in their careers are entitled to be trained in to develop their skills. We are also committed to continuous improvement. In 2023, the Department reviewed this existing framework and published the combined initial teacher training and early career framework. For existing teachers, we also have a suite of NPQs which is designed to support teachers and school leaders to develop expertise across a range of areas.

The Department wants to raise literacy standards, this is why we have invested over £26 million in the English hubs programme this financial year, the programme delivered intensive support to over 1,000 partner schools.

The Department has also expanded the attendance hub programme to 32 lead hubs, which supports schools across the country to share practical solutions on breaking down barriers to schools' attendance.

Improving attainment of disadvantaged pupils and supporting pupils most in need to catch up on lost learning following the disruption of the pandemic continues to be a priority for us. Schools delivered 2,142,822 NTP courses in 2022/23, and 655,288 courses have been started in 2023/24 up to 18 January 2024.

Figure 23: Priority outcome 2 structure

Priority outcome

Level up education standards in every part of the country and support all children and young people to realise their potential

Sub-objectives

Improve and reduce variation in phonics outcomes, with a focus on the phonics attainment of disadvantaged pupils

Improve and reduce variation in attainment at key stage 2, working towards 90% of pupils meeting the expected standard in reading, writing and maths

Improve and reduce variation in attainment and ensure pupils access a broad and balanced curriculum at key stage 4, including increasing the number of pupils participating in the EBacc

Outputs

Excellent teachers in all areas of the country, trained in the very best approaches to teaching

High standard for all pupils. With a focus on behaviour, attendance, knowledge-rich curriculum, and access to best-evidenced resources

Targeted, evidence-based support for those who need it most, especially the most vulnerable and disadvantaged children

Fairer, stronger system including fair and adequate funding, with every school in a strong trust with strong leadership and governance

Projects, programmes and activities

Excellent teachers

- Recruit and retain high-quality teachers, particularly in areas with the greatest need
- All newly qualified teachers to access a high-quality development programme
- Increase take-up of reformed NPQs

High standards

- Provide access to high-quality curriculum resources and support
- Provide access to high-quality behaviour resources
- Provide access to attendance advisors and mentors

Targeted, evidence-based support

- Deliver the NTP and embed tutoring within schools
- Develop and monitor the use of a menu of evidence-based interventions for pupil premium spend
- SEN and AP reforms

Fairer, stronger system

- Intervene in under-performing schools and provide support
- A single regulatory approach with clear roles across the system, including high-quality trusts
- Invest in digital infrastructure, improve school buildings and provide support to reduce non-staff spending

Delivery strategies

Improve and reduce variation in phonics outcomes, with a focus on the phonics attainment of disadvantaged pupils

The Department is committed to raising literacy standards and ensuring all children, including those from disadvantaged backgrounds, can read fluently and with understanding. Systematic synthetic phonics is the best-evidenced way to teach children the English alphabetic code. In the 2021 Progress in International Reading Literacy Study (PIRLS 2021), published in May 2023, assessing and comparing the reading attainment and attitudes of year 5 children, England came fourth out of the 43 countries that tested children of the same age. The study also found a moderate, positive correlation between performance in the year 1 phonics screening check and performance in PIRLS 2021.

In 2018, we launched the English hub programme which aims to improve the teaching of reading, with a focus on supporting children making the slowest progress, many of whom come from disadvantaged backgrounds. This financial year, over £26 million has been invested in the programme. In 2023/24, the programme delivered intensive support to over 1,300 partner schools. The programme prioritises schools in education investment areas (EIAs), with most supported schools containing an above average proportion of free school meal pupils. Impact analysis of the 2022 phonics screening check results show that schools supported intensively by English hubs outperformed other schools by around 7 percentage points, when comparing the change in phonics screening check results between 2019 and 2022.

In 2023, we published an updated version of the Reading Framework. The framework builds on, and has been informed by, good practice developed by English hubs and will support school leaders to evaluate their teaching of reading from Reception through to the end of key stage 3. This package of measures, which includes an updated list of validated phonics programmes and an NPQ in Leading Literacy, aims to benefit the most disadvantaged pupils.

Table 4: Percentage of pupils meeting the expected standard in the phonics screening check in year 1, state-funded schools (all pupils, disadvantaged)

Academic year	Percentage all pupils	Percentage of disadvantaged
2022/23	79%	67%
2021/22	75%	62%
2020/21*	–	–
2019/20*	–	–
2018/19	82%	71%
2017/18	82%	72%
2016/17	81%	70%
2015/16	81%	70%

*COVID-19 interrupted reporting in 2019/20 and 2020/21.

Phonics has been placed at the heart of the curriculum and in 2012 the phonics screening check was introduced to assess pupils at the end of year 1. The focus on phonics is having a clear impact. When the phonics screening check was introduced, only 58% of pupils overall in year 1 met the expected standard and only 45% of disadvantaged pupils. By 2023, this increased to 79% overall and 67% of disadvantaged pupils. This is up from 75% overall and 62% of disadvantaged pupils in 2022, however down from 82% overall and 71% of disadvantaged pupils in 2019.

Improve and reduce variation in attainment at key stage 2 and improve and reduce variation in attainment and ensure pupils access a broad and balanced curriculum at key stage 4, including meeting the EBacc target

The quality of teaching a pupil receives is the single most important in-school factor for improving outcomes. The Department has continued to improve the training and support for early career teachers (ECTs) in response to feedback.

Key changes have included:

- development of exemplification materials to support teachers working across different phases, contexts and subjects
- greater flexibility to the programme to ensure it better meets the needs of ECTs, including developing and introducing stretch materials
- a streamlined mentor programme, ensuring it supports mentors who transition into the programme part-way through

In 2023, the Department reviewed the early career framework and published the combined Initial teacher training and early career framework,[14] which will be delivered from 2025. In 2021/22 and 2022/23, 52,939 ECTs started a provider-led induction and 46,081 mentors received training.

The Department has continued to expand the programme of support for teachers and leaders to deliver best practice in the classroom through a suite of NPQs. This now includes an NPQ in Leading Literacy introduced in Autumn 2022 and a new NPQ in leading primary mathematics which started delivery in February 2024. The Education Endowment Foundation, an independent body, has assured both. 29,750 funded NPQs were started in 2021/22, and a further 35,666 were started in 2022/23. Statistics for 2023/24 will be published later in the year.

Our focus on high standards of curriculum, attendance and behaviour continues to drive up outcomes for all pupils. Since 2014 we have introduced a network of 40 maths hubs, available to all state-funded schools which was accessed by 6,868 primary schools in 2022/23.

In April 2023, an expansion of maths hubs support was announced, including more support for the schools most in need, based on existing programmes such as Opportunity North East; and an increase in the reach of the Teaching for Mastery programme. Implementation of new programmes began in September 2023.

14 https://www.gov.uk/government/publications/initial-teacher-training-and-early-career-framework

There were fewer pupils persistently absent or not attending in 2022/23 than in 2021/22. In 2023/24 we expanded our attendance hub programme from 14 to 32 lead hubs, rolled out our mentor pilot to five priority EIAs and ran a national communications campaign aimed at preventing sporadic days of absence from mild illness to mild anxiety.

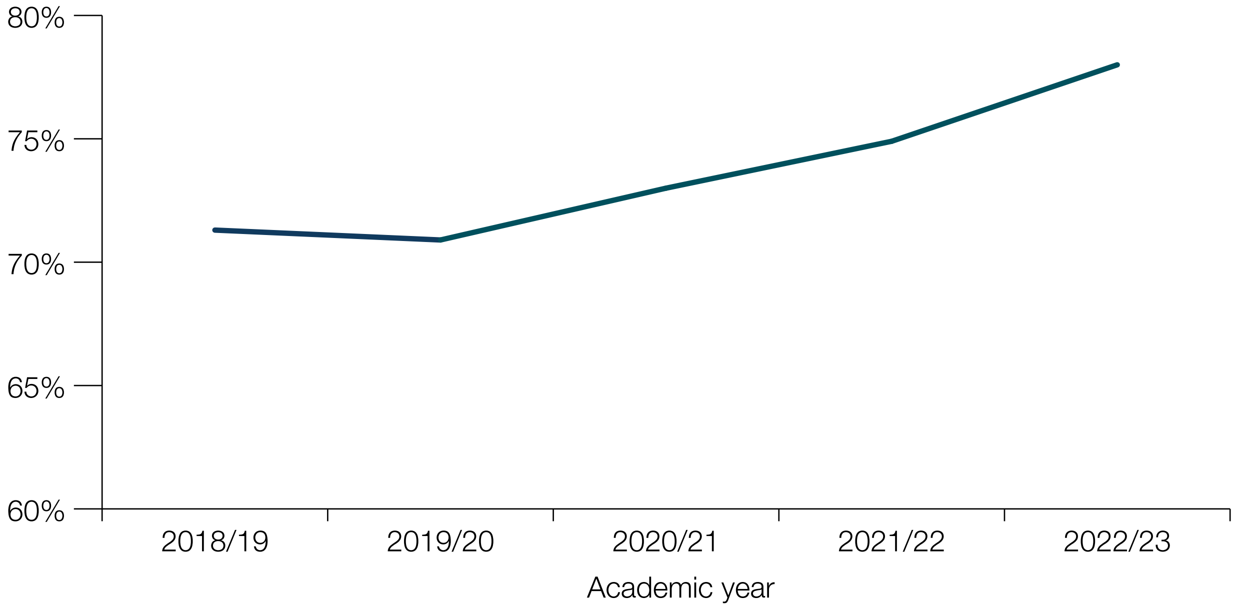
Programmes providing targeted support for those that need extra support to reach their full potential, including disadvantaged pupils and those with additional needs, have continued to be delivered during the year. The NTP delivered 2 million tutoring courses in the 2022/23 and 346,000 course starts in 2023/24 up to 5 October 2023.

To support the Department's priority for developing a system led by high-quality academy trusts, in April 2023 we published a trust development statement for each EIA which sets out the regional priorities for trust growth.

Published in July 2023, the High-quality Trust Framework sets out in more detail what we expect from academy trusts. It informs choices about their growth and capability in collaboration with the sector.

In March 2024 we launched a new MAT chief executive officer development programme to boost the pipeline of high-quality academy trust leaders, continuing the 'golden thread' into leadership, recognising that strong families of schools with effective leaders are the greatest vehicles for school improvement.

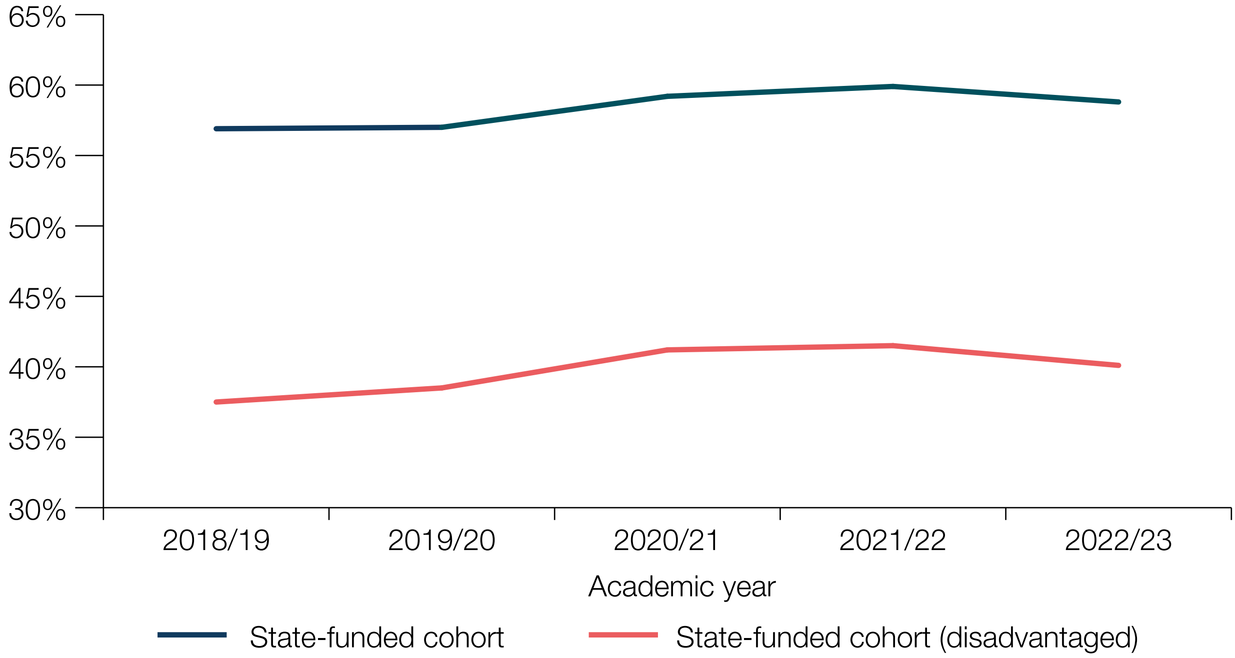
Figure 24: Percentage of young people achieving GCSEs and equivalent level 2 qualifications in English and mathematics by age 19



This data is for achievement in all English and mathematics level 2 qualifications.

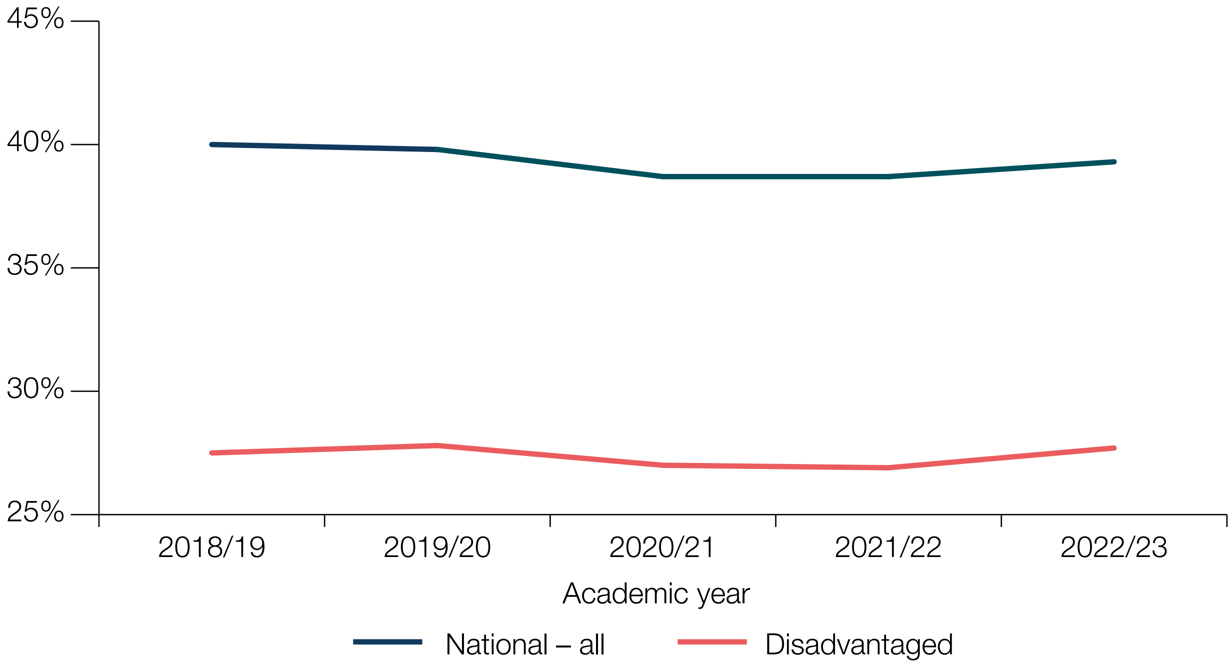
For the population of 19-year-olds in 2022/23, 70% had level 2 English and mathematics at age 16, rising to 78% by 19. That year over 47,300 learners had achieved English and mathematics through their post-16 providers, compared with around 37,500 in 2014 when the mathematics and English condition of funding was first introduced (an increase of 26%). This latest age 19 cohort were 16 in 2019/20 and will have received calculated or teacher assessed grades, leading to a higher proportion achieving the required standard by 16 hence not being required to continue to study English and mathematics post-16. 45% of 16-year-olds who gained a grade 3 in English or mathematics at GCSE by the age of 16 went on to achieve a level 2 by age 19.

Figure 25: Percentage of young people attaining level 3 by age 19 (overall and disadvantaged)



In 2022/23, 59% of young people achieved level 3 by age 19 compared with 40% from a disadvantaged background. At age 19, the level 3 attainment gap between disadvantaged and non-disadvantaged young people has remained stable in recent years at around 25 percentage points. Fewer young people from disadvantaged backgrounds achieve level 3 by age 19.

Figure 26: Percentage of pupils entered for the EBacc suite of qualifications (national – all and for disadvantaged pupils)



EBacc entry rates have been between 38% and 40% each year since 2014, with the entry rate for disadvantaged pupils being 38% in 2023 compared with 43% for other pupils. In 4 of the five EBacc subject 'pillars', entries exceed 81%, the exception being languages with 45% of pupils.

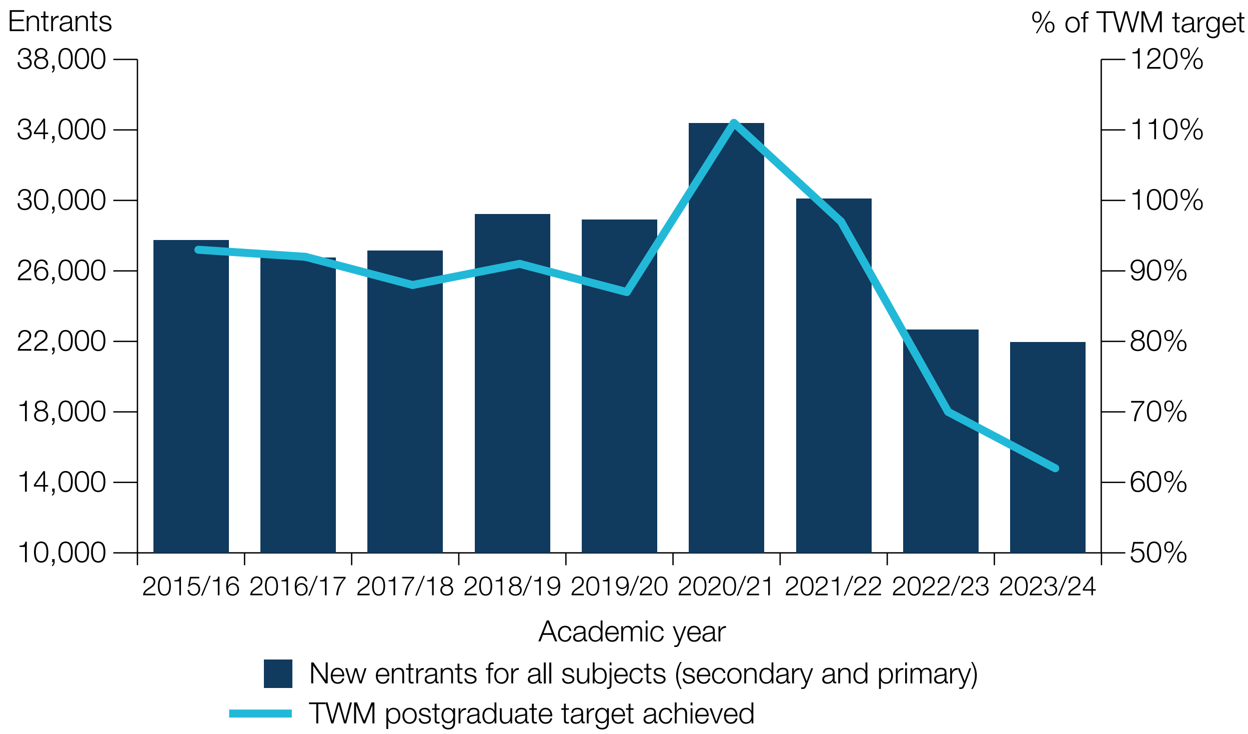
Table 5: Key stage 2 and key stage 4 disadvantage attainment gap index

Academic year	Key stage 2 index	Key stage 4 index
2022/23	3.21	3.94
2021/22	3.23	3.84
2020/21	–	3.79
2019/20	–	3.66
2018/19	2.91	3.70

Key stage 2 data is not available for 2019/20 and 2020/21 because assessments were cancelled in these years due to the COVID-19 pandemic.

Latest data shows the key stage 2 disadvantage gap index is now 3.21, down from 3.23 in 2022. At key stage 4, the gap has continued to increase and now stands at 3.94. This suggests disruption to learning during the pandemic continues to have a greater impact on disadvantaged pupils than other pupils, but this impact has stabilised at primary level and is starting to recover in some subjects. We continue to monitor progress and deliver programmes and priority support for disadvantaged pupils.

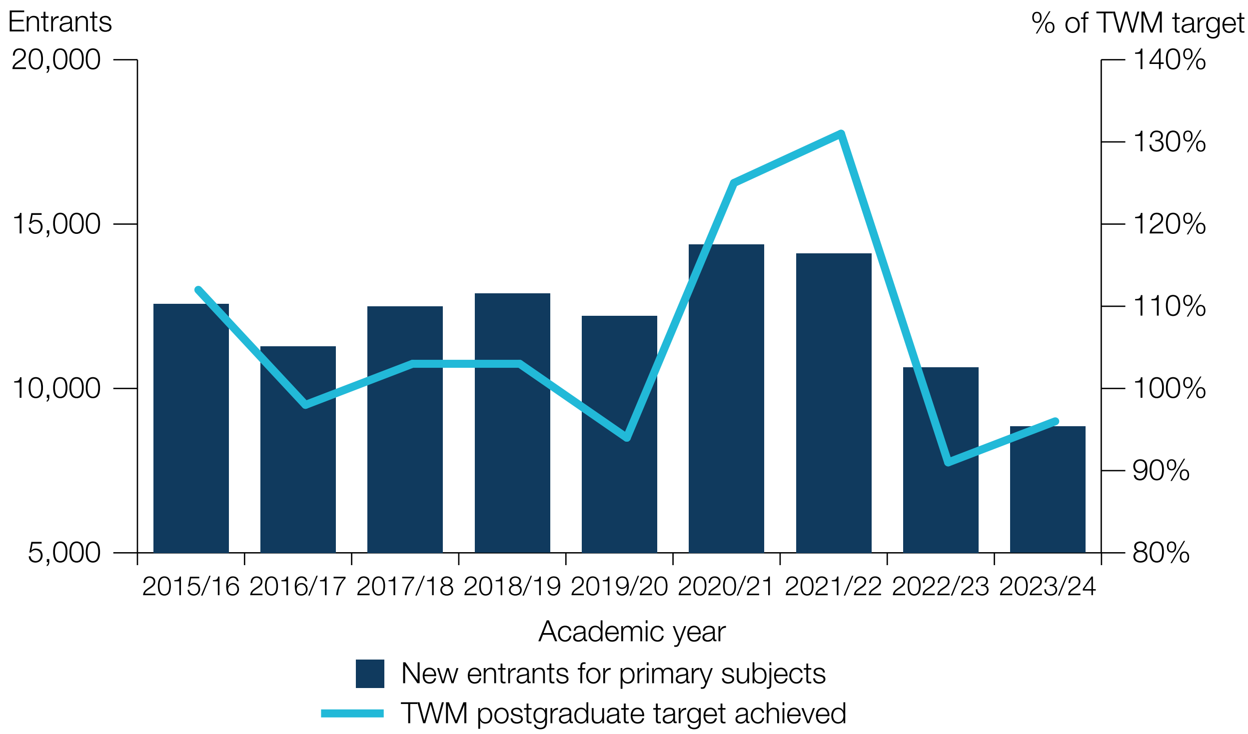
Figure 27: Postgraduate ITT starts by secondary and primary subjects compared to the target set using the teacher workforce model (TWM)



Number of entrants for 2022/23 has been restated to reflect the most recent statistical data, without any change to the percentage of TWM target.

As expected, the increase in initial teacher training (ITT) starts we saw in 2020/21 because of the COVID-19 pandemic has declined over the past three years. Factors driving this in the current and previous cycle include increasing graduate earnings, especially in priority STEM subjects. The 2023/24 TWM postgraduate targets are estimates of the number of trainees needed to start postgraduate ITT (PGITT) in that academic year, to provide sufficient numbers of qualified teachers in the year after their training is completed. The TWM also uplifts targets to allow for ITT under-recruitment in the previous two years.

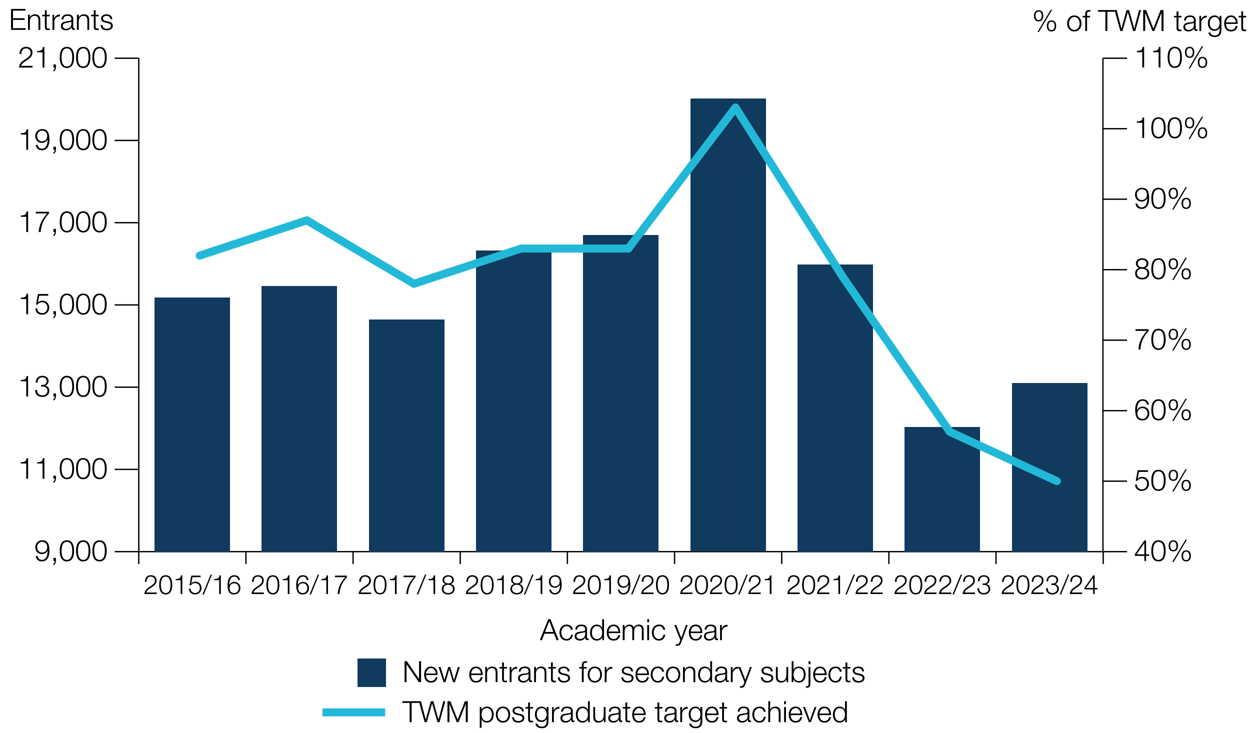
Figure 28: PGITT starts by primary compared to the target set using the TWM



Number of entrants and percentage of TWM target for 2022/23 have been restated to reflect the most recent statistical data. The 2022/23 provisional values of 10,868 and 93% have been finalised at 10,640 and 96%.

Overall, 96% of the PGITT target was achieved in primary (compared to 91% in the prior academic year). Prior to this year, the PGITT primary target was met in five of the last eight years, including in 2020/21 and 2021/22.

Figure 29: PGITT starts by secondary subjects compared to the target set using the TWM



Number of entrants and percentage of TWM target for 2022/23 have been restated to reflect the most recent statistical data. The 2022/23 provisional values of 12,356 and 59% have been finalised at 12,033 and 57%.

Whilst we are currently falling short against our secondary PGITT target, we have seen an increase in new entrants for secondary subjects, compared to last year. Nonetheless, it has been a challenging year for recruitment. The graduate and general labour markets remain competitive, and pay has risen in competing sectors, especially in priority STEM subjects. We extended bursary and scholarship eligibility to all non-UK national trainees in physics and languages, successfully attracting international candidates to some of our priority subjects.

Table 6: Number of pupils in underperforming schools, defined as those rated ‘requires improvement’ where this is at least their second judgment below ‘good’, or ‘inadequate’ (at the end of the academic year)

Academic year	Number of pupils in schools rated ‘inadequate’	Number of pupils in schools rated ‘requires improvement’	Number of pupils in underperforming schools (overall)
2022/23	246,000	356,000	602,000
2021/22	292,000	400,000	692,000

The Group made positive progress in reducing the overall number of pupils in underperforming schools in the prior academic year, reducing it by 90,000. This was achieved by preventing schools flowing into categories of underperformance and ensuring underperforming schools were well-matched with appropriate school improvement support, often through high-quality MATs. We also included data from the point where the definition of underperformance was extended to schools with successive 'requires improvement' judgments. We continue to see a reduction in the number of pupils in underperforming schools and we expect the overall figure to have reduced further by the end of the current academic year. As of February 2024, there are 525,000 pupils in underperforming schools.

Table 7: Overall absence and persistent absence rate

Academic year	Attendance rate (%)	Persistent absence rate (%)	Severe absence rate (%)
2023/24	93.0%	20.2%	TBC
2022/23	92.6%	21.2%	2.0%
2021/22	91.4%	22.5%	1.7%
2020/21*	74.1%	12.1%	1.1%
2019/20*	–	–	–
2018/19	95.3%	10.9%	0.8%
2017/18	95.2%	11.7%	0.8%

*COVID-19 interrupted reporting in 2019/20 and 2020/21.

The percentages for 2017/18 to 2022/23[15] have been published, the percentages for 2023/24 are provisional. The severe absence rate for 2023/24 was not available at the date of publication and will be released later in the year.

Across 2022/23, the overall absence rate and persistent absence rate (10% or more missed) both saw a decrease from the previous academic year. We continue to see improvements in the year-to-date figures for 2023/24, but these still remain higher than pre-pandemic levels. The rate of severe absence (50% or more missed) increased slightly from 2021/22. The majority of absence was due to illness, which accounted for 3.7% of possible sessions in 2022/23.

15 https://explore-education-statistics.service.gov.uk/data-tables/permalink/b646943f-e7bb-475d-a142-08dc572e25df

Table 8: Percentage of schools rated good or outstanding by Ofsted

Date	State-funded schools
August 2023	89%
August 2022	88%
August 2021	86%
August 2020	86%
August 2019	86%
August 2018	86%
August 2017	87%
August 2016	86%
August 2015	82%
August 2014	79%
August 2013	77%
August 2012	69%
August 2011	69%
August 2010	68%

This simplified metric, when previously published included independent schools and FE providers, now focuses on all state-funded primary and secondary schools, including pupil referral units, special schools and nurseries.

The figure increased to 89% in August 2023 from 88% in August 2022. Between August 2019 and August 2021, the figure was 86%. Prior to that it climbed steadily from 68% in August 2010. As at December 2023, 90% of state-funded schools are now ‘good’ or ‘outstanding’ at their most recent inspection.

Priority outcome 3
Support families, protect young people and enable all to engage with education and training through high-quality local services, early education and childcare

Business group owner: Families Group, senior sponsor Justin Russell, Director General

We know the early years of a child's life are vital. This is why we are committed to delivering high-quality early education and affordable childcare, one of the biggest costs facing working families.

We have continued delivery of reforms to CSC, announced in 'Stable Homes, Built on Love' in February 2023. Over the first two years of reform, the strategy's £200 million funding package is addressing the most urgent issues facing children and families and lays the foundations for whole system reform. In December 2023, we published the first national kinship care strategy.

We remain focused on delivering better outcomes for children and young people with SEND. As set out in 'Right Support, Right Place, Right Time',[16] we are seeking to improve the support available in mainstream settings, alongside increasing capacity by opening more special and AP free schools. This year we opened 16 special free schools and one AP free school.

Family Hubs

Family hubs provide families with a single access point to family support services, a 'one stop shop' for families, aiming to make it easier for families to get the help they need. They are a welcoming place where families with children aged 0-19 (or 0-25 for families with children with special educational needs) can be connected to a wide range of family support services. Funding has been targeted to the most deprived local authorities, ensuring families get the support they need. Together, this funds a network of family hubs and specific support within those hubs for parent-infant mental health, infant feeding services, parenting support, to improve the home learning environment, and to establish parent-carer panels. In addition, all 75 local authorities are required to publish their start for life offer and there is funding for trials of innovative workforce models to a smaller number of local authorities.

In January 2024 we announced that all 75 local authorities in the Family Hubs – Start for Life programme now have at least one family hub open in their area, and we published a list of 400 family hubs across the 75 local authorities. We invested £12 million in a separate family hubs transformation fund programme to support a further 13 local authorities across England to move to a family hub model by March 2024. All 13 local authorities have now opened at least one family hub. The programme ends in September 2024. We have also invested in a family hubs digital programme this year to develop data and digital products which will allow professionals to connect families to family support, and also for families to directly connect and engage to family support services.

16 https://www.gov.uk/government/publications/send-and-alternative-provision-improvement-plan

We have updated our suite of guidance:

- 'Behaviour in Schools'
- 'Suspension and Permanent Exclusion'
- 'Searching, Screening and Confiscation'
- 'Mobile Phones in Schools'

These are practical tools to help schools create calm, safe and supportive environments which young people want to attend.

In April 2024, the Department published free resources for the behaviour hubs programme. They incorporate 12 virtual modules on our YouTube channel and audit and action planning tools on GOV.UK. These resources are having an impact on schools on the programme, with feedback stating that 95% of schools found them useful and 98% feeling confident in being able to apply the knowledge in the modules.

School attendance has remained a high priority for the Department in the last financial year. In February 2024 we announced that the stronger expectations[17] of schools, academy trusts and local authorities to tackle absence will become statutory in August 2024. From September 2024 it will be mandatory that all schools use our attendance data tool to share data regularly, enabling early identification and intervention for pupils at risk of becoming persistently absent. We have expanded our attendance mentor programme from one area to five and will be expanding further to a total of 15 areas from September 2024. We have doubled the number of attendance hubs (to 32), reaching 2,000 schools.

Since 2022, the holiday activities and food (HAF) programme has provided 11.3 million HAF days to children and young people in this country. Across 2023, a total of 5.3 million HAF days were provided during Easter, summer and winter delivery. Over 680,000 children and young people attended the HAF programme in the 2023 summer holidays. Of these participating children, over 560,000 were funded directly by the HAF programme and over 460,000 were in receipt of benefits-related free school meals.

17 https://www.gov.uk/government/publications/working-together-to-improve-school-attendance

Figure 30: Priority outcome 3 structure

Priority outcome

Support families, protect young people and enable all to engage with education and training through high quality local services and childcare

Sub-objectives

All children have access to high-quality and safe education and childcare, with a greater proportion of childcare achieving the expected level of development at age 5

Better outcomes and experiences for children and families through improvement in the effectiveness and capacity of local public services, including CSC and SEND

All children grow up in loving, safe and stable homes and communities

The foundations and enablers of education and in place for all children, including high levels of attendance and engagement

Outputs

- single point of entry for parents to access help and support from services
- maintained supply of high-quality childcare and maximised take-up
- all children supported to achieve a good level of development

- reduction in the number of children requiring statutory support and entering care
- sufficient and appropriate provision in the right place
- financially sustainable, multi-agency systems with capacity and capability to provide high-quality services
- increased parental confidence that the system will provide for their child's needs

- increased attendance, particularly for vulnerable and disadvantaged children
- barriers to engage with education or training are removed

Projects, programmes and activities

Early years and childcare	Children's social care system	SEND and AP system	Engagement in education
Start for Life and family hubs	CSC implementation strategy	SEND and AP Improvement Plan	Attendance advisors and mentors
Childcare market sufficiency	What works (WWC, Foundations, SFPC)	Investment in SEND and AP provision	SAFE and AP taskforces
Early years entitlements	Supporting families		HAF and breakfast clubs
Early years recovery package	Investment in care placements		
	Investment in local authorities and family courts		

Delivery strategies

Ensuring all children have access to high-quality and safe early education and childcare, with a greater proportion of children achieving the expected level of development at age 5

The number of registered childcare places has increased by around 40,000 (2.6%) since 2018, according to our provider survey. At the same time, the total population of birth to 4-year-olds has declined by 6% (approximately 200,000 children) between 2018 and 2023, according to the latest available ONS data.

The early years education recovery programme provides workforce training, qualifications and bespoke support for the early years sector to support the learning and development of the youngest and most disadvantaged children. Since its launch, it has provided more than 21,000 training opportunities at setting or school level and more than 41,000 training opportunities to individual practitioners.

Our online early years child development training is available to all early years professionals in England, to improve knowledge and understanding of child development. By December 2023, 37,084 practitioners had registered for the training.

Between November 2022 and December 2023, 8,329 practitioners registered for professional development programme phase 3, to improve their skills and understanding of supporting children's development in early communication and language; early mathematics; and personal, social and emotional development.

By December 2023, 5,253 settings had registered to take part in the level 3 special educational needs co-ordinator training programme, aimed at increasing specialist expertise in SEND.

Between April 2022 and January 2024, 4,989 settings registered for support from our experts and mentors and childminder mentor programme, accessing free leadership support, coaching and mentoring tailored to their needs.

Early years stronger practice hubs offer advice, good practice and evidence-informed professional development for practitioners. There are 18 hubs nationwide, with two in each of the nine official English regions. As of December 2023, the hubs had 7,266 settings within their membership.

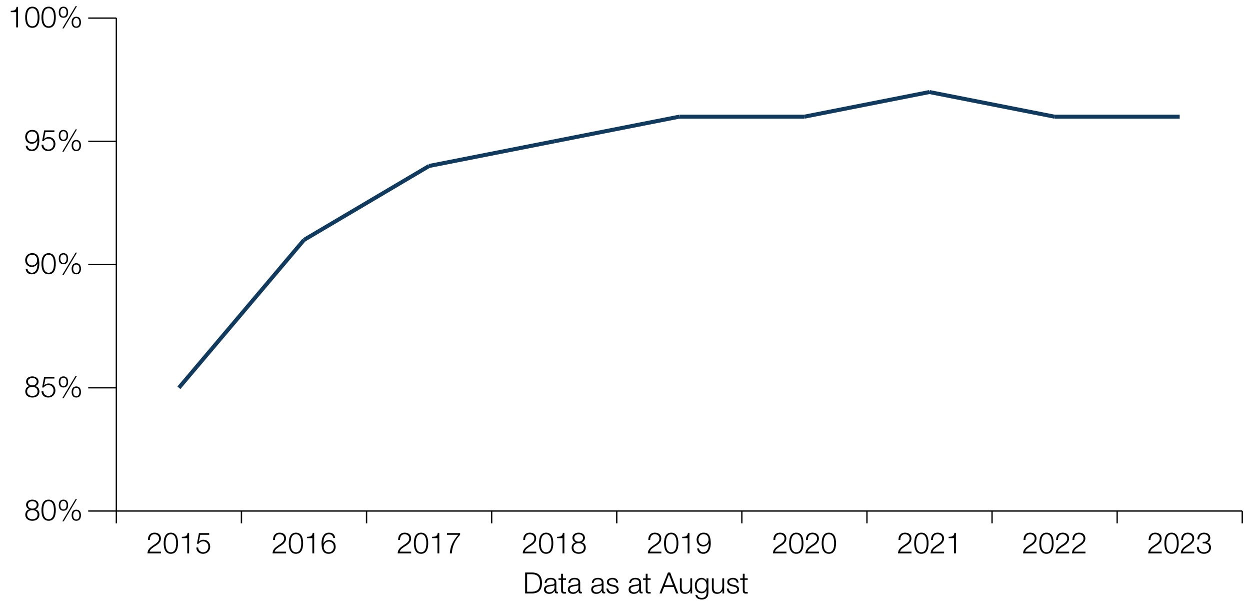
The NPQ in early years leadership aims to strengthen leadership in the sector with 3,102 funded starts in 2022/23.

The second cohort of early years ITT trainees taking up additional places funded by the early years education recovery programme began in September 2023, and the third cohort in January 2024.

Since September 2020, more than 11,000 primary schools have registered for the Nuffield Early Language Intervention, screening 648,532 children and delivering to an estimated 211,700 4- and 5-year-olds.

In the latest early years foundation stage profile results,[18] 67% of children had a good level of development and 66% of children were at the expected level across all 17 early learning goals. Compared to 2021/22, these figures have increased by around 2 percentage points. The percentage of disadvantaged children with a good level of development also increased across all deciles of the income deprivation affecting children index.

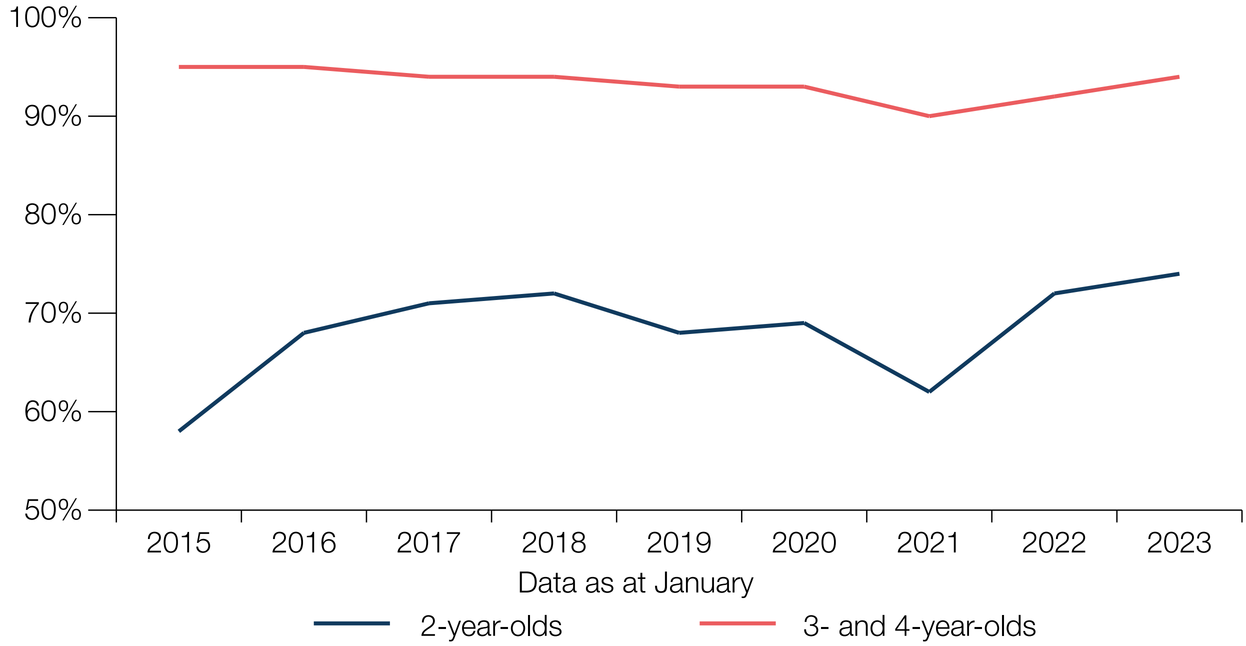
Figure 31: Percentage of registered early years settings rated as 'good' or 'outstanding' by Ofsted



Since 2015, there has been a consistent upward trend in the number of early years settings rated good or outstanding, increasing from 85% to 96% over the period. While there is an overall upward trend with minor fluctuations year to year, from 2020 to 2023, the percentage remained consistently high at 96%, indicating stability in maintaining the number of early years settings rated good or outstanding during this period.

18 https://explore-education-statistics.service.gov.uk/find-statistics/early-years-foundation-stage-profile-results/2022-23

Figure 32: Percentage of eligible children taking up the early education entitlements (15 hours for disadvantaged 2-year-olds, universal entitlement for 3- and 4-year-olds)



There is a noticeable overall upward trend in the uptake rate of early education entitlements for 2-year-olds over the period. The percentage increased from 58% in 2015 to 74% in 2023, indicating a steady improvement in the participation of 2-year-olds in early education programmes. After a fall in 2019 to 68%, there has been a significant increase in the uptake rate since 2022, where it stood at 72%. On the other hand, there is a general trend of stability in the uptake rate of early education entitlements for 3- and 4-year-olds over the period. The percentage remained consistently high, ranging from 90% to 95%, with minor fluctuations.

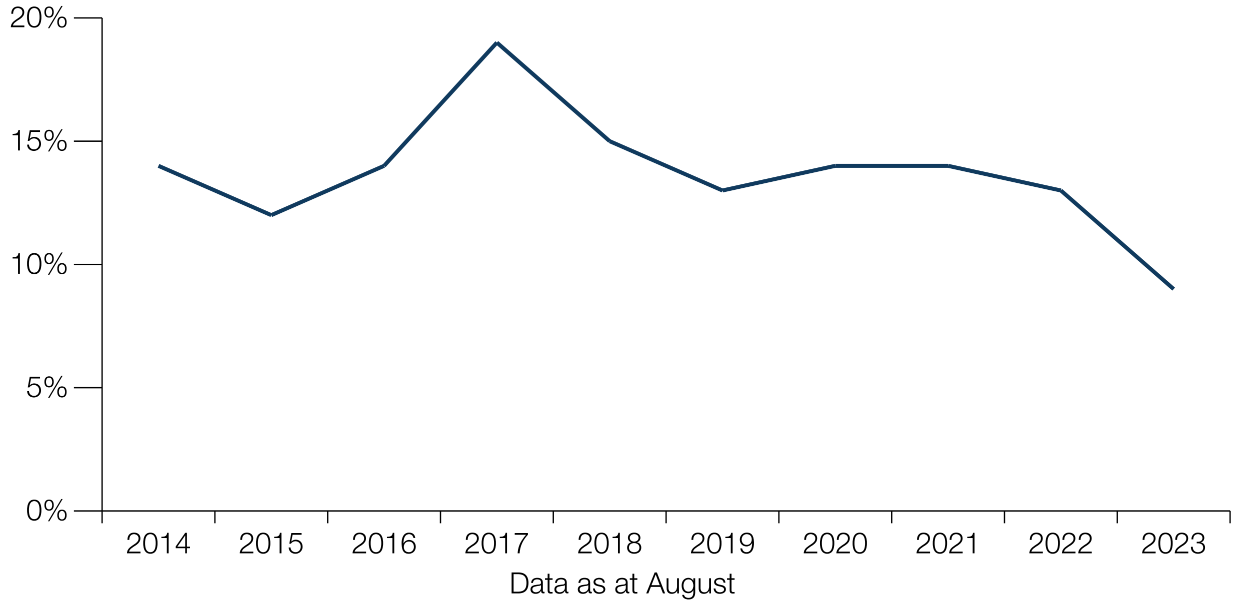
Drive better outcomes and experiences for children and families through improvement in the effectiveness and capacity of local public services, including CSC and SEND

We continue to develop reforms to improve outcomes for children and young people with SEND. Despite challenges, we have delivered programmes designed to improve outcomes for children and young people with SEND. Over 50 local authorities have been engaged through the delivering better value in SEND programme to support the effective and sustainable management of their SEND services. We also provided advice and support through our safety valve programme.

We have increased capacity by opening new special and AP free schools. In this financial year alone, we have opened 16 special free schools and one AP free school. In March 2024, we published £850 million of further capital investment in specialist places over this and the next financial year.

We continued to progress proposals set out in the improvement plan, through the SEND and AP change programme, including significant improvements to what is available in mainstream settings.

Figure 33: Percentage of local authorities rated 'inadequate' for CSC services



The data shows a general improvement in the performance of local authorities in providing adequate social care services for children over the years. While there have been periodic peaks, such as in 2017 with 19% of local authorities rated as 'inadequate', the overall trajectory has been positive. Recent data from August 2023 indicates a significant improvement, with only 9% of local authorities rated as 'inadequate', suggesting that efforts to enhance CSC services may be yielding positive results.

Ensure all children grow up in loving, safe and stable homes and communities

Our aim is to create a CSC system which prioritises stability for children and families. 'Stable Homes, Built on Love' is our strategy to achieve this.

This strategy consists of six 'pillars', which together make up a programme of transformation across the CSC system. These include embedding effective support for families facing challenges; keeping children safe from significant harm; supporting children who cannot live with their parents to live with those who know them; providing highly skilled social workers to all children who need them and shaping a system that continually learns and improves.

Our families first for children pathfinder will test this innovative approach, alongside establishing dedicated, skilled child protection arrangements, strengthening safeguarding partners and encouraging greater use of family networks. We announced the first three local pathfinder areas in July 2023, and seven further areas in April 2024, as part of a £45 million programme.

Where children cannot live with their parents, we want to support them to live with people who are known to them. We launched the family network pilot in July 2023 in four local authorities, providing flexible funding for extended family networks through family network support packages.

To keep children safe inside and outside the home, we are testing a new lead child protection practitioner role to carry out front-line child protection work, and a dedicated multi-agency response.

In December 2023, we published:

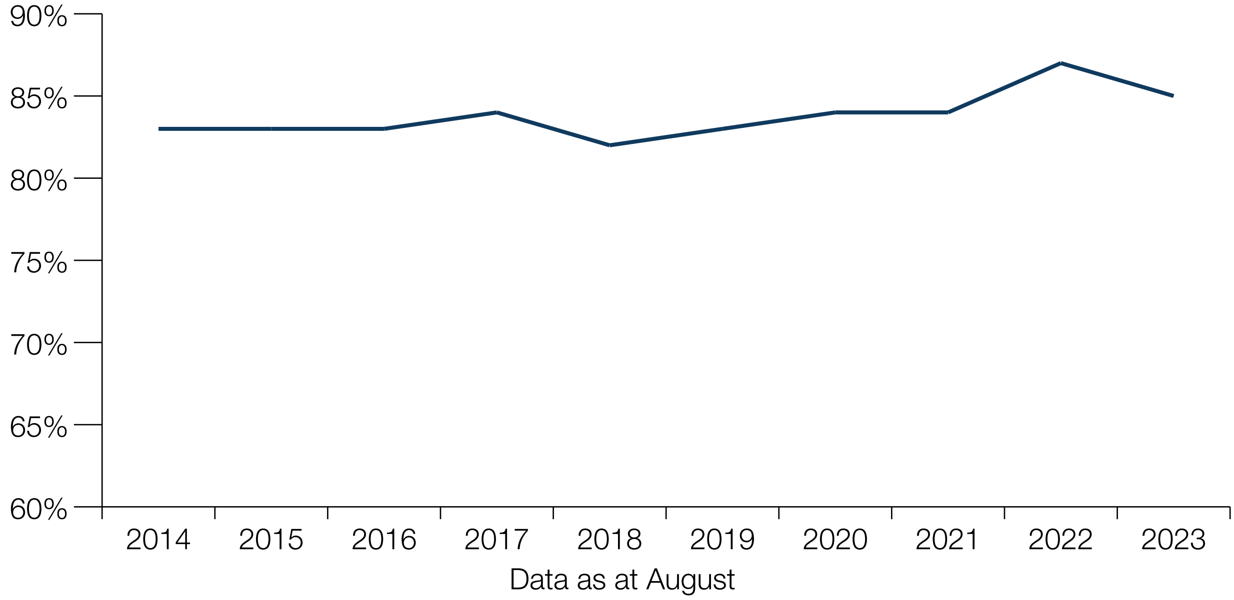
- updated 'Working Together' guidance, for individuals, agencies and organisations to keep children safe and promote their welfare
- the CSC national framework, statutory guidance bringing together the purpose, principles, enablers and outcomes for children's social care
- our CSC data and digital strategy, to address barriers to efficient use of data
- the first national kinship care strategy, with £20 million investment to support kinship families

We are prioritising social worker recruitment and retention and reducing the cost and reliance on agency social workers, with grant funding to support up to 461 new social worker apprenticeship places. We have established the National Workload Action Group to tackle unnecessary workload keeping social workers away from direct time with children and families.

We are developing an early career framework, to support social workers' entry into the profession, and to improve services and retention. In March 2024, we opened applications for the second cohort of early adopters, to help refine the framework. We have also set out new rules to address overreliance on child and family agency workers in CSC.

We increased the leaving care allowance from £2,000 to £3,000 from April 2023, and the care leaver's apprenticeship bursary from £1,000 to £3,000 from August 2023. This is on top of the £53 million investment to increase access to practical help with move-on accommodation through the Staying Close programme.

Figure 34: Percentage of AP schools rated 'good' or 'outstanding' by Ofsted



There has been an improvement in the percentage of AP schools rated as 'good' or 'outstanding' by Ofsted since 2014, with the proportion increasing from 83% in 2014 to 85% in 2023, indicating an overall positive trend. More recently, from 2020 to 2023, the percentage has remained relatively stable, fluctuating within a narrow range between 84% and 85%.

Ensure the foundations and enablers of education are in place for all children, including high levels of attendance and engagement

Attendance

Across 2022/23, the overall absence rate and persistent absence rate both saw a decrease from the previous academic year. We continued to see improvements in the year-to-date figures for 2023/24 but these still remain higher than pre-pandemic levels. The rate of severe absence increased slightly from 2021/22. The majority of absence was due to illness, which accounted for 3.7% of possible sessions in 2022/23.

We continued to deliver our wide package of reforms to support schools to improve attendance, including stronger expectations of schools, academy trusts and local authorities; an attendance data tool; the attendance action alliance of system leaders; a new national attendance ambassador; expert attendance advisers; an attendance mentor pilot; attendance hubs and a national communications campaign on preventable absence. We also continued to offer intensive support to the most vulnerable through a range of programmes such as the supporting families programme and virtual school heads.

Behaviour

The Department has a programme of work on improving behaviour in schools which aims to provide clarity and support for school leaders and staff. This includes:

- an updated suite of behaviour management guidance resources: 'Behaviour in Schools', 'Suspension and Permanent Exclusion', 'Searching, Screening and Confiscation' and 'Mobile phones in schools'
- the National Behaviour Survey runs termly to track experiences and perceptions of pupil behaviour in schools
- the NPQ for Leading Behaviour and Culture, which is for staff who want to develop their understanding of contemporary practice and research around promoting and supporting positive behaviour.
- £184 million has been invested into providing fully funded NPQs for teaching staff across the country to deliver 150,000 NPQs up until 2023/24

On 25 April 2024, the Department published the behaviour hubs resources to ensure that all schools have access to advice and support on managing pupil behaviour.

The Department is in the process of updating the 'Use of reasonable force' guidance (published in 2013). A call for evidence on the use of reasonable force and restrictive practices ran from 16 February 2023 to 11 May 2023. The results will be used to inform updates to the guidance.

Table 9: Absence rates by group: children who receive FSM, children who have EHC plans, children who are in need and looked after children

Academic year	Absence rate for FSM pupils	Absence rate for EHC plan pupils	Absence rate for children in need (%)	Absence rate for looked after children (%)
2022/23	11.1%	12.3%	16.4%	8.3%
2021/22	10.8%	12.1%	15.2%	9.2%
2020/21	7.8%	13.1%	13.4%	9.9%
2019/20*	–	–	–	–
2018/19	7.5%	8.7%	11.4%	6.2%
2017/18	7.6%	8.7%	11.0%	6.1%
2016/17	7.3%	8.2%	10.4%	5.9%
2015/16	7.0%	7.7%	9.8%	N/A
2014/15	7.0%	7.7%	9.6%	N/A
2013/14	6.7%	7.5%	9.4%	N/A
2012/13	7.6%	8.2%	10.4%	N/A

*COVID-19 impacted data collection for 2019/20.

There is an overall increasing trend in absence rates for FSM pupils over the period, gradually rising from 6.7% in 2013/14 to 11.1% in 2022/23. However, when non-attendance for COVID-19 related reasons is included in the assessment, the absence rates for FSM pupils in 2021/22 was 12.0%. The absence rate remained stable over the period of 2014/15 to 2020/21, fluctuating between 7.0% to 7.8%. Post-pandemic it increased by 3 percentage points.

The absence rate for EHC plan pupils has also been increasing over the years, standing at 12.3% in 2022/23. It had been relatively stable pre-pandemic, however post-pandemic, the absence rate increased by 4.4 percentage points. When non-attendance for COVID-19 related reasons is included, the absence rate for EHC plan pupils in 2021/22 was 13.5%.

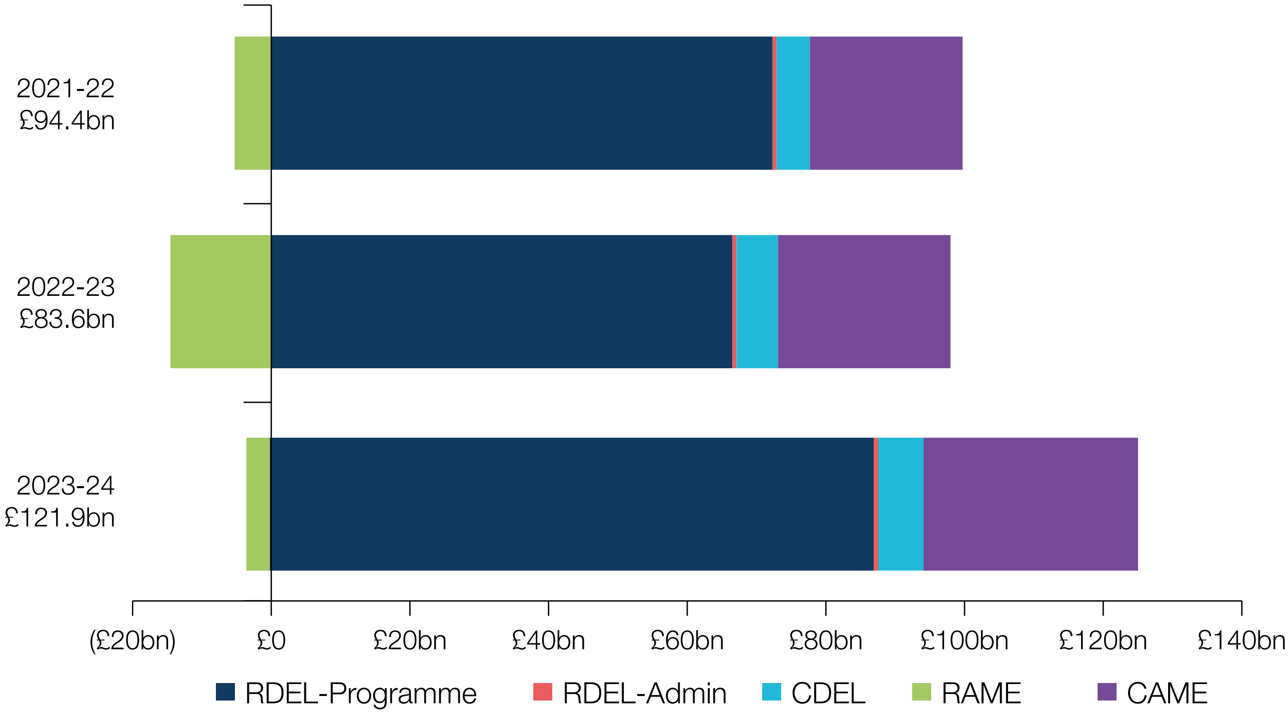
A similar upward trend has been seen in case of absence rate for children in need and looked after children. Children in need saw the highest change, rising by 4.2 percentage points in five years while looked after children increased by 3.1 percentage points over the same period (2017/18 to 2021/22). On the positive side, the absence rate for looked after children has decreased in the last academic year.

Additional analysis of performance across business groups

The following figures present the last three years' TME analysed across budget types and business groups for the Group as a whole, and then for each business group by budget type. Performance for three financial years has been provided to improve understanding and to highlight whether this year's balances follow a trend or not. In the figures, positive numbers represent net expenses or losses, whereas negative numbers represent net income or gains.

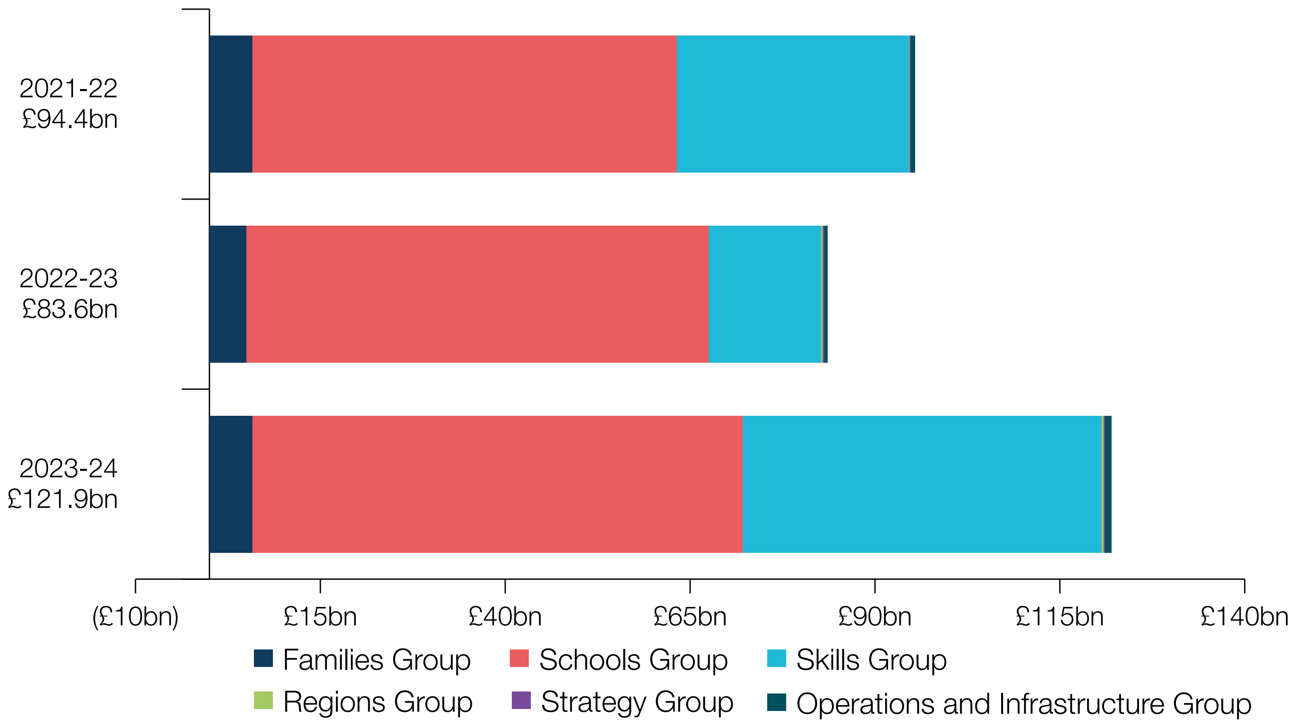
Departmental Group

Figure 35: Outturn by budget type, last three years



RAME balances are primarily a result of student loan fair value movements. In the prior year, in accordance with HMT's direction we changed the discount rate applied to the future cash flows as part of the valuation modelling which created the £14 billion RAME gain. As well as RAME, the prior year RDEL-Programme balance contains the remaining £10 billion of student loan fair value gain. Note 12 and Annex C have more details on both the current and prior year fair value movements.

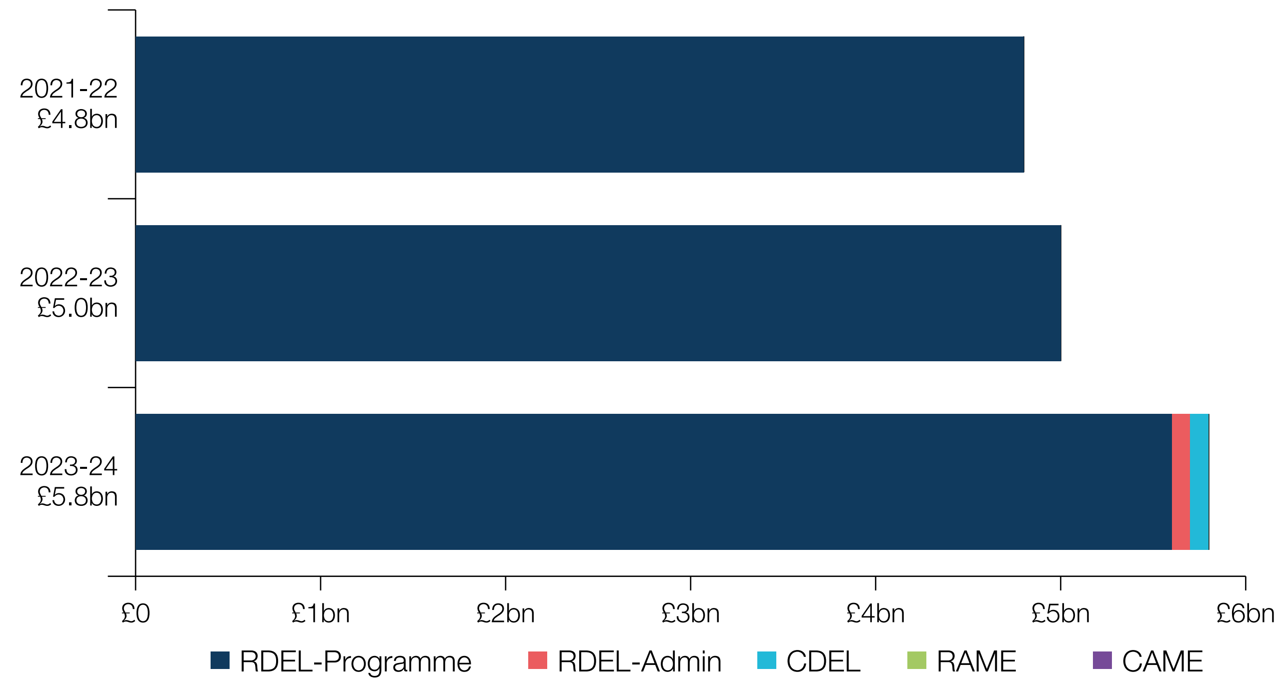
Figure 36: Outturn by business group, last three years



The sizeable fall in Skills Group's outturn in the prior year was due to the large student loan fair value gain reported that year, which can also be seen in Figure 35.

Families Group

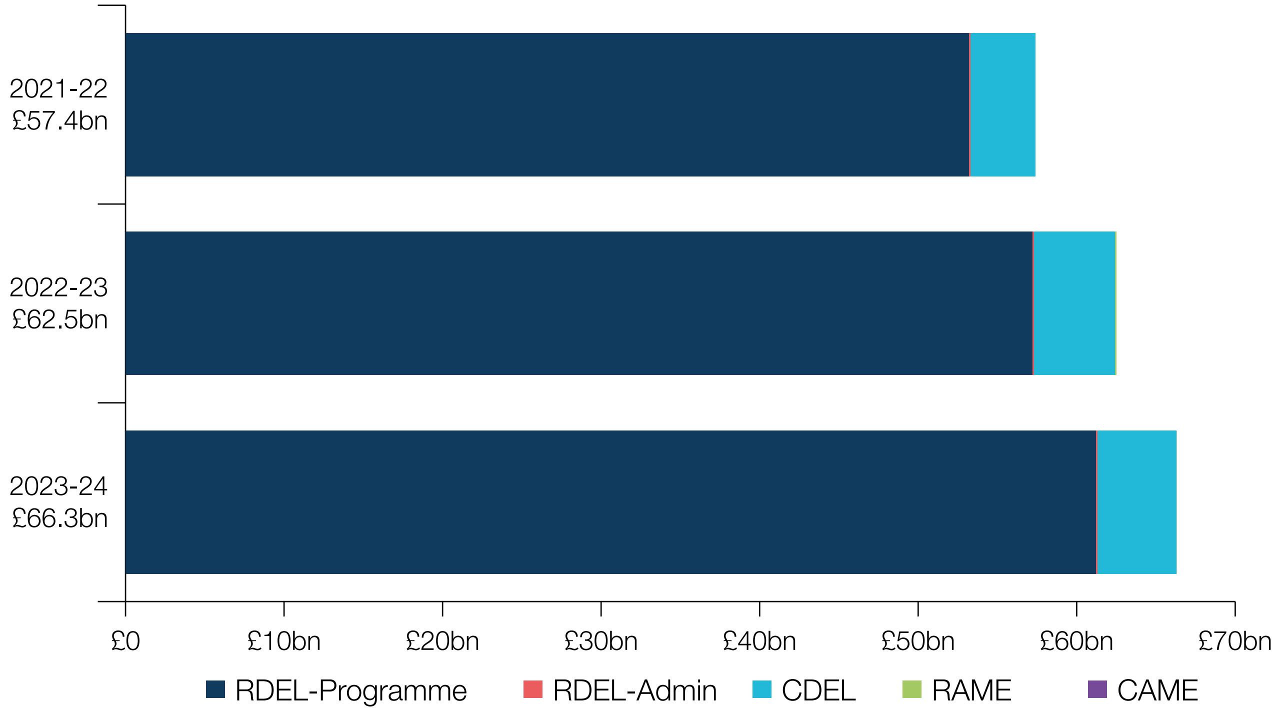
Figure 37: Analysis of Families Group outturn, last three years



No significant assets or liabilities are managed by this business segment.

Schools Group

Figure 38: Analysis of Schools Group outturn, last three years



The bulk of the Group's resource policy funding can be found in Schools Group for its funding of schools (maintained and academies) through the NFF and high needs funding, which were approximately £40 billion and £8 billion across each of the three years. Note 5.2 has more details.

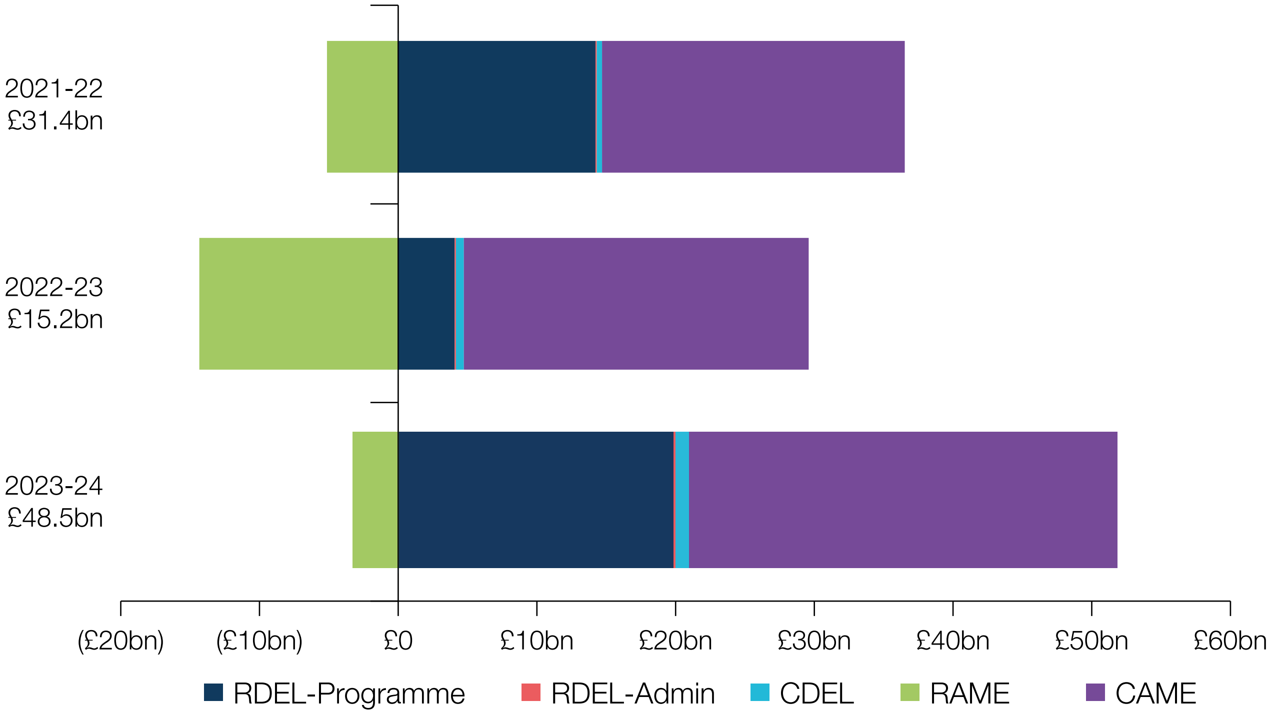
In addition to the outturn presented in Figure 38, Schools Group is also responsible for assets and liabilities.

Table 10: Significant assets and liabilities managed by Schools Group, as at the last three year ends

SoFP caption	Specific item	2024	2023	2022
		£m	£m	£m
Education sector assets	Assets under construction and investment property assets	776	611	–
Other loans	PF2 loan assets	471	493	–
Other loans	Academy sector loans	119	125	134
Payables	PF2 imputed lease liabilities	(567)	(583)	(598)
Payables	PF2 loan liabilities	(478)	(502)	–
Provisions	Early departure provisions	(99)	(108)	(114)

Skills Group

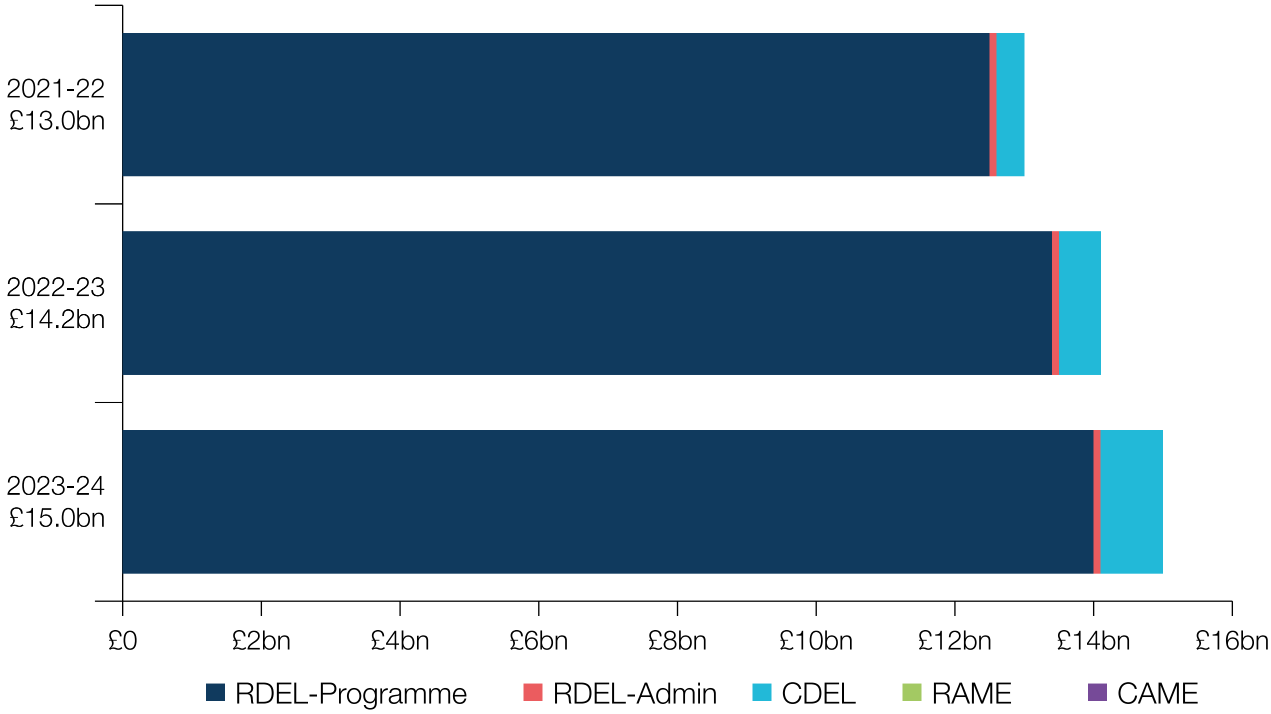
Figure 39: Analysis of Skills Group outturn, last three years



Skills Group outturn includes the performance of student loans which can show high levels of variability across years through the action of the fair value calculation. Last year's student loan fair value gain of £23 billion depressed Skills Group's outturn for both RAME (£13 billion) and RDEL-Programme (£10 billion). CAME spend represents net student loan advances comprised of new lending, repayments and capitalised interest.

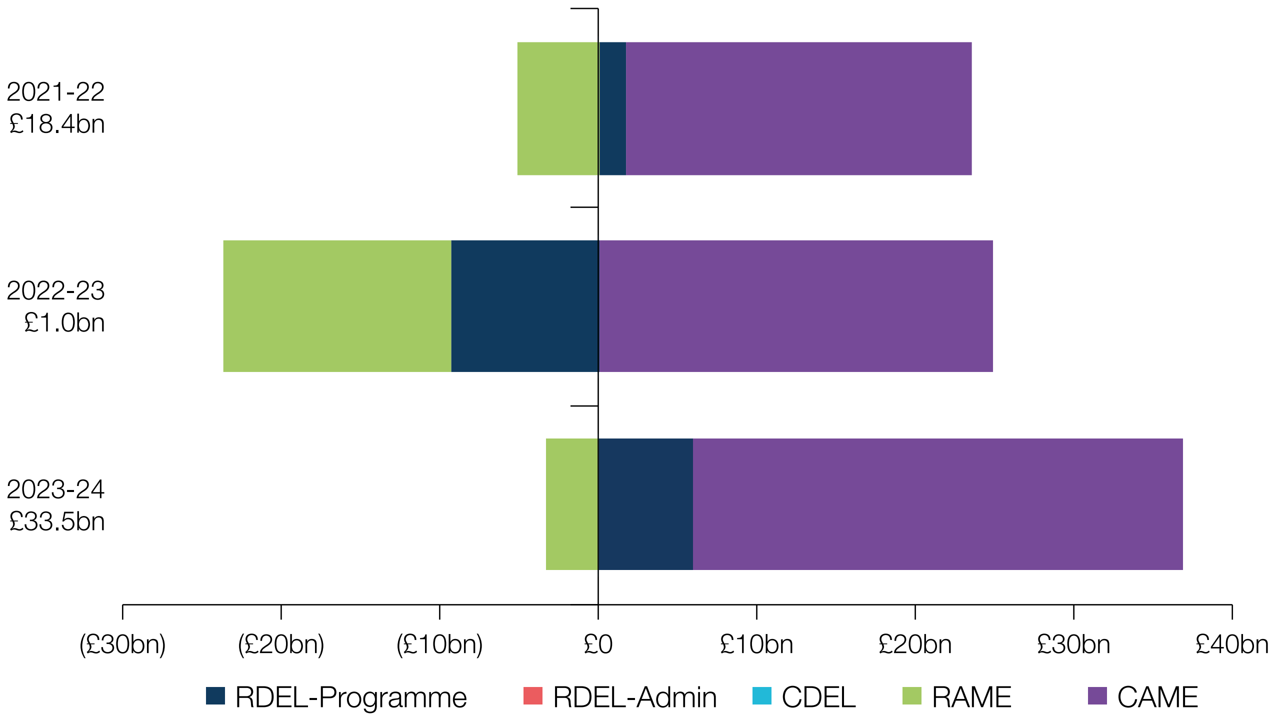
Figure 40 and Figure 41 present the last three years outturn split between non-student loan activities and student loans.

Figure 40: Non-student loan activities, last three years



Note 5 has more detail on non-student loan policy funding which is reported as RDEL-Programme spending above.

Figure 41: Student loans, last three years



The net outturn for student loans for the last three years shows the most volatility of all operating segments due to both the size of the student loan portfolio and its exposure to macroeconomic variables. The three budget types are explained below.

CAME

This represents net loan issuance and has remained broadly stable across the three years since loan advances and repayments have been flat. The driver of the movement from £22.0 billion to £30.9 billion across the three years is capitalised interest. Interest increased from £4.9 billion in 2021-22 to £15.1 billion this year driven by the rise in RPI, which effects Plan 2 and 3 loans.

RAME

This budget type's outturn is similarly focused on the year end fair value re-assessment, but this time on factors judged to be outside of our control such as discount rate changes controlled by HMT. As such we have agreed with HMT that outturn from these factors will be scored to RAME not RDEL in accordance with CBG. Last year's large gain was predominantly caused by the HMT-mandated change in the discount rate applied to fair value future cash flows.

RDEL-Programme

Outturn for this budget type is a mixture of the initial fair value movement on loan issuance and the residual fair value movement not recognised in RAME. Loan issuance fair value losses have remained broadly stable across the three years around £5.5 billion. In contrast the residual year end fair value movement shows more volatile especially last year with the £9.4 billion benefit, compared to smaller losses the other years. Last year's large benefit (an overall fair value gain of £23.9 billion) is the remainder of that movement after the RAME gain.

Note 12 and Annex C have more detail on the outturn and accounting movements.

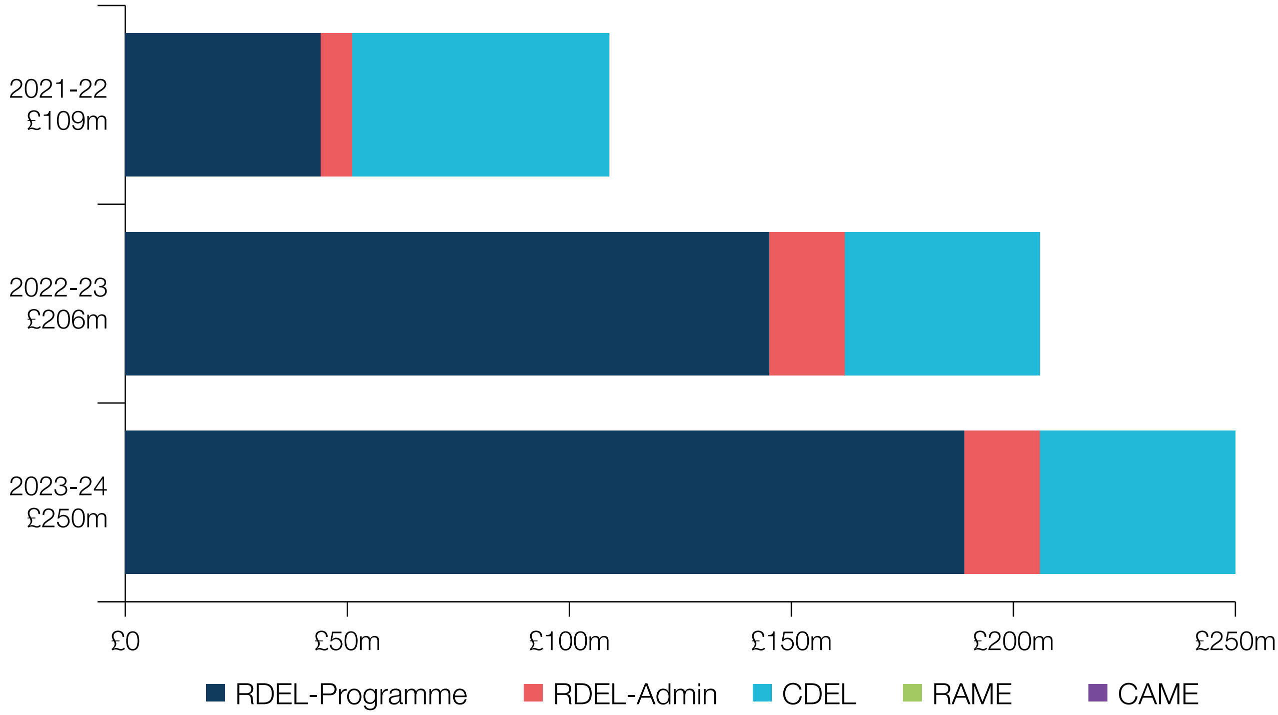
In addition to the outturn presented in the figures, Skills Group is also responsible for assets and liabilities.

Table 11: Significant assets and liabilities managed by Skills Group, as at the last three year ends

SoFP caption	Specific item	2024	2023	2022
		£m	£m	£m
Student loans	Student loans	150,982	137,804	97,942
Receivables	Student loan receivables	268	537	314
Provisions	Inherited staff liabilities	(93)	(110)	(130)
Financial guarantees	Student debt sale subsidy financial guarantee	(29)	(65)	(83)

Regions Group

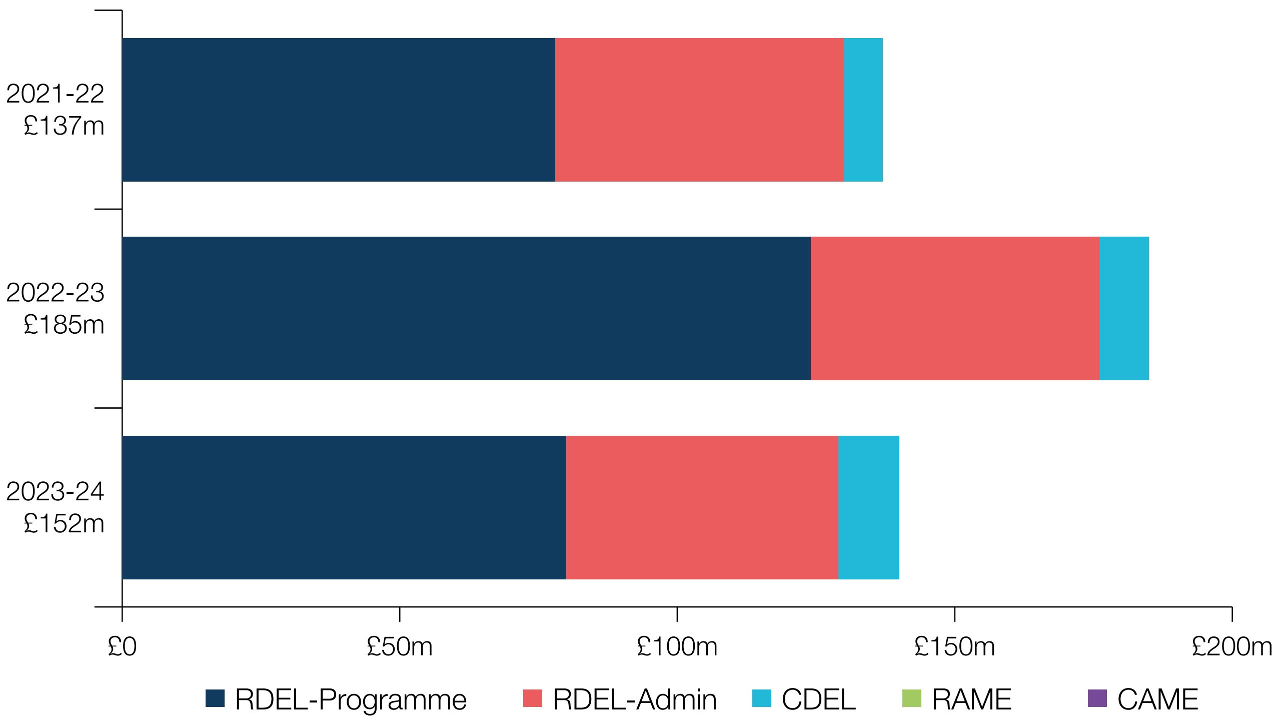
Figure 42: Analysis of Regions Group outturn, last three years



No significant assets or liabilities are managed by this business segment.

Strategy Group

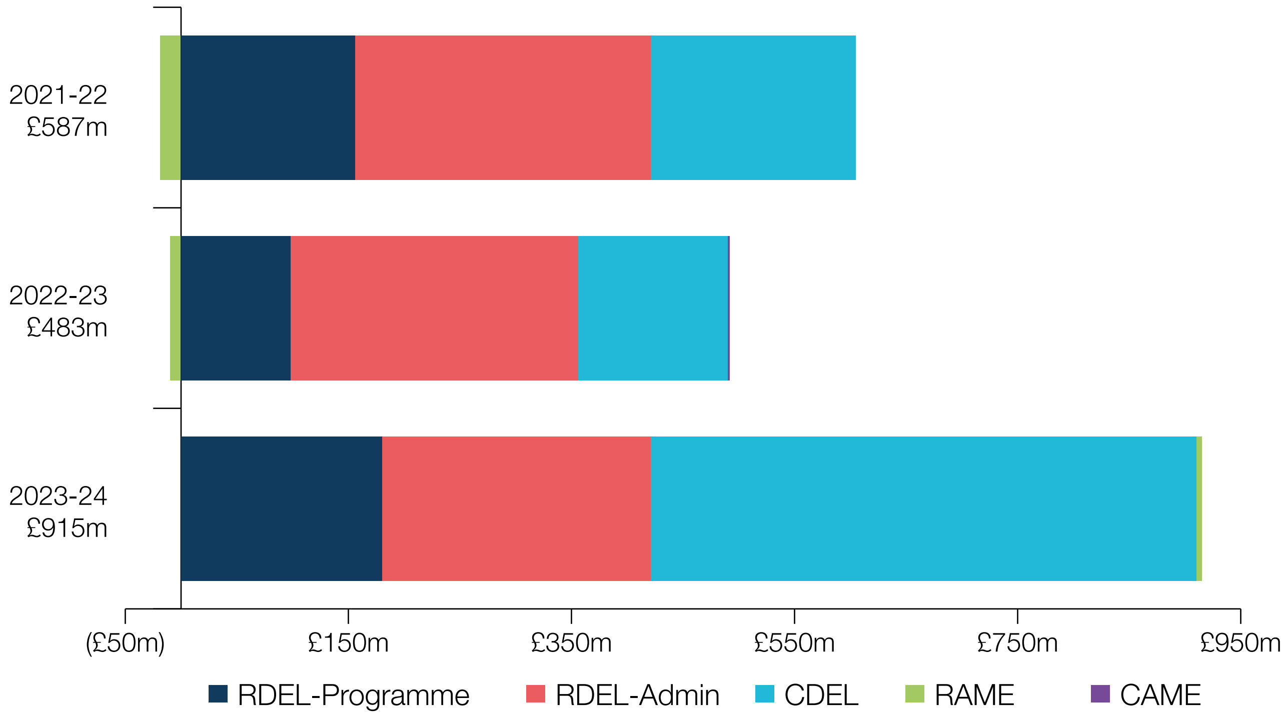
Figure 43: Analysis of Strategy Group outturn, last three years



No significant assets or liabilities are managed by this business segment.

Operations and Infrastructure Group (OIG)

Figure 44: Analysis of OIG outturn, last three years



There has been a £348 million increase in CDEL spending from the prior year, of which £173 million was schools improvement spending with £103 million of net advances to colleges.

No significant assets or liabilities are managed by this business segment other than a portion of the FE sector loans.

Fraud and error

The Department has seen the introduction of a suite of measures including fraud risk assessments for major grant programmes, data sharing via the National Fraud Initiative and multiple financial controls (including confirmation of payee) to enhance the amount of fraud detected, recovered and most importantly prevented each year.

The Department undertook a fraud measurement and assurance exercise this year, which we will continue to build on in future years to focus counter fraud and detective measures in high-risk areas. All fraud and error is reported to both the Audit and Risk Committee (ARC) annually and the Public Sector Fraud Authority (PSFA) on a quarterly basis.

Table 12: Performance in fraud and error prevention over the past three years

	2023-24 (Q1 and Q2)	2022-23	2021-22
	£m	£m	£m
Detected error	36.4	39.1	47.2
Detected fraud	6.1	58.2	22.0
Prevented fraud	3.1	51.6	19.7
Recoveries fraud and error	27.5	17.0	47.3

The values are presented for the financial year they relate to or when funds are recovered. Please note that the figures disclosed for the current year are incomplete and will be subject to restatement in the future as we continue our activities to identify fraud and error and recover lost funds. The apparent decrease this year in detected fraud may be due to our continued efforts in fraud prevention, which have resulted in an estimated £3.1 million in prevented fraud, although once Q3 and Q4 figures are finalised we expect detected fraud levels to be similar to last year.

Strategic enablers

Workforce, skills and location

HR has supported the Department to have the right people, with the right skills to deliver its priorities.

During the year, we have made progress on the development of a new People Strategic Plan. The plan will set out our aims for our workforce, to enable us to achieve the five 'The Way We Work' modernisation and reform missions, through an agile, high performing and skilled organisation, that delivers for children and learners.

As we develop our approach to workforce planning, our business segments have developed workforce plans through to 2025 to enable them to prioritise and ensure delivery. This has also enabled department-wide decision making on our approach to managing our workforce as a whole, so that we deliver efficiently, retain a skilled workforce and recruit the specialist skills we need into the Department.

This year, we have further developed our learning and development provision to deliver the skills the Department needs so that we have the right capability to achieve our departmental purpose. We have embedded our learning and development target operating model so that HR, business segments and professions work in partnership to deliver learning and development. We have begun work with analysts to review the skills we will need for the future.

We continue to review our progress towards the places for growth programme, to grow opportunities in our locations across the country, including leading the cross-government Sheffield policy campus, growing collaboration with regional stakeholders in the area, while also balancing retaining skills and experienced staff in London.

We also continued with our established effective approaches to talent and performance management, which received positive feedback in the annual People Survey. We have also been gathering information to enable us to identify areas where we could further refine our approach and which we will take forward next year as a strand of our people strategic plan. Our approach to Senior Civil Service (SCS) performance management and reward enables regular constructive career and talent discussions for SCS alongside a consistent rhythm of activity to identify critical roles and succession plans. SCS Workforce Committee and business segment senior leadership teams continue to hold regular talent discussions to consider development needs that support us to develop diverse pipelines.

We continue to progress the Department's diversity and inclusion strategy through the annual action plan to support us to create an inclusive department, which nurtures talent and reflects the ever-increasing diversity of our department, mirroring the country we serve.

Innovation, technology and data

The Department has digital, data, technology (DDT) specialists who focus on user-centred design and delivery. We partner with teams across the Group delivering services that improve outcomes for children.

During the year, we have further improved systems for users against this year's themes:

- delivering for citizens of our country
- making every pound count
- making DDT a great place to work

We have refreshed our DDT strategy, combining multiple existing components into a single vision strategy and plan. Our strategic data vision secured investment of £9.8 million in projects including mapping the Department's data estate, creating an Advanced Analytics Unit to exploit predictive analytics and machine learning, and improving the way our sectors access Departmental data. We have set up DDT portfolio oversight to improve prioritisation, build understanding and ensure DDT is engaged early and remains central to delivery of departmental policy.

In September we launched the connect beta service to improve user experience for school leaders and business professionals. This year disparate digital infrastructure and brands across Skills Group were unified with a coherent brand and user journey.

We have made progress against our new 3-year technology strategy covering operations, cyber and information security, infrastructure and platforms. We continue to collaborate with the education sector on the effective use of artificial intelligence, including £2 million funding to support Oak to develop new productivity tools for teachers.

We are supporting colleagues to explore the benefits of artificial intelligence by rolling out a secure search engine tool, CoPilot, to test the usage, benefits and costs. We have developed an open artificial intelligence sandbox allowing staff to use AI technologies in a safe environment.

New data systems

One of our new data systems is an integrated data system that automatically brings in school attendance data, making the Department and its providers better equipped to intervene and support vulnerable students.

We also launched a system bringing timely CSC data from local authority case management systems into the Department. This makes the data available for further analysis.

After 25 years of being outsourced, we are delivering a transformational programme to in-house the learner data service for school attainment data underpinning assurance and funding. The operational matching service went live in January 2024 providing a single view of attainment, free school meals and pupil premium data. The awarding organisation collection is now live ready to receive this year's exam results.

Finally, we have successfully concluded piloting and development of our external longitudinal education outcomes research offer with ONS, the Administrative Data Research Network UK and wide range of other partners across government, academia and the professional research.

The DDT culture strategy has been launched, building on the momentum from the One Big Thing initiative to elevate DDT awareness, capability, collaboration and accountability within the Department.

We have continued our substantial investment in DDT professions and learning and development offering a wide range of opportunities, so we have the right in-house capabilities. We are supporting our professional communities with weekly professions time and regular community-based events. We are also in the process of implementing the government digital and data pay framework which will help us to recruit and retain specialists.

Delivery, evaluation and collaboration

In the year we delivered substantial progress across our Skills, Schools and Families remit, as outlined across this ARA. We have scaled up starts and achievements across priority skills programmes, taken steps back to pre-pandemic levels of attendance and attainment, and reduced numbers of pupils in underperforming schools. We have delivered the first phase of the extended childcare entitlement and started to deliver against commitments set out in our planned reforms to CSC services and support to pupils with SEND and in AP.

We have strengthened collaboration across the Department through updated governance arrangements to improve expectations and opportunities to collaborate across programmes. We continue to work closely with colleagues across government and a wide group of stakeholders with whom we deliver education and children's services. We draw on the insights from stakeholders to understand what is happening on the ground to shape policy development as well as implementation. We engage with partner and representative organisations as well as the frontline more directly to ensure that we provide meaningful opportunities to create a constructive dialogue with a range of people.

We have continued to strengthen project delivery, brigading our higher value projects into a major projects portfolio. This brings together projects and programmes over £50 million in value and those which are novel, contentious or repercussive, including those that sit within the government's major projects portfolio. Collectively, these aim to deliver transformation or improve service delivery across our full remit of education and CSC settings. They also include two infrastructure and construction programmes, rebuilding or improving the school and college estate. Portfolio management and best practice guidance are offered by our Major Projects Portfolio and Risk Division. Second and third line assurance has been coordinated by the portfolio team, in collaboration with internal audit and the external Infrastructure and Projects Authority. Reviews have confirmed that all major projects are on track for delivery with any identified issues receiving management attention.

The Department has grown the project delivery profession through a range of accredited project management courses, including chartership, and the government's major projects leadership academy and project leadership programme. We continue to expand our self-directed learning offer through our online project delivery learning platform.

At a local and regional level, we have strengthened operational delivery by:

- growing and investing in our operational delivery profession, bringing operational delivery expertise through a network of affiliated staff across the Group
- improving delivery by investing in digital services to improve efficiency of academy applications, publishing guidance on commissioning high-quality academy trusts and better planning how we deploy expertise to improvement and intervention programmes across children's services

We have commissioned a portfolio of evaluation that is building our understanding of what works and how best to target our investment in key areas of focus, such as adult numeracy skills, family hubs, SEND provision, pupil premium and Skills Bootcamps. We have delivered evaluations of the first year of the Turing Scheme, bursaries to increase the number of mathematics teachers, years two and three of the NTP and our eighth annual report on the supporting families programme.

Sustainability and TCFD disclosures

Introduction

This year, the Department is producing new disclosures in accordance with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) and accompanying phase 1 implementation guidance[19] from HMT.

The TCFD recommendations are structured around four thematic areas that relate to core elements of how organisations operate.

19 https://www.gov.uk/government/publications/tcfd-aligned-disclosure-application-guidance/task-force-on-climate-related-financial-disclosure-tcfd-aligned-disclosure-application-guidance#introduction

Figure 45: TCFD themes

Governance

- describe the Board's oversight of climate-related risks and opportunities
- describe management's role in assessing and managing climate-related risks and opportunities

Strategy

- describe the climate-related risks and opportunities the organisation has identified over the short, medium and long-term
- describe the impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning
- describe the resilience of the organisation's strategy, taking into account different climate scenarios including a 2°C or lower scenario

Risk management

- describe the organisation's processes for identifying and assessing climate-related risks
- describe the organisation's processes for managing climate-related risk
- describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management

Metrics and targets

- disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process
- disclose scopes 1, 2 and 3 (where appropriate) greenhouse gas emissions and related risks
- describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets

The government has endorsed the TCFD framework and has mandated TCFD-aligned disclosure for large entities in the private sector. HMT has subsequently introduced guidance for the public sector to implement these same disclosures, with a view to fundamentally changing how organisations address climate change and its impacts, culminating in insightful disclosures in ARAs.

HMT's TCFD guidance includes a three-year implementation period, described in Figure 46.

Figure 46: TCFD adoption timeline

1

Phase 1

- adopted 2023-24
- high-level overview
- focus on full governance disclosures
- focus on scope 1, 2 and 3 (business travel) disclosures
- compliance statement

2

Phase 2

- adopted 2024-25
- qualitative disclosures with existing quantitative disclosures
- as phase 1 but adds in full metrics and targets disclosures
- full risk management disclosures

3

Phase 3

- adopted 2025-26
- full TCFD disclosure compliance
- as per phase 2 and adds in full strategy disclosures

Agencies and NDPBs

For this financial reporting cycle, Agencies and NDPBs will report their TCFD governance disclosures in their own ARAs only. The bodies will continue to provide Greening Government Commitments (GGC) information to the Department so that it can be consolidated into a Group position in the usual way.

Format of the disclosures

Sustainability and climate change is a cross-cutting theme in the Group and our work has wide-reaching impacts. To clearly demonstrate the way in which we are complying with the TCFD recommendations, we use three distinct lenses.

Corporate body lens

Pertaining to the Group itself including our office estate. Quantified GGC disclosures along with policy statements relating to the Group's own activities.

Education sector strategy lens

Describing our policy aims and activities for the education and children's services system (such as schools) whose activities are not included within the scope of GGC, but for which the Department retains policy responsibility.

Education estate lens

Pertaining to the carbon emissions and adaptation responsibilities from education buildings which are equivalent to around one-third of total public sector emissions and whose activities are not included within the scope of GGC, but for which the Department retains policy responsibility.

Compliance statement

The Department has reported on climate-related financial disclosures consistent with HMT's TCFD-aligned disclosure application guidance, which interprets and adapts the framework for the public sector.

Table 13 shows the TCFD disclosures the Department has included here in the Performance Report, and an assessment of the extent to which they are compliant with HMT's phase 1 implementation plan:

- not compliant
- partially compliant
- fully compliant

The Department has shown separately those disclosures that will become reportable in future ARAs.

For this year, we have provided training and support to our NDPBs, and we have confidence that our NDPBs are also compliant with TCFD governance and metrics and targets disclosures.

From next year, the Department will include a summary in the compliance statement in the Group ARA.

Table 13: TCFD disclosures included in the Performance Report (and annex B)

	Compliance status
Governance	
Describe the Board's oversight of climate-related risks and opportunities	Fully compliant
Describe management's role in assessing and managing climate-related risks and opportunities	Fully compliant
Metrics and targets	
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Fully compliant
Disclose scopes 1, 2 and 3 (where appropriate) greenhouse gas emissions and related risks	Fully compliant
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Fully compliant

The Group expects to produce risk management disclosures in the next year's ARA and strategy disclosures the following year.

Lens: corporate body

Board oversight of climate-related risks and opportunities

Our response to GGCs:

- in 2023, a governance review of sustainability and climate change in the Department was concluded to the satisfaction of GIAA
- climate-related risk has been tabled at board meetings, the NDPB Chairs Network and their sub-boards – the highest levels of governance in the Department
- sustainability sits within the ministerial portfolio for Baroness Barran
- Jack Boyer is lead non-executive board member for sustainability and attends the cross-government Climate Non-executive Board Member Liaison Forum
- the Permanent Secretary appointed the Director General of Strategy Group as director general champion for sustainability
- the role of Chief Sustainability Officer (CSO) has been confirmed at director level
- ministers, directors general, CSO and the Senior Responsible Officer (SRO) attend relevant cross-government climate change and environment boards

In each of the following sections, disclosures are compliant with HMT's 2023-24 Sustainability Reporting Guidance (SRG). The Department is unique in that it has responsibility for a large publicly funded education estate that has a devolved management structure, that sits outside GGC responsibilities. We also know that the Academies sector, for example, currently reports on carbon emissions through the streamlined energy and carbon reporting framework (see metrics and targets).

Lens: education sector strategy

A sustainability and climate change unit was established in 2021, and in April 2022 the Department published its first cross-cutting climate change and sustainability strategy for an education system.

Strategic commitments are being delivered by all business segments other than Regions Group, to deliver in five key action areas:

- education
- skills
- education estate and digital infrastructure
- operations and supply chains
- international

The SRO for sustainability and climate change is fulfilled at deputy director level and the SRO chairs the Sustainability and Climate Change Portfolio Delivery Board, whose membership comprises deputy director SCS sponsors from across the Department who are responsible for the delivery of strategic commitments. A user group of education and sustainability stakeholders support this delivery board.

The CSO chairs the Sustainability and Climate Change Strategy Board whose membership comprises directors from across the Department who are responsible for the prioritisation of resources to support delivery of strategic commitments.

Lens: education estate

In 2023, an environmental sustainability overview of decarbonisation and adaptation of the school estate was concluded by NAO and the Department attended the Environmental Audit Committee (a House of Commons select committee) on 18 October 2023 to discuss and agree recommendations.

In 2023, a new Director of Capital Operations and Net Zero was appointed.

Management's role in assessing and managing climate-related risks and opportunities

Lens: corporate body

- in 2022 the Department published a strategy for the education and children's services systems
- in 2023 a corporate sustainability strategy was launched to embed sustainability across everything the Departments does, to be reviewed in 2025
- a corporate estate sustainability strategy has also been developed to set out the path to meeting GGC targets
- delivery of these strategies is monitored via the sustainability portfolio delivery board
- we have recruited sustainability expertise and a corporate office estates sustainability manager to bring focus to ensure our office estate, operations and policies support resilience and adaptation
- the Department has begun the process of assessing climate risk across its own buildings and operations and is making use of a new climate risk assessment tool, commissioned by our landlord (the Government Property Agency (GPA)), to screen for priority risks
- climate-related risk was tabled at the Board, the NDPB Chairs Network and their sub-committees during the reporting period

Lens: education sector strategy

- Performance and Risk Committee heard proposals from the SRO for a new top-tier climate-related risk and the decision was taken to embed climate-related risk into all relevant departmental risks for the education sector and where possible to ensure these are managed at portfolio level, this will be actioned during 2024-25. The decision was supported by the Board
- top risks to the sustainability and climate change strategy's benefits are owned at SCS sponsor level and are monitored via the portfolio delivery board, these are supported by a comprehensive risk and issue management framework

Lens: education estate

- third national adaptation pathway – we have contributed to and will fulfil the actions committed to in the published pathway which requires departments to develop strategies to reduce vulnerability to climate change
- a new climate change risk assessment of the effect of flooding, overheating and water scarcity on educational attainment and the education estate will be made available to the education sector, as committed in the sustainability and climate change strategy
- the Department agreed with the Environmental Audit Committee's recommendations to publish a roadmap by Autumn 2024 to align condition and sustainability planning and funding

Metrics used by the Department to assess climate-related risks and opportunities in-line with its strategy and risk management process

Lens: corporate body

The Government Greening Commitments[20] are a set of targets for central government and its executive agencies to reduce their environmental impact. The commitments, and their associated metrics, include:

- reduce greenhouse gas emissions (tCO_2e)
- mitigate climate change
- minimise waste and promote resource efficiency (tonnes)
- reduce water usage (m^3)
- reduce emissions from business travel (tCO_2e)
- key sustainability areas including biodiversity, climate change adaptation

The commitments do not apply to the education sector. However, the academy sector can report against the streamlined energy and carbon reporting framework.

Beyond GGC reporting, the Department's corporate sustainability strategy includes further metrics and targets, including:

- become an accredited carbon literate organisation at bronze level (number of staff trained and accredited)
- environmental considerations are embedded into policy development and delivery processes (bi-monthly sampling of usage of new environmental principles digital app, number of business cases that explicitly consider the environment)
- environmental effects of policies and behaviours are embedded into our culture (sustainability embedded in recruitment adverts and our careers page, at least 25% of staff have a sustainability objective)

20 https://www.gov.uk/government/publications/greening-government-commitments-2021-to-2025/greening-government-commitments-2021-to-2025

- reduce the number of physical IT servers on Departmental premises and move towards cloud-based computing solutions (percentage reduction in server hardware, percentage reduction in public cloud costs)

Lens: education sector strategy

We have met the commitment of the sustainability and climate change strategy to develop and publish a framework to evaluate the impacts of the broader actions set out within the strategy and have developed internal benefits indicators to assess progress towards achieving the benefits of the strategy. The benefits are monitored by the portfolio delivery board.

Lens: education estate

Non-statutory guidance for academy trusts in the Academies Accounts Direction and for further education in the colleges accounts direction requires that the education sectors report against the streamlined energy and carbon reporting framework alongside their ARA. Where an academic institution meets the criteria, they will also need to comply with TCFD.

No new mandatory reporting is proposed within the sustainability and climate change strategy, but this decision will be kept under regular review and is subject to uptake and legislative reporting requirements in line with government's net zero strategy.

Scope 1, scope 2 and, if appropriate, scope 3 greenhouse gas (GHG) emissions and the related risks

Lens: corporate body

Overall GGC performance

The following figures present the Group's performance against the six overall GGC performance criteria against the baselines set from 2017-18 values:

- an 8% reduction in direct greenhouse gas emissions, falling short of a 36% target by 2025 and a 43% reduction in overall emissions against a 56% target by 2025
- a 35% waste reduction, exceeding the 15% target
- a 54% reduction in water consumption, well above the 8% target
- sent zero waste to landfill in 2023-24, surpassing the 5% target
- increased recycling rate to 78%, over the 70% target

The Department has met or exceeded four of the six targets, demonstrating significant progress in its sustainability efforts. The remaining targets are areas of ongoing focus.

Figure 47: Reduce overall greenhouse gas emissions (tCO_2e) by 56% and direct emissions (tCO_2e) by 36%

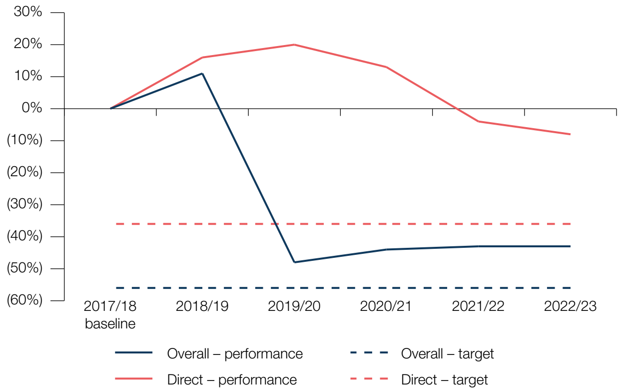


Figure 48: Reduce water consumption (m^3) by at least 8%

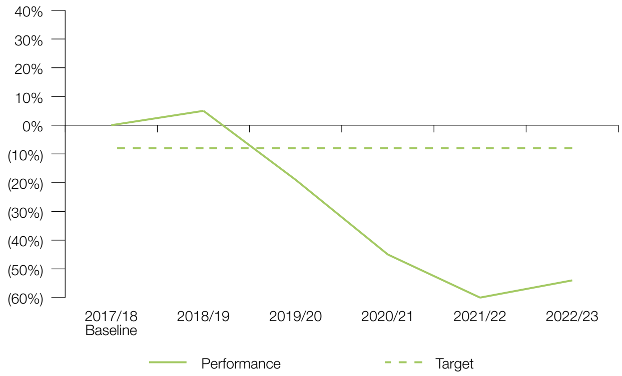


Figure 49: Reduce the overall amount of waste generated by 15% (tonnes)

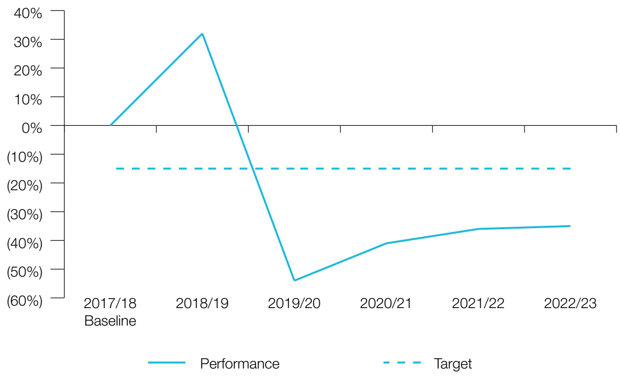


Figure 50: Reduce the amount of waste (tonnes) going to landfill to less than 5% of overall waste

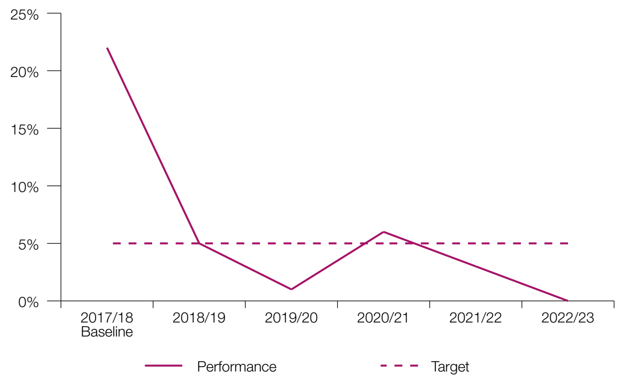
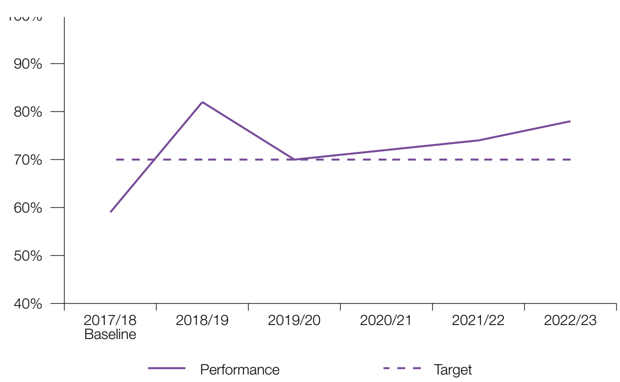


Figure 51: Increase the proportion of waste which is recycled to at least 70% of overall waste (tonnes)



Lenses: education sector strategy and education estate

Schools are out of scope for GGCs, but the Department has acknowledged the impact climate change has, and will have, on the education and CSC sectors. The Department also recognises the contribution it can make to help create a sustainable future through education, developing the skills needed for a green economy, supporting our sectors to reach net zero targets and furthering our work in sustainable development in our school building programmes.

Departmental targets to manage climate-related risks and opportunities, and performance against targets

Lens: corporate body

The Department is aiming to increase biodiversity by 10% across its office estate in conjunction with our landlord, GPA. We are taking a scientific approach to surveying land identified for biodiversity development, before and after an intervention to quantify how effective it has been.

Lens: education sector strategy

We have met the commitment of the sustainability and climate change strategy to develop and publish a framework to evaluate the impacts of the broader actions set out within the strategy and have developed internal benefits indicators to assess progress towards achieving the benefits of the strategy. The benefits are monitored at the portfolio delivery board.

Lens: education estate

We will work together to set science-based targets from 2025, ensuring we play our part in reducing public sector emissions by 50% by the end of Carbon Budget 5 (2032) and by 75% by the end of Carbon Budget 6 (2037), against a 2017 baseline.

The rest of the Group's sustainability reporting can be found in Annex B.

Non-financial matters

Social matters

The Department has continued to deliver on its Diversity and Inclusion Strategy 2022-26 (launched in June 2022) through its annual action plan. The strategy and plans are driven by evidence of where to support staff, and clearly set out the actions for SCS to take. Employees are encouraged to volunteer to support a range of social causes at local and national level and we work in partnership with our diversity and inclusion networks, who play an important role in supporting the Department to continue to create an inclusive department.

Respect for human rights

The Department values human rights, and equality and diversity are central components of our 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

The Department remains committed to tackling modern slavery and continues to apply processes to identify, mitigate and manage the risk of modern slavery in its supply chains.

The Department sets high standards to raise awareness among staff and address risks. This year the Department achieved or exceeded all eight targeted measures on modern slavery. The Department has set new targets for next year's performance measures.

Our Chief Commercial Officer is the Department's anti-slavery advocate, providing senior-level oversight on progress and collaboration across government to share best practice. The Department has continued to utilise 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 directly involved in commercial activity continue to undertake annual training on ethical procurement and modern slavery.

Anti-corruption and bribery matters

The Department operates a zero-tolerance approach to bribery and corruption. It is committed to upholding the highest standards of honesty and integrity in all of its dealings and mandates employee training that highlights these cornerstone principles within the Civil Service Code and stresses the personal responsibility of every official 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, which covers bribery, fraud and theft. In addition, we have a specific anti-bribery and corruption policy and training on anti-bribery and corruption forms part of the mandatory employee essentials training package.

Support for whistleblowing has remained a high priority in the Department. Four cases have been raised in the past year (which is a decrease of one from last year), one of which is still being investigated. Annex A has more information on whistleblowing.

Intergovernmental relations and devolution

We continue to engage openly and constructively with ministers and officials from the Scottish Government, the Welsh Government and the Northern Ireland Executive, discussing a wide range of issues across our policy portfolio.

At ministerial level, the Secretary of State hosted the UK Education Ministers Council in June 2023 at the City of Liverpool College. This inter-ministerial group was established in January 2022 to implement an action under the Review of Intergovernmental Relations and provide a forum for dialogue on areas of shared interest and challenge. The theme of this meeting was digital in education, including AI and future technologies.

Also in June 2023, our Permanent Secretary hosted the latest meeting of the Education Departments Leaders Group in Birmingham with her counterparts from Scotland, Wales and Northern Ireland. The leaders group is a regular, collaborative forum which allows for a more detailed exchange of policy and delivery approaches. The topic of the meeting was SEND and inclusion.

Further virtual and in-person meetings took place at both ministerial and official level over this period, including with Scottish and Welsh Government ministers in the margins of the British Irish Council Early Years Ministerial event hosted by the UK government.

Key risks and issues

Our principal risks are those that, if materialised, would have significant impact on our Departmental objectives. 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.

Of those risks highlighted in last year's ARA, and not highlighted this year, industrial action and disparities in education recovery are now being managed at a lower level. Both risks continue to be discussed at functional portfolio boards.

Six principal risks have been reported for this year. Cyber security, school buildings safety and looked after children placement market failure have remained stable. Social worker capacity and high needs have worsened. The local authorities' financial challenges risk was escalated as a new risk in January 2024.

The overall number of top-tier risks was 18 as of 31 March 2023 and 13 on 31 March 2024.

Table 14: Significant risks which have been managed during the year

No	Risk	March 2023 rating	March 2024 rating	Direction
1	Local authorities' financial challenges	Not a principal risk at year end, escalated in January 2024	Critical – Likely	New
2	Social worker capacity	Moderate – Very likely	Critical – Very likely	Worsened
3	School buildings	Critical – Very likely	Critical – Very likely	Stable
4	Looked after children placement market failure	Critical – Very likely	Critical – Very likely	Stable
5	High needs cost pressures	Critical – Likely	Critical – Very likely	Worsened
6	Cyber security	Critical – Likely	Critical – Likely	Stable

The trajectories of the top principal risks are detailed below.

Risk 1 – Local authorities' financial challenges

Description

There is a risk that local authorities' financial challenges impede delivery of essential support services and reform activity across childcare, SEND and AP, and CSC worsening outcomes for the most vulnerable and exacerbating cost pressures.

Business group owner

Regions Group and Families Group

Figure 52: Risk assessment profile across the year

In-year direction of assessment

New

Mitigating factors

Causes

In CSC (predominantly driven by SEND and AP), rising numbers of looked after children (in some places), placement sufficiency, placement costs, market charging and workforce are contributing to the overall risk of financial instability.

Actions

Regions Group is undertaking a project on children's trusts – so we have a clear response plan if existing children's trusts fail; and an alternative model for improvement that is more cost-effective than a children's trust.

Care reforms aim to address many of the underlying reasons for local authorities' financial failure such as new social worker agency use restrictions. We are building on the North East regional pathfinder work on fostering recruitment and retention to expand to a further nine regions and provide bespoke support to local authorities via the foster link programme. We are now working with 90% of all local authorities in England to reform the way they recruit and retain foster carers, setting up two regional care cooperative pathfinder programmes.

Risk 2 – Social worker capacity

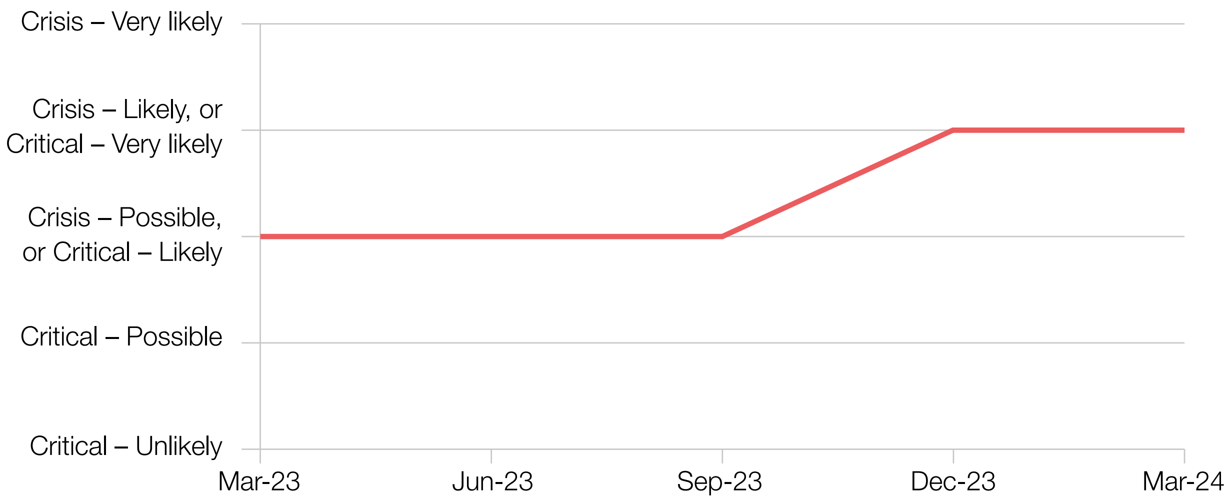
Description

There is a risk that the workforce lacks capacity and stability to meet demand, due to recruitment and retention problems.

Business group owner

Families Group

Figure 53: Risk assessment profile across the year



In-year direction of assessment

Worsened

Mitigating factors

Causes

2023 saw the second highest turnover rate and vacancy rate for child and family social workers since 2017. High staff turnover and vacancies drive instability for children and families, costly agency use and worsening social worker working conditions. For local authorities, increases in vacancies, agency and staff turnover create significant challenges in meeting statutory duties and pressure on local authorities' financial sustainability. The latest data shows some improvements on the previous year but an increase in agency use. We expect an increasing shortfall of child and family social workers compared to demand over the next decade.

Actions

We have invested in the recruitment, training and development of child and family social workers to ensure the workforce has the capacity, skills and knowledge to support and protect vulnerable children. This includes training an average of 800 new social workers every year through our fast-track programmes and providing professional development to more than 3,000 others each year.

In addition, the workforce reforms in 'Stable Homes, Built on Love', the CSC reform strategy published in February 2023, committed to the development of an early career framework to ensure social workers get the support they need for the first five years of their career and have a clear career pathway. We have worked with a small number of early adopters of the early career framework since June 2023. We also committed to supporting the recruitment of an additional 500 social worker apprenticeship places. In October 2023 we launched the Social Worker Apprenticeship Employer Support Fund and confirmed funding for up to 461 additional child and family social worker apprenticeships. The first apprentices started last year.

Alongside, we consulted on national rules and statutory guidance to help address the overreliance on agency child and family social workers in local authorities' CSC.

Risk 3 – School buildings

Description

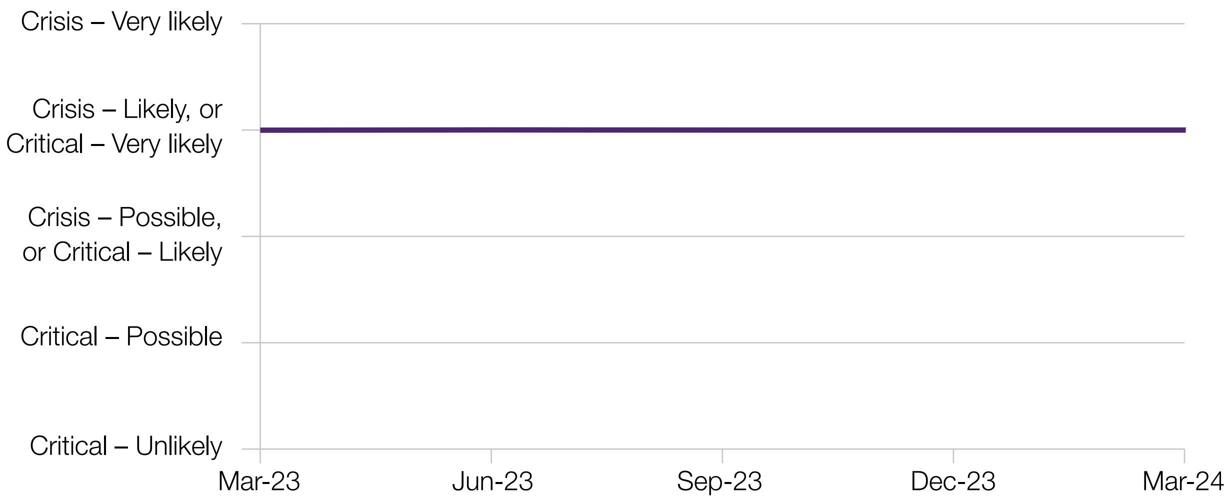
There is a risk of building collapse in the school estate resulting from structural safety issues. While general deterioration of building condition increases the risk of building collapse, of greatest concern are buildings constructed post-1945 that use materials or designs that are past their intended design life and could be subject to defects that increase the risk of collapse. If buildings have not been carefully monitored and maintained by responsible bodies, the risk of structural failure increases.

The Department provides funding and support to approximately 3,000 academy trusts, local authorities and voluntary aided school bodies (together responsible bodies) who have responsibility for their school estates to help them ensure the safety of their school buildings.

Business group owner

Operations and Infrastructure Group

Figure 54: Risk assessment profile across the year



In-year direction of assessment

Stable

Mitigating factors

Causes

This risk was escalated last year due to the number of structural issues materialising in the estate and the risk rating increased to very likely later that year. The risk likelihood has remained unchanged throughout this year. Work on identifying RAAC in education settings has been completed and the vast majority of 22,000 schools and colleges in England are unaffected, around 1% have confirmed the presence of RAAC in some areas of their buildings. Mitigations are in place and plans for permanent removal are now underway. Work continues to identify other structural weaknesses in the post-1945 education estate. There has not been a structural incident the Department is aware of that has caused injury or harm to pupils or staff in the year. At the time of publication there are no open schools or college buildings where we know of an imminent risk of harm.

Actions

To prevent deterioration of the estate resulting in safety concerns, the Department provides condition funding to schools and those responsible for school buildings to improve and maintain the school estate, including £1.8 billion for the current year. In addition, our school rebuilding programme, which will rebuild buildings at over 500 schools, prioritises schools for selection where their buildings had risks that had the potential to cause significant harm to pupils or staff. 23 schools which had types of system buildings that had potential structural weaknesses have been prioritised for replacement and included in the first 100 projects selected. We have now selected over 500 schools to be part of the programme and handed over nine school buildings for occupation in the current year.

In September 2023, following the Secretary of State's decision to change the approach to RAAC in education settings when new evidence emerged, the Department deployed additional staff to provide a fast and dedicated response to support schools and colleges. All education settings with confirmed RAAC are providing face-to-face education for all pupils with appropriate mitigations in place. To date, dedicated teams of staff continue to work with education providers.

We continue to gather data and intelligence on the condition of the school estate, including through our condition data collection 2 programme. This is one of the biggest condition data collection exercises in the public sector, sending surveying organisations to visit every government-funded school and college in England to collect data about the condition of their buildings between 2021-2026.

We have a number of programmes and communication channels, so we are proactively aware of any serious condition issues in the estate and can quickly support responsible bodies to address them; including guidance to the sector, targeted support to advise academy trusts on how to manage their estates and capital funding, writing to responsible bodies to ensure they report any structural issues, and providing funding and support to address urgent safety issues where a responsible body does not have the capacity or capability to address them. NAO described how we had a range of initiatives to support the sector, with an online manual well-regarded by the sector.

The risk is likely to remain at its current level throughout the next financial year as we work with responsible bodies to help them accurately identify and mitigate structural safety issues.

Risk 4 – Looked after children placement market failure

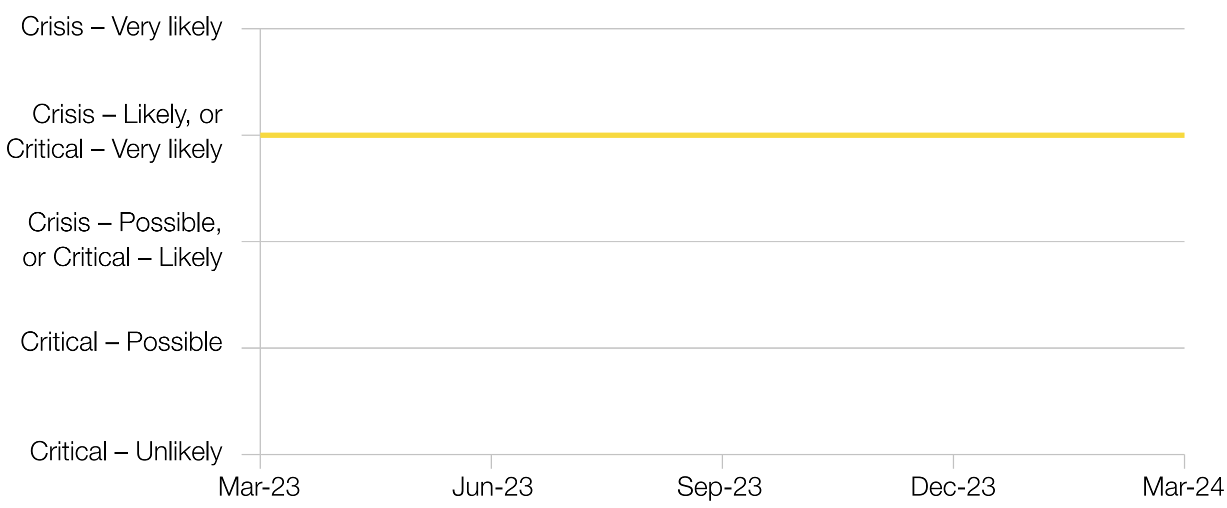
Description

Local authorities are unable to access appropriate placements to meet the needs of children in their care and the prices they pay continue to increase. There is also a risk of disorderly exit of some providers from the market which would worsen the position.

Business group owner

Families Group

Figure 55: Risk assessment profile across the year



In-year direction of assessment

Stable

Mitigating factors

Causes

Poorly functioning market including poor quality commissioning practice from local authorities and difficulties engaging effectively with providers.

A lack of adequate care placements, in the right places, means that children are not consistently getting access to care and accommodation that meets their needs. The impact of increasing costs is a significant contributor to local authorities' financial instability risk.

Actions

Regional care co-operatives: we are investing £5 million resource funding and up to £10 million capital funding for secure and open children's homes that will improve planning, commissioning and delivery of care.

Reforming CSC services to invest in earlier support to keep children safely at home will reduce the number of children in care, improving outcomes and reducing cost over time. A range of reforms are in train to this effect.

Prioritising working with local authorities to recruit 500 extra fostering households by March 2026, including a £3 million recruitment campaign in the North East. The pathfinder has now completed, and its outcomes are now informing a wider roll out of a new approach to the recruitment and retention of foster carers across 60% of local authorities this spending review period, at a cost of £33 million.

In response to the rising costs of placements, we are exploring a range of further options to realign the CSC market away from profit and towards better outcomes for children in care.

Risk 5 – High needs cost pressures

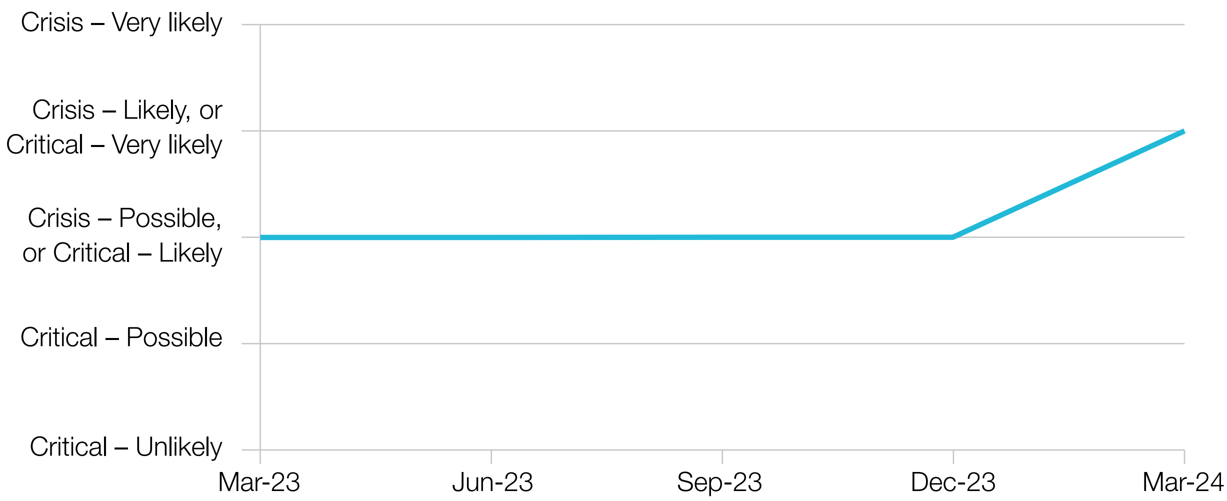
Description

High needs cost pressures are forecast to continue to increase leading to local authorities' financial failure.

Business group owner

Families Group

Figure 56: Risk assessment profile across the year



In-year direction of assessment

Worsened

Mitigating factors

Causes

Despite substantial cash increases in high needs funding, in the medium term (1-4 years) high needs costs continue to rise significantly. This would threaten the overall financial stability of local authorities once DLUHC's accounting override regulations expire in March 2026 and undermines efforts to improve educational outcomes for pupils with SEND and improve parental confidence in the SEND and AP system.

Actions

Following the publication of the SEND and AP Improvement Plan, delivery of the ambitious set of reforms to create a national SEND and AP system began this year. The reforms aim for resource to be better targeted at early intervention and mainstream settings to reduce the reliance on securing this through the statutory process.

During this year, the safety valve targeted programme of intervention, support and monitoring work also continued to assist local authorities with the highest percentage of DSG deficits. Safety valve agreements hold local authorities to account for delivery of reforms to improve their high needs systems and bring them within budget, in return for funding to eliminate the remainder of their historic deficits. The safety valve agreements included conditions requiring local authorities to promote early intervention, increase the availability of support for children with SEN in mainstream schools, and support mainstream schools to meet children and young people's needs quickly and effectively.

In addition, the delivering better value in SEND programme helped local authorities improve how effectively and efficiently they structured and delivered SEND services, so children and young people in their care received the right support at the right time. Guidance and research have also been published to help all local authorities with the management of their high needs budgets.

Risk 6 – Cyber security

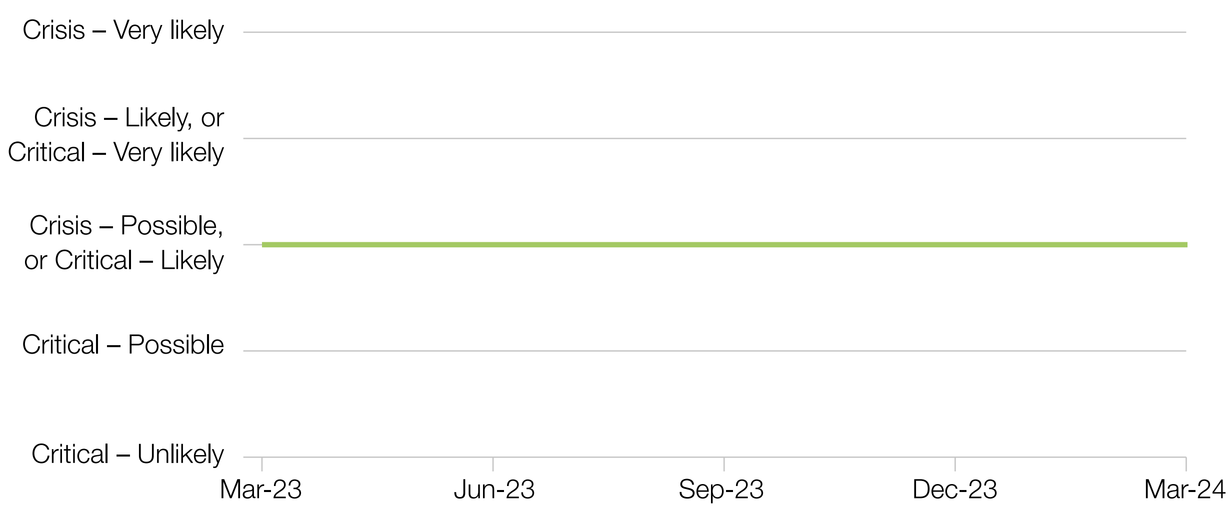
Description

There is a risk that a cyber-attack or security breach could result in a loss of access to critical systems and services, and a loss of critical Departmental data.

Business group owner

Operations and Infrastructure Group

Figure 57: Risk assessment profile across the year



In-year direction of assessment

Stable

Mitigating factors

Causes

The overall operating environment remains hostile, with an increase in the frequency and sophistication of cyber-attacks targeting the government observed throughout the year. The prognosis is a continuing deterioration of the threat landscape. As a result, the threat to government remains high and a critical cyber event remains likely.

Actions

However, the Department continues to make significant progress in key areas since last year, including augmenting our existing industry-leading incident detection and triage of security incidents with a thorough review, assessment and improvement plan for the disaster recovery capabilities of our most critical services. We have also developed a continuous assurance platform to replace existing point-in-time processes that allows the Department to proactively monitor and maintain the security posture of our systems in real time.

The Department has successfully completed the new ‘GovAssure’ process, an independently validated assessment of the security posture of the Department’s critical systems. This activity will continue to drive future activity to continually harden our systems. Finally, staff awareness continues to be a strength, harnessing innovative methods to foster a cyber secure culture. Results for staff phishing awareness exercises continue to be strong.

Charities Act reporting

We have 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 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

The commission, funded by the UK and US governments, offers scholarships to British or American students seeking a postgraduate or research post in the other country. Grants totalling £1.3 million (prior year: £1.1 million) were made to support the work of the commission.

Forward look

FE reclassification

ONS reclassified the FE sector into the public sector. Following the reclassification, effective from 29 November 2022, colleges and their subsidiaries have become part of the central government economic sector.

We continue to review the impact of ONS' reclassification of the FE sector to the central government sector. At the time of publication of this ARA the final financial reporting approach for the FE sector had not yet been agreed with HMT and Parliament. We continue to work with the sector to support them in the transition to public sector financial reporting.

Machinery of government change

From 1 April 2024 the supporting families programme, previously known as the troubled families programme, moved from DLUHC to the Department. The programme has been instrumental in aiding disadvantaged families facing multiple and complex problems. We expect to account for the movement through the transfer by merger approach and will restate the comparative balances in next year's ARA.

Going concern status

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 this financial year or following the year end which may affect this status.

Budgets for central government departments are collectively agreed in spending review exercises overseen by HMT. Spending Review 2021 set departmental budgets out to the end of the next financial year. The Chancellor has confirmed that the next spending review will not take place until after the forthcoming general election. The spending review settlement will be confirmed by a vote in Parliament for Supply and Appropriation Acts. There is no reason to believe that this process will not continue after the year end. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Susan Acland-Hood
Accounting Officer

18 July 2024

Accountability Report

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

- Corporate Governance Report, which also includes the Governance Statement, 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 and Audit Report which contains the SOPS, 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 2024

Rt Hon Gillian Keegan MP
Secretary of State for Education
(from 25 October 2022 to 4 July 2024)

Overall responsibility for the Department for Education and chairs the Board.

Rt Hon Damian Hinds MP

Minister of State for Schools
(from 13 November 2023 to 4 July 2024)

Responsible for:

- Group bodies: STA, TRA and STRB
- school accountability and inspection
- high-quality teaching profession, which includes professional development, recruitment and retention, and ITT
- educational programmes and school revenue funding, including the NTP, the NFF for schools and the pupil premium
- student welfare, which includes school food, free school meals, behaviour, attendance, exclusions and school sport
- curriculum and qualifications, which includes relationships, sex, and health education; personal, social, health; and economic education
- digital strategy and technology in education
- admissions
- school transport

Luke Hall MP

Minister of State for Skills, Apprenticeships and Higher Education
(from 26 March 2024 to 4 July 2024)

Responsible for:

- Group bodies: CITB, ECITB, IfATE and OfS
- overall strategy for post-16 technical education, including T Levels and transition programme, qualifications reviews for level 3 and below, and higher technical education (levels 4 and 5)
- apprenticeships, traineeships, FE workforce and funding, Institutes of Technology, LSIPs and the LSIF
- adult education, careers education, information and guidance, and technical education in specialist schools
- HE quality and reform, LLE, student experience and widening participation in higher education
- funding for education and training, provision and outcomes for 16 to 19-year-olds, college governance and accountability, and intervention and financial oversight of colleges
- reducing the number of young people who are not in education, employment or training
- international education strategy and the Turing Scheme

Baroness Barran MBE

Parliamentary Under Secretary of State for the School System and Student Finance (from 27 October 2022 to 4 July 2024)

Responsible for:

- Group bodies: ESFA, Aggregator, LocatED, Oak and SLC
- Minister for the Board
- regulatory review and overall approach to academisation, intervention in underperforming schools and school improvement
- academies and MATs, and school governance
- education investment areas
- free schools, faith schools and independent schools
- school capital investment (including pupil place planning) and school efficiency and commercial policy
- Departmental data strategy
- student finance
- safeguarding in schools and post-16 settings, counter-extremism in schools and post-16 settings, and home education and supplementary schools
- departmental efficiency and commercial policy

David Johnston MP

Parliamentary Under Secretary of State for Children, Families and Wellbeing (from 31 August 2023 to 4 July 2024)

Responsible for:

- Group bodies: CCO and SWE
- SEND, including high needs funding and AP
- CSC, including children in care, children in need, child protection, adoption, and care leavers
- early years and childcare, family hubs and early childhood support
- disadvantaged and vulnerable children, children and young people's mental health and policy to protect against serious violence
- freedom of speech in education
- online safety and preventing bullying in schools

Our management

Executive members

Susan Acland-Hood
Permanent Secretary
Accounting Officer
Appointment: September 2020
Committees: Board
Leadership Team (Chair)
Nominations Committee

Justin Russell
Director General, Families Group
Appointment: 2 October 2023
Committees: Leadership Team

Juliet Chua
Director General, Schools Group
Appointment: 22 May 2023
Committees: Leadership Team

Julia Kinniburgh
Director General, Skills Group
Appointment: 5 December 2022
Committees: Leadership Team

John Edwards
Director General, Regions Group
Appointment: 13 June 2022
Committees: Leadership Team

Tony Foot
Director General, Strategy Group
Appointment: 28 March 2023
Committees: Board
Leadership Team

Jane Cunliffe
Chief Operating Officer
Director General, Operations and Infrastructure Group
Appointment: 28 November 2022
Committees: Board
Leadership Team

Non-executive members

All non-executive members are members of the Board and the Nominations Committee. Additional responsibilities are mentioned.

Richard Pennycook CBE
Lead Non-executive Board Member
Appointment: October 2017
Committees: Nominations Committee (Chair)

Toby Peyton-Jones
Appointment: November 2018

Jack Boyer OBE
Appointment: 31 May 2022

Sir Peter Bazalgette
Appointment: 31 May 2022

Stuart McMinnies
Appointment: 31 May 2022
Committees: Audit and Risk Committee (Chair)

Changes in the reporting year

The following changes in board-level appointments occurred during the year:

- Claire Coutinho MP to 30 August 2023, Parliamentary Under Secretary of State for Children, Families and Wellbeing
- David Johnston MP from 31 August 2023, Parliamentary Under Secretary of State for Children, Families and Wellbeing
- Rt Hon Nick Gibb MP to 13 November 2023, Minister of State for Schools
- Rt Hon Damian Hinds MP from 13 November 2023, Minister of State for Schools
- Rt Hon Robert Halfon MP to 26 March 2024, Minister of State for Skills, Apprenticeships and Higher Education
- Luke Hall MP from 26 March 2024, Minister of State for Skills, Apprenticeships and Higher Education
- Suzy Levy to 13 April 2023, Non-executive Board Member
- Caroline Pusey to 21 May 2023, Schools Group, Joint Interim Director General
- Heather McNaughton to 21 May 2023, Schools Group, Joint Interim Director General
- Juliet Chua from 22 May 2023, Schools Group, Director General
- Indra Morris to 1 June 2023, Families Group, Director General
- Graham Archer from 30 May 2023 to 1 October 2023, Families Group, Interim Director General
- Justin Russell from 2 October 2023, Families Group, Director General

Changes after the year end

The following changes in board-level appointments occurred after the year end to the date the Permanent Secretary approved this document:

- Rt Hon Gillian Keegan MP to 4 July 2024, Secretary of State of Education
- Rt Hon Damian Hinds MP to 4 July 2024, Minister of State for Schools
- Luke Hall MP to 4 July 2024, Minister of State for Skills, Apprenticeships and Higher Education
- Baroness Barran MBE to 4 July 2024, Parliamentary Under Secretary of State for the School System and Student Finance
- David Johnston MP to 4 July 2024, Parliamentary Under Secretary of State for Children, Families and Wellbeing
- Rt Hon Bridget Phillipson, Secretary of State for Education (from 5 July 2024) and Minister for Women and Equalities (from 8 July 2024)

- Rt Hon Jacqui Smith from 6 July 2024, Minister for Skills
- Catherine McKinnell MP from 8 July 2024, Minister for School Standards
- Anneliese Dodds MP from 8 July 2024, Minister for Women and Equalities
- Janet Daby MP from 9 July 2024, Parliamentary Under Secretary of State for Children and Families
- Stephen Morgan MP from 9 July 2024, Parliamentary Under Secretary of State for Early Education
- Sir Kevan Collins from 10 July 2024, Non-executive Board Member

Registers 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[21] annually alongside its ARA.

Details of directorships and other significant interests held by ministers are set out in the Register of Members' Interests[22] for MPs, and the Register of Lords' Interests.[23]

Data management

Table 15: Number of data management incidents for the last five years

	2023-24	2022-23	2021-22	2020-21	2019-20
Number of incidents	8	2	7	4	3

There were eight personal data breaches this year (prior year: 2) which were deemed to be reportable to the Information Commissioner's Office (ICO). Further detail on data security and compliance can be found in Annex A.

Group spending

Remuneration paid to auditors for non-audit work

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

Political donations and sponsorship

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

21 https://www.gov.uk/government/collections/dfe-annual-reports
22 https://www.parliament.uk/mps-lords-and-offices/standards-and-financial-interests/parliamentary-commissioner-for-standards/registers-of-interests/
23 https://members.parliament.uk/members/lords/interests/register-of-lords-interests

Research spending

Table 16: Research spending for the last five years

	2023-24	2022-23	2021-22	2020-21	2019-20
	£m	£m	£m	£m	£m
Department	27.3	29.3	19.9	13.5	27.0
Agencies	0.1	–	0.1	–	–
NDPBs	1.1	0.3	0.3	0.3	0.1
Total	**28.5**	**29.6**	**20.3**	**13.8**	**27.1**
Of which:					
central research	16.2	21.1	7.0	3.8	4.0
policy units and policy evaluation research	12.3	8.5	13.3	10.0	23.1

Total research expenditure for the Group during the current year was £28.5 million (prior year: £29.6 million). This comprises £16.2 million from the central research budget and other operational areas as original research (prior year: £21.1 million), and £12.3 million from policy units or policy evaluation research (prior year: £8.5 million).

The Department centralised social and economic research budgets in 2020-21 and we are continuing to drive centralisation to ensure that social and economic research spend is governed, controlled, and reported in as co-ordinated and efficient manner as possible.

The central research budget funds social and economic research and evaluation studies that shape and influence policy delivery around early years education, schools, further and higher education and children's social care. High-quality evidence and robust evaluation enable policies to be better targeted and help ensure value for money.

Research expenditure is marginally lower than last year for a number of reasons. Ministerial changes, and revised portfolios and priorities, have resulted in some research approvals and commissions being delayed, paused, or rejected. Further, following increased ministerial scrutiny of research, some projects have been rescoped or budgets reduced, seeking better value for money.

The research division has also refined the research governance and approvals process during this year to strengthen the clarity of alignment with ministers' developing priorities. We have continued to drive efficiencies, seeking to use strategic tools (such as omnibus surveys) to replace smaller research projects and increase use of in-house research capacity to further save on external commissioning costs.

Key research strands during the year covered international evidence including:

- Programme for the International Assessment of Adult Competencies
- International Early Learning and Child Well-being Study
- Programme Progress in Reading Literacy Study
- Trends in International Mathematics and Science Study
- Progress in International Student Achievement

Domestic (England) work includes:

- Survey of Childcare and Early Years (providers and parents)
- longitudinal studies for the Education and Outcomes Panel Surveys (panels A, B and C)
- longitudinal Study of Teachers
- Tracking the Needs, Experiences and Outcomes of Children Leaving Care Through Permanence
- longitudinal Study of Early Education and Development

The Department also has key evaluations of policies such as:

- children and young people's mental health research and evaluation programme
- transformation fund 2 evaluation
- stronger practice hubs evaluation
- professional development program 3 evaluation
- evaluation of the early years COVID recovery: experts and mentors programme
- research supporting government investment in family hubs as well as our regular omnibus surveys and panel surveys of teachers, pupils, parents and carers

Further details of our research approach[24] are available.

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 11.

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.

24 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 (the 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 executive agencies) and its sponsored non-departmental public bodies designated by order made under the GRAA by Statutory Instrument 2023 no 352 (together known as the 'Departmental Group', consisting of the Department and sponsored bodies listed at note 22). The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department and the Departmental Group and of the income and expenditure, SoFP and cash flows of the Departmental 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 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 that 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 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 head of the department as Accounting Officer of the Department for Education. The Accounting Officer of the Department has also appointed the chief executives of its sponsored non-departmental public bodies 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 or non-departmental public body for which the accounting officer is responsible, are set out in Managing Public Money published by HMT.

As the Accounting Officer, 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 the Department for Education'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.

Governance Statement

Our governance statement sets out our governance, risk management and internal control framework and 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'. The activities covered by the statement operated in the year and up to the date of approval of this ARA.

More detail on the control system is given in the Accounting Officer System Statement,[25] which was updated this year. Details for individual Agencies and NDPBs are contained in the Governance Statements of their respective ARAs.

Lead Non-executive Board Member's foreword

The 2023-24 year saw colleagues throughout the Department continue to work to improve educational and life outcomes of children, young people and adults across England. In September, following the Secretary of State's decision to change the approach to RAAC in education settings when new evidence emerged, the Department deployed additional staff to provide a fast and dedicated response to support schools and colleges. The vast majority of the 22,000 plus schools and colleges in England are unaffected by RAAC, around 1% have confirmed RAAC in some areas of their buildings. All education settings with confirmed RAAC are providing face-to-face education for all pupils with appropriate mitigations in place. To date, dedicated teams of staff continue to work with education providers.

In September 2023, our analysts realised that an error had been made in the calculation of the indicative schools NFF allocations for 2024-25. Departmental colleagues worked at pace to correct this error, and published NFF allocations in October 2023. The Department subsequently carried out an internal review into its work on calculating the NFF and the Secretary of State asked Peter Wyman CBE, the chair of the Institute of Chartered Accountants in England and Wales, to conduct an external review. I thank Peter for his time spent on this and for his recommendations, and commend the departmental analysts' work to resolve this error quickly and in a way that will help prevent this happening again.

At the time of the Spring budget in 2023, the government announced reforms to childcare, extending free childcare support to more parents. Throughout the course of this reporting period, the Department has worked diligently to ensure a smooth roll out of these reforms in 2023-24. As a Board, we discussed the changes and plans for their roll out over the course

25 https://www.gov.uk/government/collections/accounting-officer-system-statements

of this year, along with a wide variety of other topics including those relating to the Secretary of State's priorities of Skills, Schools and Families.

Board

This year, the membership of the Board has remained settled, and members have established cohesive and supportive working relationships. In April 2023, Suzy Levy (a non-executive board member) took the decision to stand down from the Board. I and the other Board members extend our thanks to Suzy for her invaluable work, advice, and guidance that she provided to executive colleagues during her time at the Department. This year, the Secretary of State and colleagues in Cabinet Office, with my agreement, asked that I extend my tenure as Lead Non-executive Board Member to provide some continuity at board-level over the next year.

In addition, the Rt Hon Robert Halfon MP stood down from his role as Minister for Skills, Apprenticeships and Higher Education in March 2024. We welcome the arrival of Luke Hall MP, who joined the ministerial team in late March. In November 2023, the Minister for Schools, Rt Hon Nick Gibb stood down. After serving in the Department on three occasions since 2010 as both Minister for Schools and Minister for School Standards, I thank him for his time spent in the Department.

The Board met seven times throughout this reporting period, and all non-executive board members, the Secretary of State, junior ministers, in particular Baroness Barran (Minister for the Board), and all members of the executive Leadership Team actively participated in Board meetings and preparation for these by contributing to agendas, papers for discussion, and in the meetings themselves. My particular thanks go to my fellow non-executive board members, who, as well as attending Board meetings, go above and beyond to meet with officials, ministers and other colleagues in the Department and its Agencies and NDPBs to help steer the Department to meet its objectives.

Executive leadership and committees

The Board has been well-supported by its sub-committees (the Nominations Committee, the Audit and Risk Committee and the executive Leadership Team). Throughout this reporting period, all sub-committees met their requirements with regard to meeting frequency and quoracy.

Governance structures in the Department remained stable this year. I am pleased to report that non-executive board members have noted improvements to the Department's reporting of performance and major projects, and of its major risks. This is thanks to committee structures in place, and to the cadence and escalation of information through the Board's sub-committees, and to the commitment of the Department's executive Leadership Team to ensure that the Department works efficiently and effectively in its decision making.

There have been some changes to the Leadership Team during this reporting period. Most notably, in June 2023, the Department bid farewell to Indra Morris, the former Director General of Families Group. Indra was a valued member of the Board, who joined the Department in 2017 and worked on CSC, SEND and AP and, most recently, childcare and early years (Indra led the early work on the recent reforms to childcare). I extend my thanks to Indra and wish her well for any future endeavours. We also bid a fond "farewell" and "thank you" to Graham Archer, who dedicated over 39 years in the Department and its predecessors. Graham retired in October 2023, having acted as Interim Director General for Families Group, during the recruitment process for Indra's role.

Despite these goodbyes, we were fortunate to gain two new members of the executive Leadership Team this year in the form of Juliet Chua (Director General of Schools Group) and Justin Russell (Director General of Families Group). Juliet re-joined the Department (having previously served as Director for Post-16 and Disadvantage and acting Director General for Education Standards) from the Foreign, Commonwealth and Development Office. Meanwhile, Justin joined the Department having been HM Chief Inspector of Probation and over 30 years' experience in government across four departments. Both have already contributed a great deal to the Department, and I look forward to continuing to work with them throughout the next year.

Richard Pennycook
Lead Non-executive Board Member

18 July 2024

How we are structured

The Department for Education is a ministerial department that is supported by and works with 14 public bodies (Agencies and NDPBs) as listed in note 22, and which together form this financial reporting group, who assist the Department in implementing its policies and achieving its aims and objectives. The agencies and public bodies consist of 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 NDPBs and other organisations 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 own internal control frameworks), the Government Internal Audit Agency and comments made by the National Audit Office 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.

My Leadership Team and I receive regular reporting, including on the stewardship of risks which contribute to assurance that Group funds are 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.

During the financial year, 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.

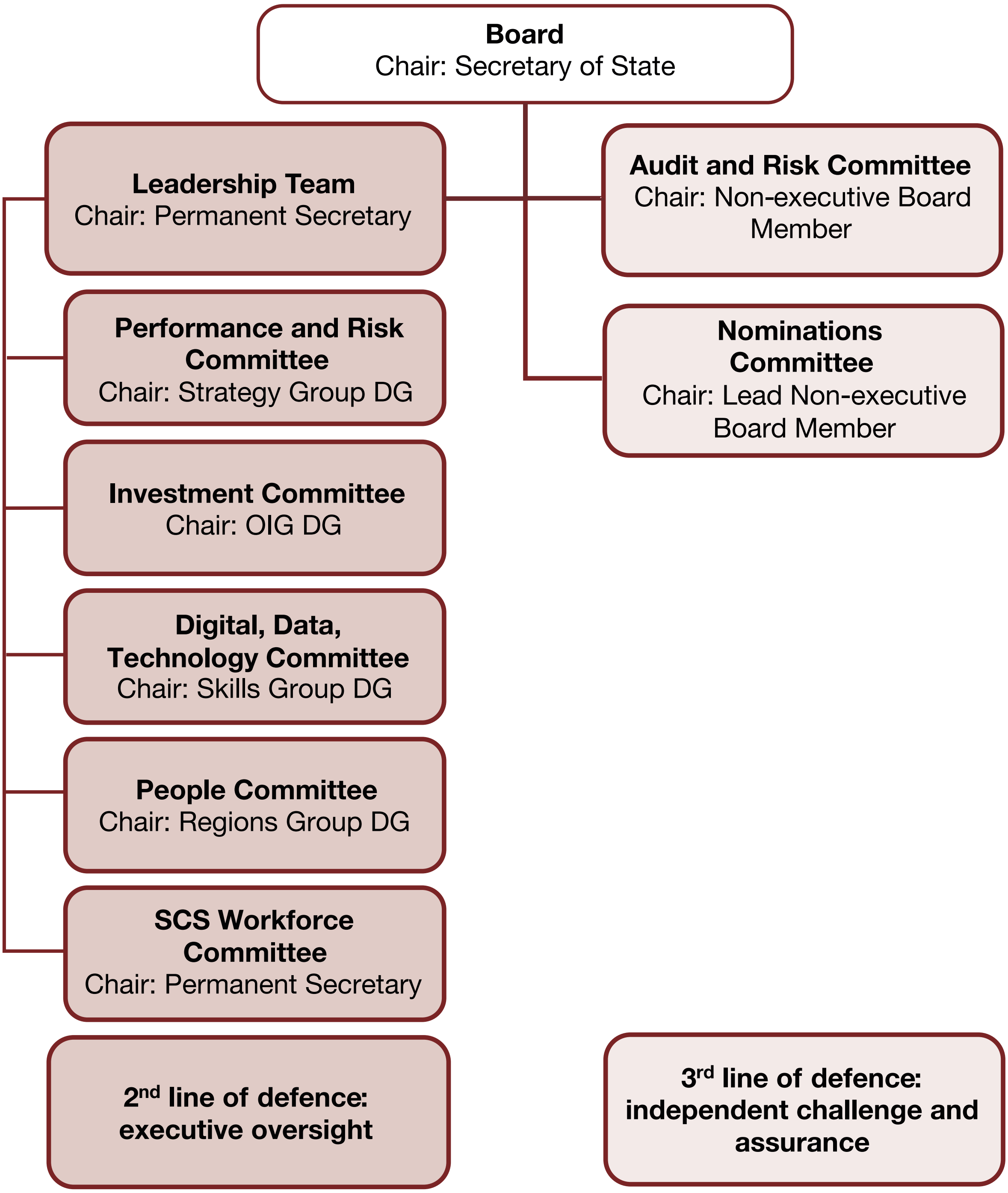
Other sources of assurance were local authority chief finance officers (through the submission of a return under section 151 of the Local Government Finance Act 1972), individual academy trust accounting officers, Ofsted and the accounting officers of our Agencies and NDPBs. These accounting officers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

The Board and its sub-committees receive management information covering a variety of disciplines to enable them to monitor the performance of the Group. 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 structure

The following content covering the Department's governance arrangements is for the financial year, unless otherwise stated. The ministerial and leadership team changes are reflected.

Figure 58: The Board and its sub-committees



Board

Overview

Chair: Rt Hon Gillian Keegan MP, Secretary of State

Membership: As well as the Chair, the Board is comprised of the Minister for the Board, the Permanent Secretary, the Chief Operating Officer, the Director General of Strategy Group and non-executive board members. All other ministers and directors general have a standing invitation to attend Board meetings.

Meeting frequency: Seven times during the reporting 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 in the reporting year

The discussions of the Board this year, as aligned to the Group operational structure, included:

Strategy Group

Performance reporting

An overview of performance through a dashboard capturing the trajectories of each major project and cross-cutting themes. The Board discussed the challenges facing programme delivery alongside delivery confidence against strategic priorities.

Business planning

The Board discussed the challenges and opportunities to the Department's business planning, in addition to recent conversations with HMT. Members discussed the impact of headcount reductions on the Department's operations and delivery.

Termly strategic review

Colleagues from Strategy Division presented findings of a strategic stocktake of Departmental priorities since Spring 2023. The Board was invited to discuss the target outcomes and analysis of our sectors' workforces, in the context of wider economic trends.

Skills, Schools, Families and Regions Groups

Childcare reform

The Board discussed the reforms to child-to-staff ratio changes, framing the context of this issue historically and internationally. The Board also discussed the career pathway for early years teachers.

SEND review implementation

The Board was provided with an update on the delivery plans for the implementation of SEND reforms. The presenters highlighted the challenges facing delivery and the need for intra-departmental collaboration and cross-government work.

Employer engagement: skills

Board members discussed further ways in which the Department could foster employer engagement with skills and noted final preparations for the Skills for Growth Conference.

School attendance

The Attendance Division presented an overview of the drivers behind persistent absence in schools. The Board discussed the Department's strategy to improve attendance in schools, to bring it back to pre-pandemic levels.

Education recovery

Colleagues from Strategic Policy Division presented an update on the most recent key stage 2 results and what these demonstrated in terms of education recovery since the COVID-19 pandemic.

Mental health in education settings

Colleagues from Strategic Policy Directorate provided an update on the Departmental and cross-departmental work to build a picture of mental health among children and young people in education settings.

Lifelong Learning Entitlement (LLE)

The Board discussed the risks and challenges to the delivery of the LLE and the impact of the LLE on both the student loan system and wider sector. Members noted the role of employers in the delivery of the LLE and the importance of sector engagement.

Climate related educational attainment

The Board discussed the emerging risks associated with climate change and the schools estate. Members discussed the importance of ensuring investment in the right green skills for the future.

Generative artificial intelligence in education

The Board discussed the work underway in the education sector to capitalise on the opportunities and manage the risks that generative artificial intelligence presents for the education sector.

Operations and Infrastructure Group

Financial updates

An overview of the Department's budget in response to the Department's in-year financial positions.

NDPB governance and oversight

The Board discussed the opportunities for proportionate, increased engagement between the NDPBs and the Department's non-executive board members, in addition to the Department's corporate committees.

School building risk

Colleagues from Education Estates Division provided an update on the impact of RAAC in school buildings.

Board performance and effectiveness

A board effectiveness evaluation was undertaken during the review period with findings considered by the Board in September 2023. In line with good practice, the evaluation included independent input from Mike Ashley, who serves as a non-executive on the Cabinet Office board and as Cabinet Office's audit and risk committee Chair. Overall findings were positive with strengths highlighted including the members balance of skills and experience. Areas for continued focus included the maintenance of information flow between the Board and its sub-committees. The Board accepted the evaluation's recommendations which have been implemented throughout the reporting period.

Non-executive board members participate in a number of meetings outside of the Board. Non-executive board members continue to be aligned with the operational segments to offer independent support, advice and challenge. The lead non-executive board member provides support and challenge to the Department's work to strengthen the Union.

Management of conflicts of interest

At the beginning of every 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

Overview

Chair: Susan Acland-Hood, Permanent Secretary

Membership: the committee consists of the Permanent Secretary, directors general and the Chief Executive of ESFA.

The Director of Strategic Finance, the Director of Strategy, the Director of Human Resources and the Chief Scientific Adviser are also invited and routinely attend but are not members.

Meeting frequency: monthly, except for August (although the November meeting was cancelled and combined with the December meeting in 2023).

Role: the Leadership Team forum enables day-to-day executive leadership and management on behalf of the Board. The meeting focuses on departmental management, transformation and performance. Five sub-committees support the Leadership Team:

- Performance and Risk Committee
- Investment Committee
- Digital, Data, Technology Committee
- People Committee
- SCS Workforce Committee

Key activities in the reporting year

The discussions of the Leadership Team focused on:

Finance

The financial health of the organisation was reviewed at the end of each monthly reporting period, alongside business planning and spending review preparation when appropriate.

Delivery highlight report

The Leadership Team considered a monthly report of cross-cutting Departmental challenges and highlights of the performance of the Department's major projects. Delivery Unit was able to provide detailed analysis of the Department's performance against the Secretary of State's priorities.

Sub-committee updates

Members considered a monthly report on the work of its sub-committees.

People, cultures and behaviours

These discussions were anchored in the development of our 'The Way We Work', and also included the hybrid working re-set.

Customer service

The Leadership Team fed back to proposals for improvements to the Department's customer service function which were later enacted.

Emergency preparedness

The Leadership Team discussed how the Department undertook a lessons learned exercise from COVID-19 and is preparing for other emergency risks, including with the use of reservists.

Shadow Leadership Team

A new cohort of Shadow Leadership Team was recruited. From June 2023 onwards the new Shadow Leadership Team held meetings in advance of each meeting, considering the same papers, and representatives attended the full Leadership Team meeting and contributed views. Leadership Team noted frequently in meetings how helpful the contributions from the Shadow Team were.

Audit and Risk Committee

Overview

Chair: Stuart McMinnies, Non-executive Board Member

Membership: the committee consists of one non-executive board member who is the Chair and four independent members.

Internal audit (Government Internal Audit Agency), external audit (NAO), the Permanent Secretary (as the Principal Accounting Officer), the Chief Operating Officer, the Director of Operational Finance, the Director of Strategic Finance and the Director of Central Operations also regularly attend.

Meeting frequency: six times during the reporting year.

Role: 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 controls and assurances. ARC advises the Permanent Secretary on the adequacy and effectiveness of these arrangements and the structure and presentation of Group ARAs. The Chair provides the Board with an update on the work of the ARC at each board meeting and provides an annual report to the Accounting Officer and Board.

Key activities in the reporting year

ARC received regular updates from GIAA. The committee discussed GIAA's audit plans for 2023-24 and the outcomes of audits on areas of the Department. The committee discussed GIAA's annual opinion report and functional standards.

ARC scrutinised and, when appropriate, amended and approved the Department's plans for producing the Department's ARA. It received regular reports from the Department and NAO on the progress of the annual financial audit. It also received an update on the progress of the incorporation of sustainability and climate-related information into central government annual reporting.

The committee regularly reviewed and scrutinised updates on the ARAs of STA, TRA, Teachers' Pension Scheme (England and Wales) and SARA ahead of their completion and publication.

ARC received regular updates on the audit and risk activity of SLC and ESFA.

As part of the Department's establishment of closer working links to its NDPBs, the committee was joined by NDPB ARC Chairs from IfATE, OfS and Oak.

ARC considered the Department's effectiveness and its systems and processes for managing risk and monitored planned improvements. The committee discussed the Department's near misses and unexpected issues and the top-tier risk report, both on a quarterly basis.

During the year, ARC reviewed regular and ad-hoc reports provided on key issues and identified risks in the top-tier risk report and on delivery priorities and milestones. These included the school building risk, specifically RAAC, and the Board effectiveness evaluation results, compliance with HR policies, value for money from franchise universities and Departmental benefit tracking.

ARC workshops have been held prior to the ARC meetings to allow for in-depth analysis of activity including grants and commercial assurance, DDT strategy, the NFF error, sustainability strategy and contract management.

ARC continues to receive regular updates and reviews of Departmental governance at executive level. This included an update on the sub-committee's agendas, minutes and internal governance, as well as reviewing Departmental governance structures.

The chairs of the Department's NDPBs ARC committees and the ARC Chair continue to meet at network meetings on a six-monthly basis.

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 Director of Human Resources and Transformation.

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 in the reporting year

The discussions of the committee included:

Leadership Team

Received regular updates on the performance and award arrangements for the Department's senior leadership team. The committee discussed the new members of the Leadership Team; Directors General for Families Group, Schools Group and Strategy Group appointed in 2023.

Permanent Secretary's appraisal

The committee noted that the Permanent Secretary's appraisal had undergone a full and thorough process.

SCS pay

Received an update on the central SCS pay guidance from Cabinet Office and the Department's SCS pay award arrangements. The committee discussed SCS retention and recruitment, noting the challenges and opportunities arising.

People strategic plan

Received an update on the development of the Department's people strategic plan which will set out the long-term goals for the workforce, with clear actions and delivery plans encompassing existing Departmental plans such as diversity and inclusion, bullying, harassment, discrimination and wellbeing.

Board effectiveness evaluation

Received an overview of the results of the 2023 board effectiveness evaluation, which encompassed the Board, ARC and Nominations Committee. The committee advocated for improved information flows between Nominations Committee and the wider corporate environment, and noted the strength of the Nominations Committee in its ability to engage with a variety of SCS HR topics.

Public appointments update

Received regular updates on recent public appointments. The committee discussed the public appointments of the various NDPBs, noting the challenges and emphasising the importance of increasing the diversity of public appointments.

Departmental NDPBs

Received a proposal for increased engagement between the Department's non-executive board members and our NDPBs. The committee agreed to have a greater involvement in public appointments, offering to be a panel member of our NDPBs' public appointment campaigns, in addition to increased contact with the NDPBs' chief executives and Chairs.

Whistleblowing update

Received regular high-level updates on live whistleblowing cases in the Department. The committee noted the new training for nominated officers and the additional insights on whistleblowing arrangements highlighted by the 2023 People Survey results.

Attendance records

The following tables present member attendance at meetings throughout the year. Not all members were in post throughout the year or held different posts with differing committee memberships in the year. To improve transparency, we have provided attendance values as well as the number of meetings available to members to attend, which is presented as "2 out of 2". Where individuals are not members of a committee "NM" has been presented which means "non-member".

Chairs

	Board	Leadership Team	Audit and Risk Committee	Nominations Committee
	Secretary of State	Susan Acland-Hood	Stuart McMinnies	Richard Pennycook

Ministers

	Board	Leadership Team	Audit and Risk Committee	Nominations Committee
Rt Hon Gillian Keegan MP	6 out of 7	NM	NM	NM
Baroness Barran	4 out of 7	NM	NM	NM

Non-executive and independent members

	Board	Leadership Team	Audit and Risk Committee	Nominations Committee
Non-executive members				
Richard Pennycook	7 out of 7	NM	NM	4 out of 4
Toby Peyton-Jones	6 out of 7	NM	NM	3 out of 4
Stuart McMinnies	6 out of 7	NM	6 out of 6	4 out of 4
Sir Peter Bazalgette	4 out of 7	NM	NM	4 out of 4
Jack Boyer	5 out of 7	NM	NM	2 out of 4
Suzy Levy	nil out of nil	NM	NM	nil out of nil
Independent members				
Hunada Nouss	NM	NM	3 out of 4	NM
Charlotte Moar	NM	NM	6 out of 6	NM
Alastair Murray	NM	NM	6 out of 6	NM
Emir Faisal	NM	NM	6 out of 6	NM
Harjit Sandhu	NM	NM	3 out of 3	NM

Senior officials

	Board	Leadership Team	Audit and Risk Committee	Nominations Committee
Susan Acland-Hood	6 out of 7	10 out of 10	NM	4 out of 4
Indra Morris (DG Families Group)	1 out of 1	2 out of 2	NM	NM
Graham Archer (Interim DG Families Group)	2 out of 3	2 out of 2	NM	NM
Justin Russell (DG Families Group)	2 out of 3	5 out of 5	NM	NM
Caroline Pusey (Joint interim DG Schools Group)	NM	nil out of nil	NM	NM
Heather McNaughton (Joint interim DG Schools Group)	NM	1 out of 1	NM	NM
Juliet Chua (DG Schools Group)	NM	9 out of 9	NM	NM
Julia Kinniburgh (DG Skills Group)	NM	9 out of 10	NM	NM
John Edwards (DG Regions Group)	NM	9 out of 10	NM	NM
Tony Foot (DG Strategy Group)	6 out of 7	10 out of 10	NM	NM
Jane Cunliffe (DG OIG)	7 out of 7	9 out of 10	NM	NM
David Withey (Chief Executive of ESFA)	NM	9 out of 10	NM	NM
Naomi Schweitzer (HR Director)	NM	NM	NM	3 out of 4

Managing our risks

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

The risk management framework

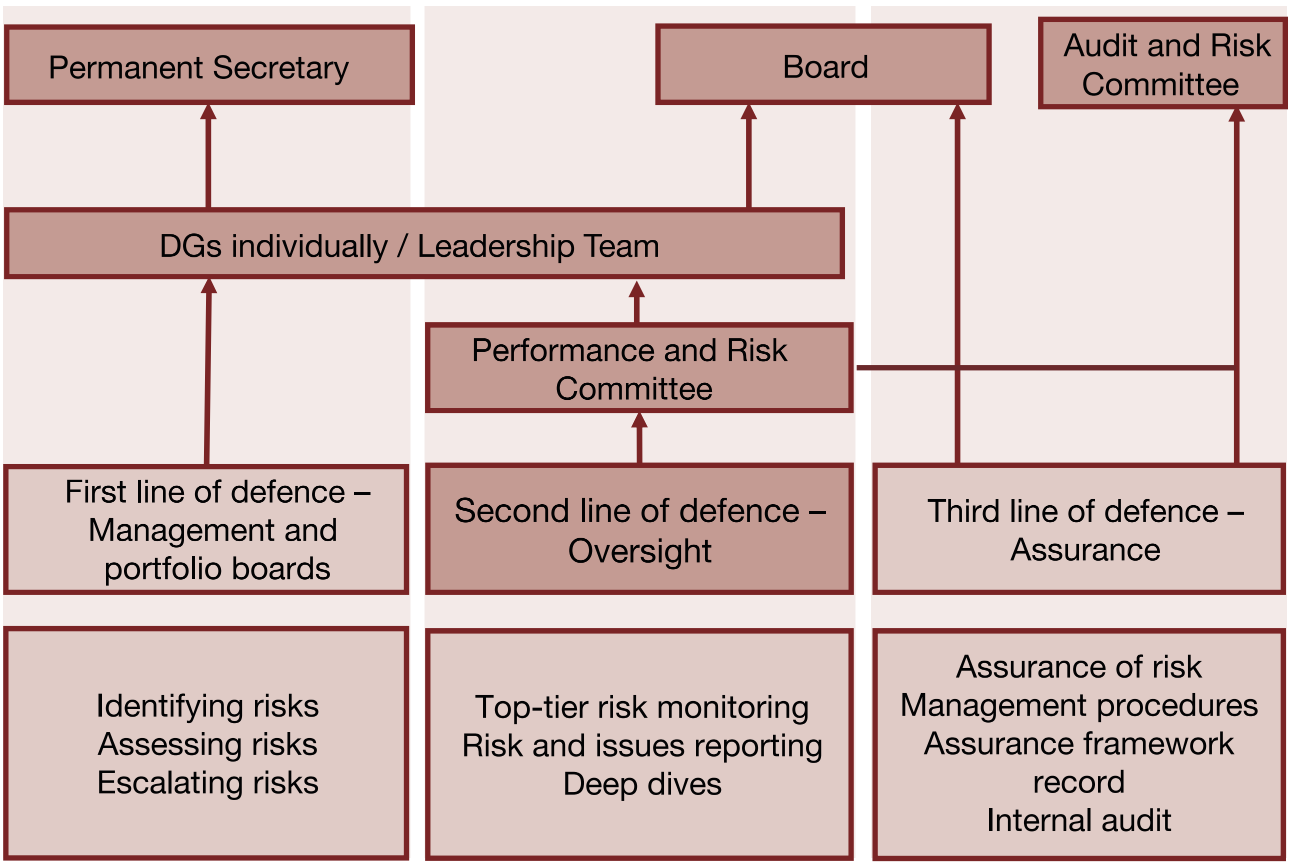
Our risk management approach seeks to devolve accountability to those best placed to effectively manage risks at the right level.

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 principal, or top-tier, risk report. This is the route by which the most significant risks are escalated to the Board and its committees. The team also support setting the Department's risk appetite which is agreed by the Board.

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

Figure 54 describes the three 'lines of defence' model to which the Department operates.

Figure 59: The three lines of defence model



Risk assurance

Performance and Risk Committee

All top-tier risks, near misses and unexpected issues are tabled and discussed at the Performance and Risk Committee (PRC) as part of the second line assurance.

Audit and Risk Committee

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

Assurance framework record

In line with previous years, the Department has undertaken an annual assessment of our assurance arrangements via the assurance framework record. The self-assessment, completed by directors, provides assurance over risk management, governance, financial acumen, project delivery and controls, while also highlighting areas for improvement and support.

This year we enhanced the approach to include subject matter expert assurance ratings at both Departmental and Group levels. The subject matter experts provided detailed feedback and challenge questions on the returns, which then fed into validation meetings. Non-executive board members attended three of these meetings to offer additional insights and agree upon improvement areas.

The findings offer valuable insights into the Department's confidence levels regarding corporate controls. Data has been cross-referenced with other sources of assurance to assess the effectiveness and efficiency of controls, identifying strengths, risks and improvement opportunities.

This year's assessment showed a high level of confidence across the strands, with the majority of ratings being substantial or moderate. The highest level of confidence from directors was across the commercial and grant management space with a majority of directors rating themselves as substantial, an improvement on the previous year.

These conclusions are incorporated into individual business segment level reports to provide targeted feedback on each area.

Additionally, the Department has taken steps to enhance risk management by mapping assurance coverage to the Department's strategic risks. This aims to provide a comprehensive oversight of assurance activities, risk management and the identification of assurance gaps.

Compliance to the Orange Book

We have assessed our risk management approach against the government's Orange Book (Management of Risk – Principles and Concepts).[26] The assessment confirmed that the Department applies the main principles for risk management in government. We comply with the requirement that management is an essential part of our governance and leadership,

26 https://www.gov.uk/government/publications/orange-book

and is fundamental to how the Department is directed, managed and controlled at all levels. Also, that risk management is an integral part of all our activity to support decision-making in achieving objectives. We ensure that risk management is collaborative and informed by the best available information and expertise.

We also comply with the requirement to structure our risk management processes to include:

- risk identification and assessment to determine and prioritise how the risks should be managed
- the selection, design and implementation of risk treatment options that support achievement of intended outcomes and manage risks to an acceptable level
- the design and operation of integrated, insightful and informative risk monitoring
- timely, accurate and useful risk reporting to enhance the quality of decision-making and to support management and oversight bodies in meeting their responsibilities

However, we recognise that our risk management can be continually improved through learning and experience.

Risk capability improvements

Risk capability improvements this year include:

- appointed a Chief Risk Officer and transferred the central risk team to Strategy Group (to ensure risk is central to corporate decision-making)
- embedded business segment-level portfolio boards, ensuring better management of tier 2 risks
- reviewed and improved our top-tier risk reporting, including introducing a digital application for principal risk reporting, switching from quarterly to monthly reporting, developing better data visualisation tools and developing key risk indicators
- funded learning and development qualifications aligned with the ‘Government Risk Function – Risk Management Skills and Capability Framework’
- set up a risk community of practice
- continued focus on supporting risk management capability and maturity across our NDPBs

Other sources of assurance

Counter fraud, error and debt

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

The dedicated central fraud team provides strategic guidance and co-ordination of counter fraud activity, overseen by a nominated board member every two months. The Department and its Agencies and NDPBs are supportive of the PSFA-led government function standard

'GovS 013: Counter Fraud'[27] as it develops and continue to evaluate and improve the function against the standard.

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 PSFA and to ARC, through yearly updates.

Each of the Department's Agencies and NDPBs have their own counter fraud teams that share best practice via network events organised every two months and chaired by the central fraud team. The Department and related bodies follow 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 are supported centrally by accredited counter fraud professionals. Assessments have been completed against all major spending initiatives which includes high-risk and politically sensitive schemes. This allows us to develop control landscapes across spending to prevent fraud and error occurring. The fraud team maintain a cycle of follow ups against fraud risk assessments to ensure they remain 'live' documents and any issues are addressed to mitigate risks promptly.

The Department also engages the Government Internal Audit Agency to undertake continual review of payment controls as well as the Cabinet Office-run National Fraud Initiative to detect anomalous payments that might represent fraud or error. The Department aims to undertake fraud measurement exercises each year, to detect fraud in high-risk areas where fraud detection rates have been historically low.

All material fraud and error is reported in our consolidated data return to PSFA, who publish their findings as their Fraud Landscape Report.[28]

The counter fraud team continue to analyse the Department's Financial Operations Division's strategic risks and their associated control environment to assess whether it is fit for purpose. By assessing, testing and tracking our controls we are able to accurately report against our operational risks.

We continue to align with government policy to find and fight fraud. With a shift in emphasis driven by PSFA to set financial targets and accurately log preventions and recoveries of fraud providing a return on investment for taxpayers we expect to continue to see a rise in reporting across the Group. The largest figures traditionally come from ESFA, who are responsible for the majority of Group funding.

ESFA have key objectives to maximise our prevention, detection and recovery of fraud and error, supporting the PSFA mandate. Prevention is a key pillar of our counter fraud strategy, which we have focused on during this year with prevention methodologies approved by the cross-government prevention panel. The profile split of investigations this year saw more cases concluding in Q3 and Q4, which resulted in lower reported losses for Q1 and Q2 compared to previous years, but with increased amounts over the full year. We are continuing activities on maximising recoveries and holding those to account who misuse public funds.

27 https://www.gov.uk/government/publications/government-functional-standard-govs-013-counter-fraud
28 https://www.gov.uk/government/publications/public-sector-fraud-authority-annual-report-2022-2023

The debt management function sits within the Financial Operations Division. The debt management team continue to drive, improve and enhance credit control recovery activities.

We continue to build and maintain relationships with each of the Group's bodies to provide advice and guidance to ensure debts are accurately accounted for and reported correctly. This includes regular communication on liquidations and customers in administration where the debt team struggle on recovery.

The debt management function has a voice that enables us to work closely with cross-government groups to ensure consistency and best practice across government.

There is a greater understanding of the Department's debt position which is delivered to HMT on a monthly and annual basis. This has enhanced our level of reporting in line with cross-government requirements.

We pride ourselves on working firmly but fairly with those who owe money to the Department, looking where necessary for constructive solutions such as financial support to allow amounts due to be repaid over an agreed period of time. Such arrangements are kept under regular review.

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.

NDPB risk management

Each of the Department's NDPBs have their own governance structure where risk management is embedded, 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 to the Department via PRC, alerting them as to when assistance is required, providing assurance that risks are being managed effectively and the Group is protected.

As well as this formal pathway, risks can be escalated through the network of NDPB ARC chairs headed-up by the Departmental ARC's chair.

Knowledge and information management

Public Records Act 1958 compliance

The Department's review of its paper records that have reached, or are soon to reach, 20 years since their creation continues in line with its Public Records Act 1958[29] section 3 obligations. The outcome of the review of Departmental records is secure disposal, retention for ongoing business use or the transfer and preservation of the records at The National Archives. Paper records selected for preservation by the archive, which were created by the Department in 1998 and 1999, were transferred in 2023.

Publication of records and information management policy

In December 2023, we published our records and information management policy[30] for the first time.

Knowledge and information management

The knowledge management team has continued to re-engage with knowledge champions across the Department. Our teams have been contacted to ask them to propose a knowledge champion with the aim of promoting knowledge and information management best practice and good knowledge sharing and retention across the Department.

A series of training videos and support materials have been developed to help build capability for effective information management on our IT platforms.

Data protection statement

Information Commissioner's Office audit

In February 2020, the Information Commissioner's Office conducted a wide-ranging audit into the Department's level of compliance to the Data Protection Act. The findings of the audit highlighted areas for improvement which the data protection team have been working on since the time of the audit. In February 2023, the Information Commissioner confirmed that they have closed the audit actions. Both we and ICO recognise that there are still more improvements to be made to implement data protection best practice across both the Department and the education sector.

In November 2022, the Department was reprimanded for the breach of the learner record services in January 2020. We have been working closely with ICO since that breach and the Information Commissioner signed off the recommendations in the reprimand letter on 6 March 2023.

Bringing the Department and education sector together

The education privacy assurance scheme has its first project established, 'Get Help with Data Protection in Schools', which aims to support schools to understand and deliver their data protection legislative requirements.

29 https://www.legislation.gov.uk/ukpga/Eliz2/6-7/51/section/3
30 https://www.gov.uk/government/organisations/department-for-education/about/personal-information-charter

This work is being done following the principles of user centred design which hold staff in schools at the heart of the development to ensure our work meets their needs and enable them to make informed decisions for data protection. User research is underway to inform the priorities of the programme for 2024, which will see a digital platform launched for schools giving them access to guidance and templates.

Artificial intelligence in education

Artificial intelligence has the potential to transform society. We want to capitalise on the opportunities technology like AI presents for education as well as addressing its risks and challenges. We published a position on generative AI in education[31] in March 2023.

The publication outlined that education institutions must continue to protect their students from harmful content online, including that which might be produced by generative AI. Schools and colleges should ensure they are meeting the published filtering and monitoring standards to support fulfilling their safeguarding and data protection responsibilities.

Analytical quality assurance

The Department has extensively reviewed and updated its quality assurance (QA) framework. This action was prompted by an error in the indicative schools NFF allocations for 2024-25, which were published in July 2023. The updates to the framework fully implement the recommendations made in the external review.[6] These updates include additional guidance for best practice QA, clarification of roles and responsibilities such as the remit of the analytical assurer, and the creation of additional templates and documents to support QA.

The changes have been accompanied by communication to raise awareness of the updates and of QA in general across the Department. This includes the roll-out of enhanced training products including a self-directed QA refresher course and an expanded suite of QA logs.

The QA work of the Department continues to be supported by the Analytical Function Leadership Group and the Quality Assurance Steering Group to ensure suitable oversight for the planned direction of travel to deliver continued improvements.

We can confirm that the central list of business-critical models within the Department and ESFA has been updated with new models added and obsolete models removed. All model owners have been made aware of the updated mandatory QA framework and asked to bring models in line with the updated framework with immediate effect.

The business-critical model list is held centrally in the Department and includes a detailed description of all the models and evidence of QA via their QA logs. Following a successful pilot, we have introduced a monthly model review panel chaired by the Chief Analyst. This takes an in-depth look at individual business-critical models to understand the accompanying QA processes and areas of risk. These panels are used to review the mitigation of risk and sharing and development of best practice.

We provide support and advice to the Department's NDPBs on QA when requested so have some oversight of their QA activities but we aim to strengthen this over time so we can develop a full understanding of QA activities across our NDPBs.

31 https://www.gov.uk/government/publications/generative-artificial-intelligence-in-education

Regularity

Background

Regularity is the concept that departmental spending is compliant with relevant legislation and spending authorisation delegated from Parliament. Recipients of public funds are required to spend those funds as directed by the grantor and ultimately by Parliament. Regularity reporting is a central plank of parliamentary accountability, whereby departments report their spending against their Parliament-authorised spending totals set out in SOPS. The Comptroller and Auditor General's certificate contains two separate opinions, one on the financial statements and a second on regularity.

The Group operates under a range of statutes applicable to the different sectors we operate in. The main statutes are Education Act 2002, Local Government Act 2003 and Children and Families Act 2014. We are required to demonstrate that all public funds disbursed have been used for the appropriate purposes. Whilst statutes provide the legal framework for grant payments, grants will also have terms and conditions that specify what the funds are to be used for and in some cases by when. Failure to adhere to grant conditions will lead to the use of funds to be outside parliamentary authority and so irregular. The Accounting Officer System Statement[25] explains in further detail how the overall system operates together with local framework requirements.

The Group operates a risk-based approach to regularity based on our judgement of the risks associated with specific funding streams and ensuring that components of regularity are reviewed throughout the life cycle of a grant. We operate a tailored assurance programme with different assurance approaches applied depending upon the grant's risk. The main source of assurance reviews is our Corporate, Assurance and Restructuring Directorate team whose remit covers the bulk of the Group's grant payments which are issued by ESFA.

Policy funding

Policy funding covers both grants and contractual payments to third parties delivering public services. Grants are used widely to achieve departmental and government policy objectives. In the Department they are typically awarded to academies, colleges, universities and student funding bodies, voluntary, community and social enterprise sectors, local authorities and other central government departments.

Grants are split between capital and resource, dependent on the nature of spend and can be either formulaic or non-formulaic. Formulaic grants are calculated based on predefined values and regularity risk also applies the accuracy of the calculation of formulaic funding streams. Non-formulaic general grants are usually competed using a similar approach to a commercial tendering process, or criteria based.

The Group aims to follow Cabinet Office's functional standard for grants[32] in the awarding and management of its grant payments. This includes ensuring that every grant has a designated senior responsible officer, confirming that the grant is within the Department's remit and meets its objectives, is covered by legislation and delivers the projected outcomes. As part of our adherence to the standard, the Department takes part in Cabinet Office's independent,

32 https://www.gov.uk/government/publications/grants-standards

cross-government complex grants advice panel. Referral to the panel is mandatory for all new, high risk, high value, novel, contentious or repercussive schemes or manifesto commitments and the panel provides expert advice to support key decisions.

The Group's grant management processes include strategic planning, efficient design, program development, effective tracking, fraud prevention and having sufficient resources to smoothly manage the process, including that robust checks are built-in to protect public funds.

Assurance requirements and arrangements

Assurance requirements differ between the different types of policy funding, both in their legal form (grant or contract), whether they are formulaic or not, or ring-fenced. Note 5 provides more details over policy funding spending.

Assurance arrangements are put in place within the grant agreement to ensure that regularity assurance is obtained for each financial year of the grant programme (covering this reporting year). Where grants are awarded over an academic year (school sector – September to August, FE sector – August to July) which involves grant payments over two of our financial years, independent assurance is needed over both financial years. In some cases, lagged assurance at the end of the academic year grant period is judged to be sensible for lower risk grant programmes. The Department also uses alternative assurance arrangements such as enhanced monitoring, and sampling and validating expenditure ahead of receiving lagged certificates of expenditure.

Funding audits undertaken by the Group check for errors in the pupil census numbers which are used to calculate the main funding blocks and entitlements to free school meals, which is the main factor in determining pupil premium funding.

Where irregular spend is identified, the Department's position is to recover such funds, offsetting against future payments or through invoicing.

Improvements in year

We have strengthened the internal support available to grant teams to reduce regularity risk and ensure money is spent as intended on frontline outcomes. There is direct support across grant schemes and delivery of clear, accessible and tailored training and guidance. We have also reinforced and strengthened the overall control environment by supporting senior responsible officers and grant managers in understanding and complying with their accountabilities and responsibilities, in line with Cabinet Office's grants best practice.

The Department has embedded a grants register and data repository which aligns to Cabinet Office's government grant information system data definitions and seeks to store data and documents which can demonstrate and assure the grants regularity including budgets, forecasts, actuals, business cases, approvals, grant offer letters, sampling, reconciliations and annual certifications. This forms the basis of our risk rating and internal assurance for the varied range of smaller but still significant revenue grants issued by the Department.

Cabinet Office assessment

Find a grant

Cabinet Office has mandated the use of the find a grant service[33] for all eligible government grants and for the financial year the Department was at 100% compliance.

Grants continuing improvement assessment framework

The assessment framework is designed to drive continuous improvement within the Department, by helping assess compliance against the functional standards. The return is then validated by GIAA ahead of submission to Cabinet Office. The return in respect of the current year is still being finalised, however the Department received a good rating in prior year.

Outcomes

The Department's assurance programme for this financial year has not indicated material issues with regularity. The Group has undertaken the following review work, which covers the majority of grant spend, including:

Local authorities

There is a thorough review process of local authority financial information and board minutes, including a review of additional indirect evidence including Ofsted reports and benchmarking data. We also undertake targeted reviews of those local authorities with late ARAs or weak annual internal audit opinions.

An improvement during the year has been the development of an additional return requiring further assurance on the dedicated schools grant, including confirmation that no expenditure has been incorrectly funded from the grant income. This has shown a small number of mischarges within the high needs funding block.

Academy trusts

Following submission of the assured academies accounts return (a consolidation return to support SARA production), audited ARAs and management letters, the Group undertakes a review process much like for local authorities.

We also undertake financial management and governance reviews. Whilst our findings indicated that most academy trusts were making good progress towards compliance with the Academy Trust Handbook, there were a few areas where further development was required, including internal scrutiny and appropriate monitoring of risk and their budgets.

The Department also undertakes funding audits, which provide assurance that grants have been properly claimed and used for the purposes intended. The audits check for errors relating to both the pupil census numbers, which are used to calculate the main school funding blocks (pre-16 and post-16) and the entitlement to free school meals numbers, which is the main factor in determining pupil premium funding.

33 https://www.find-government-grants.service.gov.uk/

For non-formulaic grants received by academy trusts, the Department relies on spend reports which are assured by the recipients' external auditors as reporting accountants.

Colleges

Following submission of the college accounts return, audited ARAs and management letters, the Group undertakes a review process much like for academy trusts. In addition, funding audits were undertaken.

Other providers

The Department undertakes an assurance programme on other providers, including independent training providers and higher education institutes.

In the post-16 funding area the Group updated its provider data self-assessment tool, which enables users to identify potential issues with their recorded data and provides indicative reports based on areas of concern and risk.

Capital funding

For formulaic grants assurance is received on a predominantly lagged assurance. In addition to the work undertaken above, this is through:

- self-declaration of section 151 returns for local authorities
- the school conditions allocations capital spend survey, which was completed by 84% of MATs and voluntary aided schools (up from 56% the previous year) and is currently reviewing the returns to inform assurance processes in subsequent years
- confirming processes are being followed for compliance with allocation models, including high needs, schools condition allocations and devolved formula capital

For general grants additional work includes:

- review of condition improvement fund site visits, ensuring appropriate procedures are in place
- checking claims made have independent supporting evidence before payment

Student loans

Assurance on the regularity of student loan payments is primarily received via GIAA's testing.

Improvements in year

In response to GIAA's recommendation to move towards quarterly testing, this year we have successfully moved to a model whereby SLC collaborate with GIAA to deliver the exercise which has enabled SLC to enact plans to complete more regular testing.

Outcomes

The number of cases in the sample that could have created a payment error has increased from 21 to 60, increasing the extrapolated error to £405 million. However, because of the uncertainty surrounding the central estimate, it is not possible to determine whether the true error rate has increased, decreased or stayed the same.

Sector delivery contracts

We have incorporated in our policy funding note, spend on contracts which deliver benefits to the education sector and children services sector outside the Group. These are contracts with a supplier to provide goods or services that are delivered directly to schools, pupils or other recipients across the education or children's services sectors. These contracts are awarded using our standard procurement processes and commercial governance arrangements. We have considered how our regularity assurance arrangements should apply to these cases. This year we have surveyed a sample of these contracts to obtain sufficient assurance over independent evidence of delivery and we will continue to embed and strengthen these arrangements next year.

Management of outside interests and business appointments

Identifying and managing conflicts of interest

The Civil Service Management Code sets out the standard of propriety for civil servants. It states that "civil servants must not misuse their official position or information acquired in the course of their official duties to further their private interests or those of others".

Civil Servants

The Department provides guidance to staff to support their assessment of a conflict of interest, whether this is actual, potential or perceived. It is the responsibility of the individual to declare all interests that could be relevant to their role and to discuss with their line manager, and this information is held de-centralised across the organisation.

In addition, senior civil servants must adhere to the declaration and management of outside interests policy. The Department published the prior year's information[34] in line with Cabinet Office requirements and information relating to this financial year will be published in due course.

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.

Ministers

The Ministerial Code[35] sets out the standards of conduct expected of ministers and how they discharge their duties. Under the terms of the code, ministers must ensure that no conflict arises, or could reasonably be perceived to arise, between their public duties and their private interests, financial or otherwise.

Ministers are required to provide a list of all interests which might give rise to a conflict, which is published twice yearly. There is also guidance for staff involved in procurement exercises for high-profile, strategic contracts to review the register and put required mitigations in place.

Business appointments

In compliance with business appointment rules (BARs), the Department is transparent in the advice given to individual applications for senior staff, including special advisers. To improve transparency the Department publishes advice regarding specific business appointments[36] for staff in SCS roles.

34 https://www.gov.uk/government/publications/dfe-senior-civil-servant-secondary-paid-employment-2022-to-2023
35 https://www.gov.uk/government/publications/ministerial-code
36 https://www.gov.uk/government/publications/dfe-business-appointment-rules-advice

Individuals should discuss with their manager all offers of intended appointments or employment as early as possible and before any commitment or announcement is made. They should then both check the BARs to see if the potential future appointment or employment needs approval, completing the business appointment application form, if necessary.

The application may be approved unconditionally, approved with conditions or rejected. While BARs apply to all staff, applications covering senior civil servants must be published. Any applications from someone who is a director or above are considered by either the relevant director general, the Permanent Secretary or the external Advisory Committee on Business Appointments depending on the applicant's grade. In broad terms, SCS1 refers to deputy directors, SCS2 to directors and SCS3 to directors general.

Table 17: Business appointment rules analysis for the year

	SCS1 (or equivalent)	SCS2 (or equivalent)	SCS3 (or equivalent)	Special advisers
Number of SCS exits from the Civil Service	57	22	3	1
Number of BARs applications submitted to the Department over the year	4	4	2	1
Number of BARs applications approved by the Department over the year	4	4	2	1
Number of BARs applications where conditions were set by the Department over the year (by grade)	3	4	2	1
Number of applications that were found to be unsuitable for the applicant to take up by the Department over the year	–	–	–	–
Number of breaches of the rules in the preceding year	–	–	–	–

Government Internal Audit Agency

The GIAA provides the internal audit service for the Department. The internal audit plan is set at the beginning of the financial year, informed by several considerations including the Department's strategic objectives, its top-tier risks and organisational changes. It is reviewed by ARC, agreed with the Permanent Secretary and revisited during the year to reflect changing circumstances.

For this financial year, the Group Chief Internal Auditor (GCIA) provided a 'Moderate' opinion, which states that some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

The distribution of ratings for individual audit reports is consistent with the previous year and, in the judgment of the GCIA, the Department has maintained an adequate system of governance, risk management and internal control. The report identifies six themes for exploration:

- governance and risk management
- fraud, error and value for money in HE and training sectors
- RAAC and educational estates
- policy and programme delivery
- the corporate services supporting delivery
- DDT

The GCIA found governance and risk management to be adequate and effective, and that the Department has maintained an appropriate balance between managing risks and conducting operations. However, the Department manages an increased number of critical issues and risks assessed as 'critical/very likely or likely'.

GIAA issued six 'Limited assurance' internal audit reports. ARC review all 'Limited assurance' rated reports during the meeting for that period. ARC also receives quarterly progress reports, including updates on completed and outstanding actions arising from recommendations.

Table 18: Limited assurance rated reports

Limited assurance
• DfE – Human Resources – Resource Resilience • DfE – Commercial – Use and Optimisation of Jaggaer • DfE – DDT – Change Programme • DfE – Teachers' Pension Scheme – Transition Planning • DfE – HE Operational Assurance Arrangements • STA – Future Digital Services

I have accepted the overall Moderate assessment, officials have either implemented or are working to implement the suggested improvements to specified timescales from GIAA's work.

National Audit Office

The National Audit Office (NAO) is the UK's independent public spending watchdog, supporting Parliament in holding government to account and helping improve public services. They are independent of government and the civil service and are overseen by the Public Accounts Commission, a parliamentary committee of MPs.

Drawing on NAO's work, the separate Public Accounts Committee (PAC) holds evidence sessions, with government officials, focused on public spending and scrutinising the implementation of government policy. Audited bodies are required to respond to recommendations made by PAC. They must respond to NAO's recommendations, which are published as a searchable recommendations tracker.[37]

NAO published the following reports relating to the Group in the year or immediately after the year end.

Value for money reports

Department for Education: sustainability overview,[38] published June 2023.

This report is part of NAO's wider series of sustainability overviews examining how different parts of government fulfil their sustainability remit. It covers the Department's approach to delivering and overseeing its sustainability strategy; its progress in the first year of its strategy; and capacity to influence sustainable practices across schools. The work led to a session by the Environmental Audit Committee.

Condition of school buildings,[39] published June 2023.

This report examines whether the Department is achieving its objective to ensure the school estate contains the safe and well-maintained school buildings that it regards as essential for a high-quality education.

Investigation into student finance for study at franchised higher education providers,[40] published January 2024.

This report sets out where franchised providers sit within the HE regulatory framework; outlines the risks to public funds; and makes recommendations to strengthen assurance. There are potentially fraudulent applications and opaque recruitment practices in this sector.

Preparations to extend early years entitlements for working parents in England,[41] published 24 April 2024.

37 https://www.nao.org.uk/recommendations-tracker/
38 https://www.nao.org.uk/reports/dfe-sustainability-overview/
39 https://www.nao.org.uk/reports/condition-of-school-buildings/
40 https://www.nao.org.uk/reports/investigation-into-student-finance-for-study-at-franchised-higher-education-providers/
41 https://www.nao.org.uk/reports/preparations-to-extend-early-years-entitlement-for-working-parents-in-england/

This report examines the Department's preparations to extend entitlements, focusing on:

- the current quality and capacity of early years childcare provision in England
- whether the Department has set itself up effectively to deliver value for money through expansion
- whether we are effectively managing risks to successfully extending early years childcare

Departmental overview

Department for Education 2022-23,[42] published December 2023.

Public Accounts Committee

The Public Accounts Committee examines the value for money of government projects, programmes and service delivery. Drawing on the work of NAO, the committee holds government officials to account for the economy, efficiency and effectiveness of public spending.

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 evidence hearings. Departments are responsible for responding to the recommendations made in a report in a published Treasury Minute.

Below we present the committee hearings I attended on behalf of the Department during the reporting year, with links to the government's Treasury Minute responses if finalised:

- Education recovery in schools[43]
  hearing – 9 March 2023
  report published – 7 June 2023
  government response published – 5 August 2023
- The condition of school buildings[44]
  hearings – 13 July 2023 and 11 September 2023
  second report published – 19 November 2023
  government response published – 8 March 2024
- Investigation into student loans issued to those studying at franchised higher education providers[45]
  hearing – 26 February 2024
  report published – unpublished
  government response published – unpublished

42 https://www.nao.org.uk/overviews/department-for-education/
43 https://committees.parliament.uk/work/7229/education-recovery-in-schools/publications/
44 https://committees.parliament.uk/work/7727/the-condition-of-school-buildings/
45 https://committees.parliament.uk/work/8143/investigation-into-student-loans-issued-to-those-studying-at-franchised-higher-education-providers/

- Preparations to extend childcare entitlements for working parents in England[46]
  hearing – 8 May 2024
  report published – no report will be published following the prorogation of Parliament due to the general election being called. The chair of the PAC wrote to the Permanent Secretary in May 2024 with the committee's recommendations following the hearing.
  government response published – the Permanent Secretary responded to the PAC Chair's letter in May 2024

Corporate governance code

The Department has complied with HMT and Cabinet Office's 'Corporate Governance for Central Government Departments: code of good practice'.

During this reporting period, the Department held seven board meetings under the Rt Hon Gillian Keegan MP, ensuring sufficient reporting of the Department's activities.

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 good practice states that a formal evaluation of the Board's performance should take place annually. A board effectiveness evaluation was undertaken during the review period which included independent input. As a result of this evaluation, recommendations included that as a board we should further ensure the effective and proportionate flow of information across the corporate committee landscape, and that forward looks for the Board and its sub-committees are well constructed enabling scope for balanced and proportionate discussion. An assessment of the Board's effectiveness is set out in the report from the Lead Non-executive Board Member.

The Board and its sub-committees consider management information covering a variety of disciplines. This includes financial and workforce data, alongside indicators of progress against the Department's priorities and information on risk. The provision of this data has improved throughout the reporting year with the implementation of a refreshed risk reporting dashboard. This has enabled the Board and its sub-committees to review up to date data prior to and during meetings and further strengthened reporting links between the Department's Group structure and corporate committee environment.

Conclusion

I have considered the evidence provided regarding the production of the Governance Statement, and the independent advice and assurance provided by 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

18 July 2024

46 https://committees.parliament.uk/work/8364/preparations-to-extend-childcare-entitlements-for-working-parents-in-england/

Remuneration and Staff Report

Overview

The Remuneration and Staff Report sets out the Department's remuneration policy for board-level members (including all directors general), reports on how that policy has been implemented, sets out the amounts awarded to board-level members and, where relevant, the link between performance and pension.

Remuneration Report: 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 Cabinet Office. It allows for annual performance-related base pay and non-consolidated performance awards, agreed centrally each year following Senior Salaries Review Body (SSRB) recommendations.

SCS pay is decided by the Senior Civil Service Remuneration Committee, chaired by the Permanent Secretary and comprising members of the Leadership Team. The 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 external Civil Service 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]

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

In line with the Constitutional 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 the government following the receipt of a severance payment, the payment is 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 Cabinet Office's ARA.

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://www.civilservicecommission.org.uk/

Remuneration Report: 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 (ie board members and directors general) of the Department.

Where members joined or left the Board during the year, annualised remuneration is presented in brackets alongside the in-year value. Where ministers changed roles during the year, and subsequently left before the year end, annualised disclosures are based on their final role.

Ministers

2023-24

	Salary	Severance payments	Pension benefits	Total
	£	£	to nearest £1,000	to nearest £1,000
Secretary of State				
Rt Hon Gillian Keegan MP	67,505	–	18,000	86,000
Ministers of State				
Rt Hon Nick Gibb MP to 13 November 2023 annualised value	19,536 (31,680)	7,920	5,000	32,000
Rt Hon Robert Halfon MP to 26 March 2024 annualised value	31,254 (31,680)	7,920	9,000	48,000
Rt Hon Damian Hinds MP from 13 November 2023 annualised value	12,144 (31,680)	–	3,000	15,000
Luke Hall MP from 26 March 2024 annualised value	426 (31,680)	–	–	–
Parliamentary Under Secretaries of State				
Baroness Barran	–	–	–	–
Claire Coutinho MP to 30 August 2023 annualised value	9,323 (22,375)	–	2,000	12,000
David Johnston MP from 31 August 2023 annualised value	13,112 (22,375)	–	3,000	16,000

2022-23

	Salary	Severance payments	Pension benefits	Total
	£	£	to nearest £1,000	to nearest £1,000
Secretaries of State				
Rt Hon Nadhim Zahawi MP				
to 5 July 2022	22,502	–	4,000	27,000
annualised value	(67,505)			
Rt Hon Michelle Donelan MP				
to 7 July 2022	9,048	–	2,000	11,000
annualised value	(67,505)			
Rt Hon James Cleverly MP				
from 7 July 2022 to 6 September 2022	13,562	–	3,000	16,000
annualised value	(67,505)			
Rt Hon Kit Malthouse MP				
from 6 September 2022 to 25 October 2022	4,355	16,876	3,000	24,000
annualised value	(67,505)			
Rt Hon Gillian Keegan MP				
from 25 October 2022	28,976	–	7,000	36,000
annualised value	(67,505)			
Ministers of State				
Robin Walker MP				
to 6 July 2022	8,431	7,920	2,000	18,000
annualised value	(31,680)			
Kelly Tolhurst MP				
from 7 September 2022 to 27 October 2022	2,129	7,920	1,000	11,000
annualised value	(31,680)			
Will Quince MP				
to 7 September 2022	13,707	–	3,000	16,000
annualised value	(31,680)			
Rt Hon Nick Gibb MP				
from 26 October 2022	13,711	–	3,000	17,000
annualised value	(31,680)			
Rt Hon Robert Halfon MP				
from 26 October 2022	13,711	–	3,000	17,000
annualised value	(31,680)			
Parliamentary Under Secretaries of State				
Alex Burghart MP				
to 6 July 2022	5,955	5,593	1,000	13,000
annualised value	(22,375)			
Baroness Barran	–	–	–	–
Andrea Jenkyns MP				
from 8 July 2022 to 27 October 2022	5,581	5,593	2,000	13,000
annualised value	(22,375)			
Brendan Clarke–Smith MP				
from 8 July 2022 to 7 September 2022	5,173	–	1,000	6,000
annualised value	(22,375)			

	Salary	Severance payments	Pension benefits	Total
	£	£	to nearest £1,000	to nearest £1,000
Jonathan Gullis MP				
from 7 September 2022 to 28 October 2022	2,993	5,593	1,000	10,000
annualised value	(22,375)			
Claire Coutinho MP				
from 27 October 2022	9,323	–	2,000	12,000
annualised value	(22,375)			

Salary costs reported for ministers 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. Rt Hon Michelle Donelan MP waived her severance pay on her departure as Secretary of State for Education last year.

Baroness Barran did not receive remuneration for her position for either year presented here.

No benefits-in-kind were paid to ministers during the year (prior year: £nil).

Officials

Where members joined or left their role during the year, annualised remuneration is presented in brackets alongside the in-year cost. Where officials changed roles during the year, and subsequently left before the year end, annualised disclosures are based on their final role.

In a change from previous years, we have extended the scope of the officials' disclosures to include all directors general not just those that are board members. The change reflects the similar roles and responsibilities for all directors general. Since the newly reported individuals were in post throughout the year no annualised values are presented, unless postholders changed in the year. The difference in reported remuneration across the 2 years presented for Julia Kinniburgh is due to the change in reporting scope not any change in salary level other than the normal annual increase. The prior year salary band disclosed was only for her role as Director General, Strategy Group and under last year's scope excluded her time as Director General, Skills Group.

2023-24

	Salary	Bonus payment	Benefits-in-kind	Total
	£000	£000	to nearest £100	£000
Permanent Secretary				
Susan Acland-Hood	170–175	–	–	170–175
Directors General				
Indra Morris				
to 1 June 2023	30–35	–	–	30–35
annualised value	(140–145)			
Graham Archer				
from 31 May 2023 to 1 October 2023	40-45	–	–	40-45
annualised value	(120–125)			
Justin Russell				
from 2 October 2023	70–75	0–5	–	75–80
annualised value	(140–145)			
Caroline Pusey				
to 21 May 2023	10–15	–	–	10–15
annualised value	(85–90)			
Heather McNaughton				
to 21 May 2023	10–15	–	–	10–15
annualised value	(85–90)			
Juliet Chua				
from 22 May 2023	125–130	10–15	–	140–145
annualised value	(135–140)			
Julia Kinniburgh	145–150	5–10	300	155–160
John Edwards	160–165	10–15	13,500	185–190
Tony Foot	130–135	5–10	–	140–145
Jane Cunliffe	140–145	5–10	–	145–150

Accrued pension benefits for board-level members are not included in this table for 2023-24 due to an exceptional delay in the calculation of these figures following the application of the public service pension remedy.[50]

50 https://www.gov.uk/government/collections/how-the-public-service-pension-remedy-affects-your-pension

2022-23

	Salary (Restated)	Bonus payment	Benefits-in-kind	Pension benefits	Total
	£000	£000	to nearest £100	to nearest £1,000	£000
Permanent Secretary					
Susan Acland-Hood	165–170	–	–	(21)	140–145
Directors General					
Indra Morris	140–145	10–15	–	–	155–160
Julia Kinniburgh from 1 April 2022 to 5 December 2022 annualised value	90–95 (140–145)	20–25	–	9	125–130
Graham Archer from 5 December 2022 to 27 March 2023 annualised value	40–45 (120–125)	5–10	–	79	130–135
Tony Foot	105–110	5–10	–	7	120–125
Mike Green to 14 April 2022 annualised value	5–10 (155–160)	0–5	1,100	2	10–15
Iain King from 15 April 2022 to 27 November 2022 annualised value	85–90 (125–130)	–	100	30	115–120
Jane Cunliffe from 28 November 2022 annualised value	45–50 (130–135)	0–5	–	45	95–100

Last year, Susan Acland-Hood's salary was reported in the range of £160,000 to £165,000, which reflected the payments made in that year. However, this year we have revised these figures due to a pay increase which was approved by the government for all permanent secretaries in 2022-23 but which had not been implemented by the Department in error. The revised salary band for 2022-23 is £165,000 to £170,000. Despite this adjustment, her overall remuneration reporting band has not changed.

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 these accounts. In respect of ministers in the House of Commons, departments bear only the cost of the additional ministerial remuneration; the salary for their services as an MP £86,584 (from 1 April 2023) 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.

Benefits-in-kind

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

Both directors general who received benefits-in-kind did so to cover the cost of multi-site working, as permitted by the Civil Service Management Code. No non-executive board members received benefits-in-kind in the year (prior year: 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 as payable in the current year relate to performance in the current financial year and the same applies for the comparative bonuses reported for the prior financial year.

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. We follow the performance management arrangements for the SCS, and the Department's performance management framework for managing and rewarding performance throughout the year.

Pensions

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.

The pension benefits of any members affected by the public service pensions remedy which were reported in 2022-23 on the basis of alpha membership for the period between 1 April 2015 and 31 March 2022 are reported in 2023-24 on the basis of PCSPS membership for the same period.

Pay multiples

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the lower quartile, median and upper quartile remuneration of the organisation's workforce. The disclosures here cover staff at the Department and its Agencies.

The banded remuneration of the highest-paid director in the Department in the financial year was £185,000-£190,000 (prior year: £170,000-£175,000). This was 4.3 (prior year: 4.0 times) the median remuneration of the workforce, which was £43,825 (prior year: £42,705).

In the current year, no employees (prior year: nil) received remuneration in excess of the highest-paid director. Remuneration ranged from £23,000-£190,000 (prior year: £19,000-£175,000).

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.

The backdated pay award for the Permanent Secretary made no difference to the prior year's pay multiples disclosures.

	2023-24		2022-23	
	Salary and allowances	Total pay and benefits	Salary and allowances	Total pay and benefits
	£	£	£	£
Band of highest paid director (£000)	160-165	185-190	140-145	170-175
Range (£000)	23-165	23-190	18-145	19-175
Upper quartile	54,971	55,764	55,022	55,767
Median	43,325	43,825	41,435	42,705
Lower quartile	35,914	35,921	33,952	34,776
	Ratio	**Ratio**	**Ratio**	**Ratio**
Upper quartile	3.0:1	3.4:1	2.6:1	3.1:1
Median	3.8:1	4.3:1	3.4:1	4.0:1
Lower quartile	4.5:1	5.2:1	4.2:1	5.0:1

Percentage change in the total salary and bonuses of the highest paid board member and the staff average

	2023-24		2022-23	
	Highest paid director	Staff average	Highest paid director	Staff average
	% change	% change	% change	% change
Salary and allowances	14.0%	4.6%	(9.5%)	4.0%
Bonuses	(28.6%)	(64.0%)	100.0%	16.0%

The change in remuneration profile also affected the salary and allowances quartile ratios disclosed. The total remuneration ratios are stable across both years since the total remuneration is comparable, whereas the change in salary has produced larger movement in the quartile ratios.

Non-executive fees

	2023-24	2022-23
	£	£
Richard Pennycook	20,000	20,000
Toby Peyton-Jones	15,000	15,000
Stuart McMinnies		
from 31 May 2022	15,000	14,250
annualised value		(15,000)
Sir Peter Bazalgette		
from 31 May 2022	15,000	11,250
annualised value		(15,000)
Jack Boyer		
from 31 May 2022	15,000	11,250
annualised value		(15,000)
Suzy Levy		
from 31 May 2022 to 13 April 2023	1,846	11,250
annualised value	(15,000)	(15,000)
Ian Ferguson		
to 16 June 2022	–	–
annualised value		(–)
Nick Timothy		
to 16 June 2022	–	3,750
annualised value		(15,000)

Where non-executive members joined or left the board during the year, annualised remuneration is presented in brackets.

Pension benefits

Ministers

	Accrued pension at age 65 as at 31 March 2024	Real increase in pension at age 65	CETV at 31 March 2024	CETV at 31 March 2023 (Restated)	Real increase in CETV
	£000	£000	£000	£000	£000
Secretary of State					
Rt Hon Gillian Keegan MP	0-5	0-2.5	54	31	14
Ministers of State					
Rt Hon Nick Gibb MP	5-10	0-2.5	174	159	4
Rt Hon Robert Halfon MP	0-5	0-2.5	24	13	6
Rt Hon Damian Hinds MP	5-10	0-2.5	100	–	2
Luke Hall MP	0-5	–	13	–	–
Parliamentary Under Secretaries of State					
Baroness Barran	–	–	–	–	–
Claire Coutinho MP	0-5	0-2.5	5	2	1
David Johnston MP	0-5	0-2.5	3	–	2

The 2024 cash equivalent transfer value (CETV) values presented above are as at the date ministers left the Department or year end. The 2023 CETV balances presented have been restated following a change in methodology used by the actuaries to calculate pension benefits.

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.[51]

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 ARA).

Benefits for ministers are payable from state pension age under the 2015 scheme. Pensions are revalued 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 balances shown for pension value includes the total pension payable to the member under both the pre- and post-2015 ministerial pension schemes.

Cash equivalent transfer value (CETV)

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

Real increase in the value of the CETV

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

Officials

Accrued pension benefits for directors are not included for 2023-24 due an exceptional delay in the calculation of these figures following the application of the public service pension remedy.[58]

51 https://www.mypcpfpension.co.uk/

Civil Service pensions

Any members affected by the public service pensions remedy[50] were reported in the 2015 scheme for the period between 1 April 2015 and 31 March 2022 in 2022-23, but are reported in the legacy scheme for the same period in 2023-24.

Pension benefits are provided through the civil service pension arrangements.[52] Before 1 April 2015, the only scheme was the Principal Civil Service Pension Scheme (PCSPS), which is divided into a few different sections – classic, premium, and classic plus provide benefits on a final salary basis, whilst nuvos provides benefits on a career average basis. 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. All newly appointed civil servants, and the majority of those already in service, joined the new scheme.

The PCSPS and alpha are unfunded statutory schemes. Employees and employers make contributions (employee contributions range between 4.6% and 8.05%, depending on salary). The balance of the cost of benefits in payment is met by monies voted by Parliament each year. Pensions in payment are increased annually in line with the pensions increase legislation. Instead of the defined benefit arrangements, employees may opt for a defined contribution pension with an employer contribution, the partnership pension account.

In alpha, pension builds up at a rate of 2.32% of pensionable earnings each year, and the total amount accrued is adjusted annually in line with a rate set by HMT. Members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004. All members who switched to alpha from the PCSPS had 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 accrued pensions shown in this report are the pension the member is entitled to receive when they reach normal pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over normal pension age. Normal 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 in this report show pension earned in PCSPS or alpha – as appropriate. Where a member has benefits in both the PCSPS and alpha, the figures show the combined value of their benefits in the two schemes but note that the constituent parts of that pension may be payable from different ages.

When the government introduced new public service pension schemes in 2015, there were transitional arrangements which treated existing scheme members differently based on their age. Older members of the PCSPS remained in that scheme, rather than moving to alpha. In 2018, the Court of Appeal found that the transitional arrangements in the public service pension schemes unlawfully discriminated against younger members.

52 http://www.civilservicepensionscheme.org.uk/

As a result, steps are being taken to remedy those 2015 reforms, making the pension scheme provisions fair to all members. The public service pensions remedy is made up of two parts. The first part closed the PCSPS on 31 March 2022, with all active members becoming members of alpha from 1 April 2022. The second part removes the age discrimination for the remedy period, between 1 April 2015 and 31 March 2022, by moving the membership of eligible members during this period back into the PCSPS on 1 October 2023. This is known as “rollback”.

For members who are in scope of the public service pension remedy, the calculation of their benefits for the purpose of calculating their CETV and their single total figure of remuneration, as of 31 March 2023 and 31 March 2024, reflects the fact that membership between 1 April 2015 and 31 March 2022 has been rolled back into the PCSPS. Although members will in due course get an option to decide whether that period should count towards PCSPS or alpha benefits, the figures show the rolled back position ie PCSPS benefits for that period.

The partnership pension account is an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). 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).

Payments to past directors

No payments have been made to former directors of the Department in the current financial year (prior year: £nil).

Staff Report: part A (audited)

Staff costs

				2023-24	2022-23
	Permanently employed staff	Other	Ministers	Total	Total
	£000	£000	£000	£000	£000
Wages and salaries	585,878	32,882	151	618,911	602,135
Social security costs	68,520	–	16	68,536	64,452
Pension costs	136,637	–	17	136,654	129,588
Sub-total	**791,035**	**32,882**	**184**	**824,101**	**796,175**
Less:					
recoveries in respect of outward secondments	(633)	–	–	(633)	(1,296)
capitalised staff costs	(30,158)	–	–	(30,158)	(32,547)
Total	**760,244**	**32,882**	**184**	**793,310**	**762,332**
Of which:					
Department	429,445	28,017	184	457,646	463,944
Agencies	58,551	577	–	59,128	60,091
NDPBs	272,248	4,288	–	276,536	238,297
Total	**760,244**	**32,882**	**184**	**793,310**	**762,332**

Department and Agencies staff costs disclosed above include costs of staff involved in asset creation (operational, education sector or intangibles) 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.

Average number of persons employed

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

				2023-24	2022-23
	Permanently employed staff	Other	Ministers	Total	Total
	Number	Number	Number	Number	Number
Department	6,713	273	5	6,991	6,847
Agencies	923	12	–	935	1,341
NDPBs	5,395	62	–	5,457	4,976
Total	**13,031**	**347**	**5**	**13,383**	**13,164**

As well as the staff disclosed above, the Department had four special advisors (prior year: 3). Since special adviser staff costs are borne by Cabinet Office, their costs are not included in the staff costs table, their staff numbers are removed from the table above to be consistent.

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

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. A full actuarial valuation was carried out as at 31 March 2020. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation.[53]

For this financial year, Department and Agencies employers' contributions of £99.5 million (prior year: £97.9 million) were payable to the PCSPS and CSOPS at 1 of 4 rates in the range 26.6% to 30.3% of pensionable earnings, based on salary bands. It is estimated that employer contributions for the next financial year will be £106.9 million (current year: £92.1 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 the financial year 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 this financial year, Department and Agencies employers' contributions of £559,000 (prior year: £581,000) 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, Department and Agencies employer contributions of £19,000 (prior year: £23,000), 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 £70,000 (prior year: £70,000). Contributions prepaid at that date were £nil (prior year: £nil).

53 https://www.civilservicepensionscheme.org.uk/knowledge-centre/resources/resource-accounts/

Reporting of Civil Service and other compensation schemes

Numbers and costs are based on estimated values 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.

2023-24

			Department & Agencies			Group
	Compulsory redundancy	Other agreed exits	Total exit packages	Compulsory redundancy	Other agreed exits	Total exit packages
	Number	Number	Number	Number	Number	Number
<£10,000	–	–	–	–	6	6
£10,001-£25,000	–	4	4	–	10	10
£25,001-£50,000	–	10	10	–	12	12
£50,001-£100,000	–	(2)	(2)	–	–	–
£100,001-£150,000	–	1	1	–	2	2
Total number of exit packages	**–**	**13**	**13**	**–**	**30**	**30**
Total costs (£000)	**–**	**711**	**711**	**–**	**1,265**	**1,265**

During the current year, an additional 11 people have left the Department and Agencies under the voluntary exit scheme that closed in the early part of the year. These individuals agreed their exit package terms after March 2023 thereby falling into scope for this year's disclosures. Due to some adjustments in the final calculations of the total compensation value, for a small number of individuals the final costs changed thereby falling into a different reporting band. This adjustment has caused the negative values above, no significant change in costs occurred.

2022-23

			Department & Agencies			Group
	Compulsory redundancy	Other agreed exits	Total exit packages	Compulsory redundancy	Other agreed exits	Total exit packages
	Number	Number	Number	Number	Number	Number
<£10,000	2	13	15	7	13	20
£10,001-£25,000	–	53	53	6	55	61
£25,001-£50,000	–	80	80	6	82	88
£50,001-£100,000	–	210	210	3	212	215
Total number of exit packages	**2**	**356**	**358**	**22**	**362**	**384**
Total costs (£000)	**8**	**19,659**	**19,667**	**566**	**19,813**	**20,379**

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 or, 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 people (prior year: 5 people) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £7,000 (prior year: £35,000).

In the prior year the Department and its Agencies ran a voluntary exit scheme. Under the applicable accounting standard, the costs for this were recognised last year as the departures were agreed in March 2023, with the staff exiting the organisation by 31 May 2023.

Staff Report: part B (unaudited)

Staff by grade and gender

The following tables cover permanent staff as at 31 March 2024, based on headcount. The disclosures have been calculated using data received from the Department, Agencies and NDPBs. For non-civil servants employed in NDPBs local grades have been mapped to Civil Service staff grades.

2023-24

		Department & Agencies		Group
	Male	Female	Male	Female
	Number	Number	Number	Number
Permanent Secretary	–	1	–	1
Director General	3	3	5	3
Director	16	32	32	47
Deputy Director	88	114	151	160
Non-SCS	3,139	4,865	5,479	7,705
Total	**3,246**	**5,015**	**5,667**	**7,916**

2022-23

		Department & Agencies		Group
	Male	Female	Male	Female
	Number	Number	Number	Number
Permanent Secretary	–	1	–	1
Director General	3	3	6	3
Director	16	33	26	46
Deputy Director	94	119	146	156
Non-SCS	3,144	4,733	5,274	7,378
Total	**3,257**	**4,889**	**5,452**	**7,584**

Number of senior civil servants by salary band

Table 19 presents the number of senior civil servants by salary bands for the Department and Agencies consolidation level as at the year end. Salary ranges represent basic salary and allowances but exclude bonuses.

Table 19: Senior civil servants by pay band

Salary range	2024	2023
	Number	Number
<£60,000	20	–
£60,001 – £65,000	6	1
£65,001 – £70,000	7	–
£70,001 – £75,000	23	56
£75,001 – £80,000	43	113
£80,001 – £85,000	75	16
£85,001 – £90,000	15	7
£90,001 – £95,000	4	20
£95,001 – £100,000	16	22
£100,001 – £105,000	19	12
£105,001 – £110,000	12	3
£110,001 – £115,000	1	–
£115,001 – £120,000	2	5
£120,001 – £125,000	3	3
£125,001 – £130,000	–	2
£130,001 – £135,000	2	2
£135,001 – £140,000	2	–
£140,001 – £145,000	2	5
£145,001 – £150,000	3	1
£150,001 – £155,000	1	–
£155,001 – £160,000	–	–
£160,001 – £165,000	–	1
£165,001 – £170,000	–	–
£170,001 – £175,000	1	–
Total	**257**	**269**

Workforce information

The following figures present workforce information across the Group and Department and Agencies consolidation levels as indicated. The data has been compiled from year end head count values not FTE, so will differ from the average FTE values disclosed in part A.

Figure 60: Gender across the Group

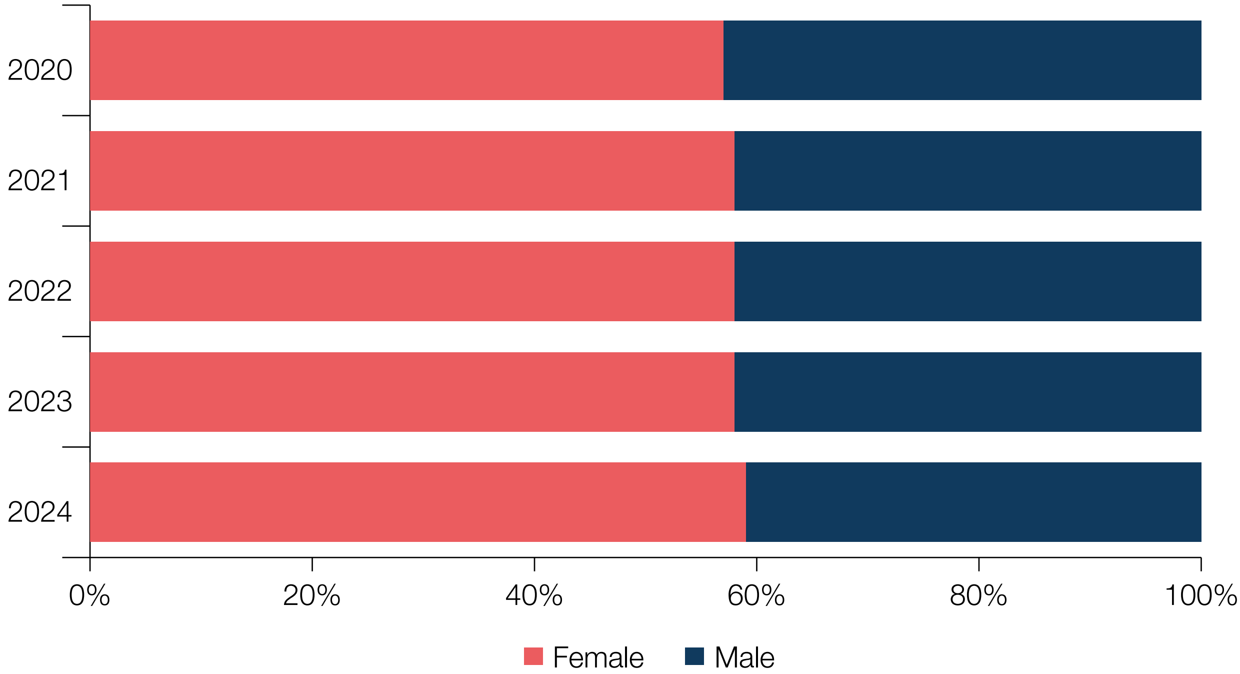
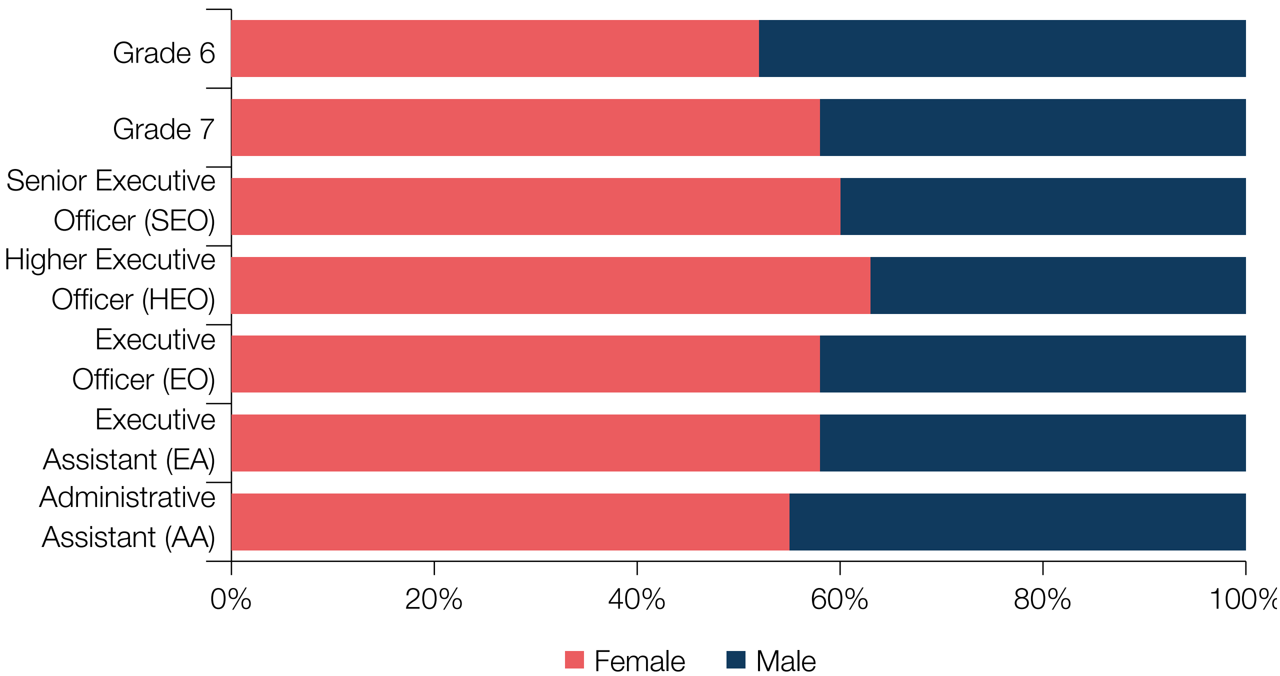


Figure 61: Group non-SCS staff by gender



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. The following figures present the last five years' performance, all values refer to Department and Agencies SCS staff only.

Figure 62: SCS gender

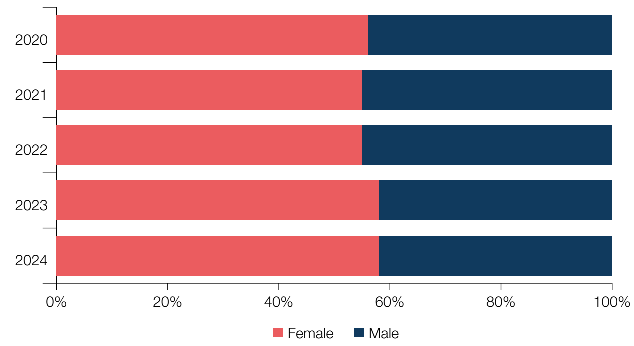


Figure 63: SCS ethnicity

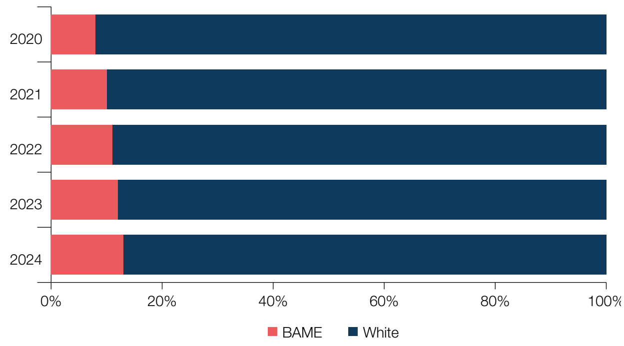


Figure 64: SCS disability

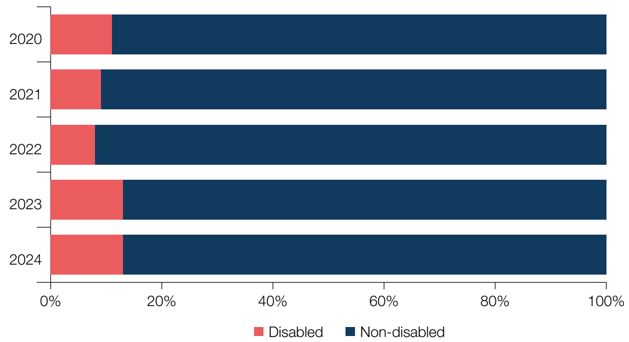
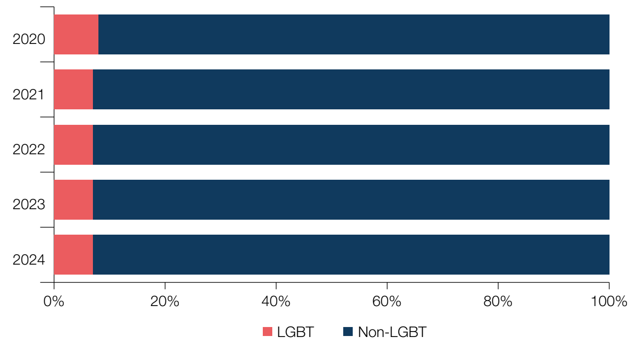


Figure 65: SCS sexual orientation



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 with appointment to roles being fair, open and on merit. 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 Civil Service-wide success profiles framework, the Department provides recruitment training and full access to guidance to anyone running a recruitment campaign. The Department has improved its internal recruitment services offer to ensure a more responsive flexible resource model and has invested in additional tools and insights to support external targeted attraction.

Sickness absence

Table 20 shows the average number of working days lost through sickness absence across the Department and Agencies.

Table 20: Sickness absence for the last five years

	2023-24	2022-23	2021-22	2020-21	2019-20
Days per FTE	5.3	5.4	5.6	4.7	3.9

The figure above compares well with figures across the Civil Service, which were 8.1 average working days lost per full time equivalent in the year ending 31 March 2023,[54] which is the most recently published information.

Staff turnover

Table 21 presents 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.

Table 21: Staff turnover for the last five years

	2023-24	2022-23	2021-22	2020-21	2019-20
Civil Service turnover	8%	5%	5%	5%	6%
Departmental turnover	13%	11%	11%	8%	9%

Departmental turnover is defined as those leaving for another government department as well as those leaving the civil service altogether. Most employees leave to transfer to another government department, which causes the gap in the disclosed balances.

Both the Civil Service and Departmental turnover have increased since the prior year. The Department ran a voluntary exit scheme which resulted in around 350 individuals leaving the Department by 31 May 2023, which contributed to an increase in the overall volume of leavers across the year.

Commitment to improving diversity

The Department's Diversity and Inclusion Strategy 2022-26, launched in June 2022 with a vision to create an inclusive department, which nurtures talent and reflects the diversity of our Department, mirroring the country we serve. We are proud of the progress we are continuing to make in our diversity and inclusion agenda.

We have continued to make steady progress on diversity in the Department. We have seen increases in our workforce representation, to 20.2% for those from a minority ethnic background, 14.5% for disability and 8.3% for LGBO, as at the last day of Q3 2023-24. Our 2023-24 action plan articulated our commitment to SCS diversity targets for staff from an

54 https://www.gov.uk/government/publications/civil-service-sickness-absence-2023/civil-service-sickness-absence-2023-report

ethnic minority (13%) and those with a disability (12%). In March 2024 we achieved both targets and we will continue to monitor our overall diversity profile to monitor and ensure equitable distribution across all grades.

We continue to be transparent with diversity data, publishing a quarterly diversity and inclusivity data dashboard to the Department, using data to support decision making and accountability. Alongside other characteristics, this dashboard includes data to support us to measure socio-economic background to progress work on social mobility.

Our central aim in building our internal diversity is based around continuing open and honest conversations across diverse characteristics which continues to be critical to driving positive change. Senior leaders and managers facilitate and champion holding powerful conversations about inclusion and make sure all of our staff feel accepted, valued, respected and supported.

As part of the commitment to be an inclusive department, this year the Department was included in the top 75 UK employers as announced by the Social Mobility Employer Index. By accessing and progressing talent from all backgrounds, the Department will benefit from better decision-making, higher productivity and engagement, and more innovative thinking. A focus on social mobility will help the Department's wider diversity and inclusion goals – engaging with more people across the organisation.

Staff policies for disabled persons

The Department has a range of policies in place to support people with a disability.

Prior to joining and during any recruitment processes

The Department's recruitment policies guarantee an interview to any candidate applying under the disability confident scheme who demonstrates that they meet the minimum standard required for the role. This applies even if the pass mark is raised in response to a large volume of applications.

In the recruitment process, if a person with disabilities is put at a substantial disadvantage compared to a non-disabled person, we make reasonable adjustments to our processes. In the application process the candidate can complete the 'assistance required' section of their application form to tell us what changes or help they might require. We now also add a 'reasonable adjustment guide' to our vacancies to provide candidates with more information on the support we can provide.

HR policies

The Department's attendance management policy provides managers with the discretion to adjust trigger points for formal action to allow for higher levels of absence due to a disability or long-term health condition on a case-by-case basis.

We also offer disability leave, which enables employees with a disability to take reasonable time off work to attend occupational rehabilitation, assessments, treatment or while they are waiting for a reasonable adjustment to be put in place.

The Department's performance management policy covers all employees. This involves employees and their managers discussing and agreeing objectives and development needs at the start of the reporting year and holding monthly 'check-ins' to:

- review performance against agreed objectives
- recognise achievements
- discuss learning and development needs
- hold wellbeing and career conversations

The workplace adjustments policy provides guidance to employees and managers on having open conversations about disabilities and health conditions (including non-visible conditions such as neurodivergence and mental ill-health) to help find the right solution to support an individual to perform their role. The policy also covers workplace adjustments and how these can be arranged. Online learning on workplace adjustments is also available.

Development and talent approaches

The Department ringfences a proportion of the available places on the Beyond Boundaries cross-government development programme specifically for disabled employees. All learning is quality assured to ensure accessibility.

In addition, the Department offers the Power of Choice programme, which aims to support and accelerate the development and capability of high potential Grade 6 and Grade 7s who identify as having a disability (hidden or visible) or are neurodivergent.

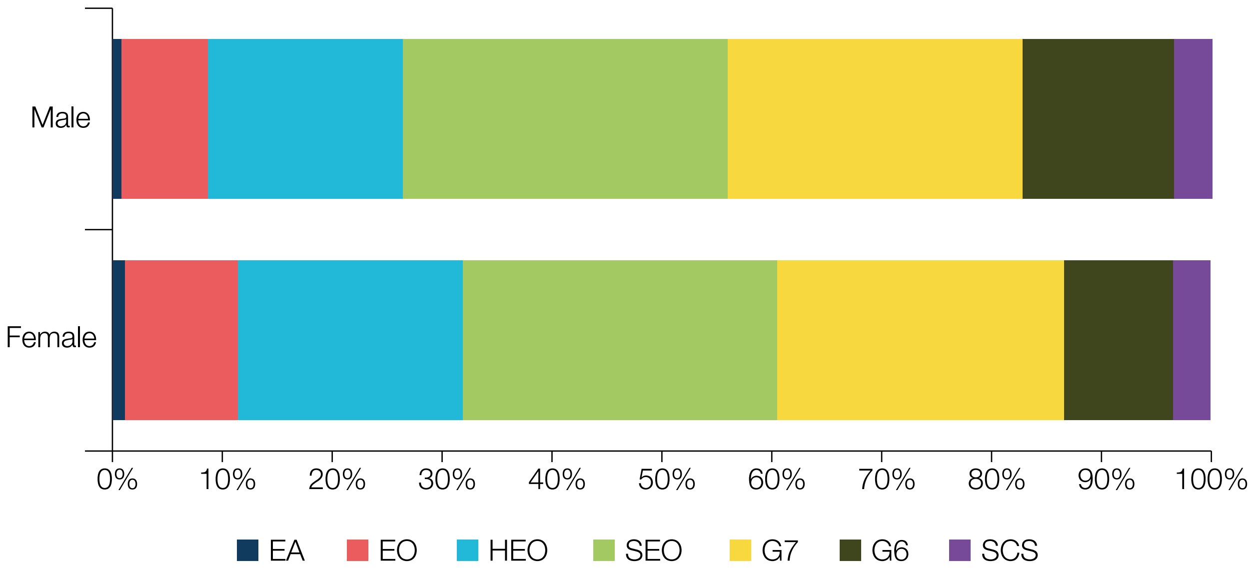
Disability Empowers Leadership Talent is an optional additional programme offered as part of the Future Leaders Scheme. This aims to support the development of, and maximise opportunities for, participants; and aims to address their personal development needs and potential barriers specific to disability.

Applicants with a long-term health condition or disability are eligible for a guaranteed interview during Future Leaders Scheme and Senior Leaders Scheme selection, and interviewers are not aware of this status when conducting interviews.

Gender pay gap reporting

We now have the third lowest gender pay gap across Whitehall. The Department's median gender pay gap at March 2023 was 4.1% (2022: 4.9%) the latest date of available data. Our analysis has identified that over-representation of females in more junior grades is likely to be a significant contributor to the remaining pay gap. The 2023 Department and Agencies position shows that whilst both the median male and female salary continue to be within the SEO pay band, the higher proportion of women in EA to HEO grades means the overall female median is closer to the middle of the SEO distribution for females while the median male's pay is closer to the top end of the SEO distribution for males. The value for March 2024 is not available at the time of publication and will be included in next year's ARA.

Figure 66: March 2023 grade breakdown by gender (Department and Agencies)



Engagement with employees

The Department conducts an annual People Survey across the Department and its Agencies, with the results published each December.

Table 22: The response rates and engagement indices for the past five years

	2023-24	2022-23	2021-22	2020-21	2019-20
Response rate	85%	88%	90%	91%	91%
Engagement index	63%	61%	69%	69%	69%

The response rate shows the proportion of staff who participated in the People Survey. Over the past five years, participation has remained high, with the most recent rate at 85%.

The employee engagement index is a measure derived from five specific survey questions, showing the average level of staff engagement across the Department and its Agencies. Currently, 63% of employees are engaged with the organisation's goals and values and are motivated to contribute to organisational success.

The information from the survey is used to support the development of HR strategies and to continually improve our levels of employee engagement.

This year, the survey information is being used to support the development of a new People Strategic Plan that will replace the expiring Strategic Workforce Plan. The People Strategic Plan will address the workforce challenges we face, and opportunities we must take, both now and in the future.

The plan's aim is to balance individual employee experience and the organisational need that ensures we have inclusivity, a sense of belonging, and deliver brilliantly for children and learners. Our vision is to create a high performing and skilled workforce that is supported by inspiring leadership and line management.

The People Strategic Plan will also incorporate the latest ambitions of the recently published Civil Service People Plan 2024-27.

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 Cabinet Office's 2010 controls on consultancy and other spending.[55] 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 a senior civil servant. Consultancy engagements below £10,000 are cleared by the relevant function and directorate's deputy director with budget or delivery responsibility. Engagements between £10,000 and £20,000 are scrutinised and reviewed centrally by Finance, Commercial and cleared by the deputy director with budget or 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.

Table 23: The Group's consultancy expenditure for the last five years

	2023-24	2022-23	2021-22	2020-21	2019-20
	£m	£m	£m	£m	£m
Department	5.3	5.0	6.6	7.2	12.7
Agencies	1.6	0.4	0.6	0.7	–
NDPBs	3.2	1.2	0.5	0.8	–
Total	**10.1**	**6.6**	**7.7**	**8.7**	**12.7**

55 https://www.gov.uk/government/collections/cabinet-office-controls

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. In recent years, where possible, these vacancies have been covered using existing employees, reducing the Group's expenditure on consultancy. 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.

Table 24: The Group's contingent labour expenditure for the last five years

	2023-24	2022-23	2021-22	2020-21	2019-20
	£m	£m	£m	£m	£m
Department	17.4	21.5	26.3	20.9	8.1
Agencies	0.6	–	0.4	0.7	0.6
NDPBs	4.2	–	4.5	10.9	22.1
Total	**22.2**	**21.5**	**31.2**	**32.5**	**30.8**

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 this financial year.

The tables on the following pages set out this information.

Table 25: Highly paid off-payroll worker engagements as at 31 March 2024, earning £245 per day or greater

	Department	Agencies	NDPBs	Group
Number of existing engagements as at 31 March 2024	124	6	27	157
of which the number that have existed for:				
less than one year at time of reporting	76	2	22	100
between one and two years at time of reporting	33	3	4	40
between two and three years at time of reporting	14	–	–	14
between three and four years at time of reporting	1	–	–	1
four or more years at time of reporting	–	1	1	2

Table 26: All highly paid off-payroll workers engaged at any point during the year ended 31 March 2024, earning £245 per day or greater

	Department	Agencies	NDPBs	Group
Number of temporary off-payroll workers engaged during the year ended 31 March 2024	178	5	51	234
of which:				
not subject to off-payroll legislation	–	–	39	39
subject to off-payroll legislation and determined as in-scope of IR35	165	4	7	176
subject to off-payroll legislation and determined as out-of-scope of IR35	13	1	5	19
Number of engagements reassessed for compliance or assurance purposes during the year	3	–	–	3
of which: number of engagements that saw a change to IR35 status following review	–	–	–	–

Table 27: For any off-payroll engagements of board members, and/or senior officials with significant financial responsibility, between 1 April 2023 and 31 March 2024

	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	25	21	127	173

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.

Table 28: Relevant union officials – Department and Agencies

	2023-24	2022-23	2021-22	2020-21	2019-20
Number of employees	35	31	24	22	23
Full-time equivalent employee numbers	7,969	7,862	8,169	7,511	6,924

The full-time equivalent employee numbers are those as at 31 March 2024 for the Department and Agencies. These numbers are different to those disclosed in the Staff Report: part A for the Department and Agencies within the average number of persons employed table, 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.

Table 29: Percentage of time spent on facility time – Department and Agencies

	2023-24	2022-23	2021-22	2020-21	2019-20
% of time	Number of employees	Number of employees	Number of employees	Number of employees	Number of employees
0%	3	4	7	9	3
1-50%	32	27	17	13	20
51-99%	–	–	–	–	–
100%	–	–	–	–	–

Table 30: Percentage of pay bill spent on facility time – Department and Agencies

Item	2023-24	2022-23	2021-22	2020-21	2019-20
Total cost of facility time	£61,653	£43,219	£41,347	£44,273	£37,746
Total pay bill (£m)	£546	£501	£483	£446	£406
% of the total pay bill against facility time	0.011%	0.009%	0.01%	0.01%	0.009%

The Department and Agencies pay bill disclosed is larger than that disclosed earlier in the staff report because this balance 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 nil (prior year: nil).

Parliamentary Accountability and Audit Report

Overview

In addition to the primary statements prepared under IFRS, the government Financial Reporting Manual (FReM) requires departments 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 Estimates. 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 Estimates 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 Estimates, 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, International Financial Reporting Standards. An understanding of the budgeting framework and an explanation of key terms is provided in the Financial Review of the Year 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, available on GOV.UK.

The SOPS provides a detailed view of financial performance, in a form that is voted on and recognised by Parliament. The Financial Review of the Year provides a summarised discussion of outturn against Estimates and functions as an introduction to the SOPS disclosures.

Statement of Outturn against Parliamentary Supply (audited)

For the year ended 31 March 2024

Summary table, 2023-24

Type of spend	Note	Outturn			Estimate			Outturn vs Estimate, saving/(excess)		Prior year Outturn total 2022-23
		Voted	Non-voted	Total	Voted	Non-voted	Total	Voted	Total	
		£000	£000	£000	£000	£000	£000	£000	£000	£000
Departmental Expenditure Limit										
Resource	S1.1	87,627,139	–	87,627,139	104,613,587	–	104,613,587	16,986,448	16,986,448	67,154,660
Capital	S1.2	6,636,478	–	6,636,478	6,780,320	–	6,780,320	143,842	143,842	5,947,970
Total		**94,263,617**	**–**	**94,263,617**	**111,393,907**	**–**	**111,393,907**	**17,130,290**	**17,130,290**	**73,102,630**
Annually Managed Expenditure										
Resource	S1.1	(3,327,057)	–	(3,327,057)	(2,054,270)	–	(2,054,270)	1,272,787	1,272,787	(14,313,827)
Capital	S1.2	30,912,958	–	30,912,958	34,381,706	–	34,381,706	3,468,748	3,468,748	24,827,708
Total		**27,585,901**	**–**	**27,585,901**	**32,327,436**	**–**	**32,327,436**	**4,741,535**	**4,741,535**	**10,513,881**
Total Budget										
Resource	S1.1	84,300,082	–	84,300,082	102,559,317	–	102,559,317	18,259,235	18,259,235	52,840,833
Capital	S1.2	37,549,436	–	37,549,436	41,162,026	–	41,162,026	3,612,590	3,612,590	30,775,678
Total Budget Expenditure		**121,849,518**	**–**	**121,849,518**	**143,721,343**	**–**	**143,721,343**	**21,871,825**	**21,871,825**	**83,616,511**

Figures in the areas outlined in thick lines cover the voted control limits voted by Parliament. Refer to the Supply Estimates Guidance Manual[56] for detail on the control limits voted by Parliament.

56 https://www.gov.uk/government/publications/supply-estimates-guidance-manual

Net cash requirement 2023-24

Item	Note	Outturn	Estimate	Outturn vs Estimate, saving/ (excess)	Prior year Outturn total 2022-23
		£000	£000	£000	£000
Net cash requirement	S3	103,637,145	109,105,210	5,468,065	98,778,006

Administration costs 2023-24

Type of spend	Note	Outturn	Estimate	Outturn vs Estimate, saving/ (excess)	Prior year Outturn total 2022-23
		£000	£000	£000	£000
Administrative costs	S1.1	529,617	562,666	33,049	546,417

Although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

Explanation of variances between Estimates and outturn are given in the commentary on significant variances between Estimates and outturn in the Financial Review of the Year.

The notes on pages 198 to 206 form part of this Statement of Outturn against Parliamentary Supply.

Notes to the Statement of Outturn against Parliamentary Supply

S1. Outturn detail, by Estimate line

S1.1 Analysis of resource outturn by Estimate line

Type of spend (Resource)	Resource Outturn							Estimate			Outturn vs Estimate, saving/ (excess)	Prior year Outturn total, 2022-23
	Administration			Programme								
	Gross	Income	Net	Gross	Income	Net	Total	Total	Virements	Total inc. virements		
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Spending in Departmental Expenditure Limit												
Voted expenditure												
A Activities to Support all Functions	424,538	(17,579)	406,959	205,717	(102,732)	102,985	509,944	513,543	26,068	539,611	29,667	579,249
B Other School Funding (Department)	–	–	–	961,985	(60,301)	901,684	901,684	996,724	(94,739)	901,985	301	1,690,048
C Other School Funding (ALB) (net)	5,699	–	5,699	1,866	–	1,866	7,565	8,078	–	8,078	513	2,908
D Families and Children Services (Department)	–	–	–	746,842	–	746,842	746,842	819,708	(72,261)	747,447	605	392,281
E Families and Children Services (ALB) (net)	3,886	–	3,886	14,899	–	14,899	18,785	16,163	2,665	18,828	43	16,402
F Standards and Testing Agency	3,332	30	3,362	44,155	–	44,155	47,517	49,720	231	49,951	2,434	44,409
G Teaching Regulation Agency	249	–	249	13,781	–	13,781	14,030	14,323	21	14,344	314	10,391

Type of spend (Resource)	Resource Outturn: Administration Gross	Income	Net	Programme Gross	Income	Net	Total	Estimate Total	Virements	Total inc. virements	Outturn vs Estimate, saving/ (excess)	Prior year Outturn total, 2022-23
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
H Education and Skills Funding Agency	48,606	(19)	48,587	40,904	(356)	40,548	89,135	99,774	–	99,774	10,639	2,577,660
I Apprenticeships	–	–	–	2,512,281	–	2,512,281	2,512,281	2,529,544	–	2,529,544	17,263	–
J Grants to Local Authority Schools	–	–	–	35,600,452	(731)	35,599,721	35,599,721	35,233,561	366,891	35,600,452	731	33,359,053
K Grants to Academies	–	–	–	32,663,366	(976)	32,662,390	32,662,390	32,865,922	(202,556)	32,663,366	976	29,580,834
L Higher Education	–	–	–	6,746,874	(37,070)	6,709,804	6,709,804	23,513,573	(3,474)	23,510,099	16,800,295	(8,666,096)
M Further Education	–	–	–	6,073,785	(6,732)	6,067,053	6,067,053	6,213,535	(26,320)	6,187,215	120,162	5,885,813
N Higher Education (ALB) (net)	49,802	–	49,802	1,661,816	–	1,661,816	1,711,618	1,708,600	3,474	1,712,074	456	1,653,960
O Further Education (ALB) (net)	11,073	–	11,073	17,697	–	17,697	28,770	30,819	–	30,819	2,049	27,748
Total spending in DEL	**547,185**	**(17,568)**	**529,617**	**87,306,420**	**(208,898)**	**87,097,522**	**87,627,139**	**104,613,587**	**–**	**104,613,587**	**16,986,448**	**67,154,660**
Spending in Annually Managed Expenditure												
Voted expenditure												
P Activities to Support all Functions	–	–	–	1,809	–	1,809	1,809	21,744	(283)	21,461	19,652	34,550
Activities to Support all Functions (ALB)	–	–	–	283	–	283	283	–	283	283	–	250
Q Executive Agencies	–	–	–	(7,000)	–	(7,000)	(7,000)	300	–	300	7,300	14,040

Type of spend (Resource)	Resource Outturn							Estimate			Outturn vs Estimate, saving/ (excess)	Prior year Outturn total, 2022-23
	Administration			Programme								
	Gross	Income	Net	Gross	Income	Net	Total	Total	Virements	Total inc. virements		
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
R Higher Education	–	–	–	11,698,443	(15,018,576)	(3,320,133)	(3,320,133)	(2,101,113)	(856)	(2,101,969)	1,218,164	(14,276,330)
S Further Education	–	–	–	99,300	(119,036)	(19,736)	(19,736)	8,884	(949)	7,935	27,671	(78,347)
T Higher Education (ALB) (net)	–	–	–	1,016	–	1,016	1,016	160	856	1,016	–	1,368
U Further Education (ALB) (net)	–	–	–	16,704	–	16,704	16,704	15,755	949	16,704	–	(9,358)
Total spending in AME	**–**	**–**	**–**	**11,810,555**	**(15,137,612)**	**(3,327,057)**	**(3,327,057)**	**(2,054,270)**	**–**	**(2,054,270)**	**1,272,787**	**(14,313,827)**
Total spending in Budget	**547,185**	**(17,568)**	**529,617**	**99,116,975**	**(15,346,510)**	**83,770,465**	**84,300,082**	**102,559,317**	**–**	**102,559,317**	**18,259,235**	**52,840,833**

S1.2 Analysis of capital outturn by Estimate line

Type of spend (Capital)	Outturn			Estimate			Outturn vs Estimate, saving/ (excess)	Prior year Outturn total, 2022-23
	Gross	Income	Net total	Total	Virements	Total inc. virements		
	£000	£000	£000	£000	£000	£000	£000	£000
Spending in Departmental Expenditure Limit								
Voted expenditure								
A Activities to Support all Functions	156,211	11,572	167,783	132,669	35,114	167,783	–	118,965
B Other School Funding (Department)	1,925,292	(222,915)	1,702,377	1,931,117	(212,449)	1,718,668	16,291	1,194,341
C Other Schools Funding (ALB) (net)	(25,312)	–	(25,312)	(10,653)	–	(10,653)	14,659	(32,932)
D Families and Children Services (Department)	140,586	–	140,586	157,104	–	157,104	16,518	14,628
E Families and Children Services (ALB) (net)	2,209	–	2,209	2,239	–	2,239	30	3,262
F Standards and Testing Agency	4,027	–	4,027	5,125	–	5,125	1,098	3,737
H Education and Skills Funding Agency	9,972	–	9,972	10,349	–	10,349	377	161,466
I Apprenticeships	4,499	–	4,499	4,648	–	4,648	149	–
J Grants to Local Authority Schools	2,486,436	(5,343)	2,481,093	2,271,277	212,449	2,483,726	2,633	2,695,351
K Grants to Academies	1,138,247	(23,541)	1,114,706	1,130,642	–	1,130,642	15,936	1,334,045
L Higher Education	36,112	(10,682)	25,430	39,563	–	39,563	14,133	29,910
M Further Education	788,057	(15,085)	772,972	860,779	(35,114)	825,665	52,693	298,792
N Higher Education (ALB) (net)	236,559	–	236,559	242,882	–	242,882	6,323	124,618
O Further Education (ALB) (net)	(423)	–	(423)	2,579	–	2,579	3,002	1,787
Total spending in DEL	**6,902,472**	**(265,994)**	**6,636,478**	**6,780,320**	**–**	**6,780,320**	**143,842**	**5,947,970**

Type of spend (Capital)	Outturn			Estimate			Outturn vs Estimate, saving/ (excess)	Prior year Outturn total, 2022-23
	Gross	Income	Net total	Total	Virements	Total inc. virements		
	£000	£000	£000	£000	£000	£000	£000	£000
Spending in Annually Managed Expenditure								
Voted expenditure								
P Activities to Support all Functions	3,309	–	3,309	9,400	(1,819)	7,581	4,272	1,843
Q Executive Agencies	(178)	–	(178)	–	–	–	178	282
R Higher Education	35,138,446	(4,349,713)	30,788,733	34,248,599	–	34,248,599	3,459,866	24,680,227
S Further Education	172,635	(55,079)	117,556	122,928	103	123,031	5,475	144,264
T Higher Education (ALB) (net)	110	–	110	(1,721)	1,716	(5)	(115)	172
U Further Education (ALB) (net)	3,428	–	3,428	2,500	–	2,500	(928)	920
Total spending in AME	**35,317,750**	**(4,404,792)**	**30,912,958**	**34,381,706**	**–**	**34,381,706**	**3,468,748**	**24,827,708**
Total spending in Budget	**42,220,222**	**(4,670,786)**	**37,549,436**	**41,162,026**	**–**	**41,162,026**	**3,612,590**	**30,775,678**

The total Estimates 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 HMT). Further information on virements is provided in the Supply Estimates Guidance Manual.

The outturn vs Estimates column is based on the total including virements. The Estimates total before virements values have been included so that readers can agree the Estimates values disclosed back to the Estimates laid before Parliament.

S1.3 Explanation of variances pre-virements

We have provided explanations for large pre-virement variances above in the Financial Review of the Year. Large variances have been defined as over £1 billion or over 10% of Estimates value and over £250 million, across the different budget types.

S1.4 Background to Estimates

Below we reconcile Estimates lines to Group activities and bodies.

Estimates Line	Title	Budget explanation
A	Activities to Support all Functions	Budget set to support delivery of all functions and cannot be allocated to a specific Estimates line. This includes corporate services and the running of the Department.
B	Other School Funding (Department)	Budget set for funding provided by the Department directly to the education system, rather than being distributed via grants to local authorities or academy trusts. For example, some expenditure on NTP, teacher training and Regions Group is included in this Estimates line.
C	Other School Funding (ALB) (net)	Budget set for LocatED, Aggregator and Oak.
D	Families and Children Services (Department)	Budget set for expenditure by the Department directly on social care and work to tackle disadvantage. For example, expenditure on social work reform is included in this Estimates line.
E	Families and Children Services (ALB) (net)	Budget set for SWE.
F	Standards and Testing Agency	Budget line for STA.
G	Teaching Regulation Agency	Budget line for TRA.
H	Education and Skills Funding Agency	Budget line for ESFA.
I	Apprenticeships	Budget set for delivering apprenticeships.
J	Grants to Local Authority Schools	Budget set for grants paid to local authority schools for everyday running costs and capital expenditure.
K	Grants to Academies	Budget set for grants paid to academy trusts for everyday running costs and capital expenditure of their academies.
L	Higher Education	Budget set for expenditure on higher education, including student loans.
M	Further Education	Budget set for expenditure on further education and adult education.
N	Higher Education (ALB) (net)	Budgets set for SLC and OfS.
O	Further Education (ALB) (net)	Budget set for IfATE.
P	Activities to Support all Functions	Budget set for provision expenses.
Q	Executive Agencies	Budget set for provision expenses for ESFA.
R	Higher Education	Budget relates to the AME costs of student loans in higher education.
S	Further Education	Budget relates to the AME costs of student loans in further education.
T	Higher Education (ALB) (net)	AME budget set for SLC.
U	Further Education (ALB) (net)	Predominantly budget set for CITB and ECITB.

S2. Reconciliation of outturn to net operating expenditure

	Item	Reference	Outturn total	Prior year Outturn total, 2022-23
			£000	£000
Total resource outturn		S1.1	**84,300,082**	**52,840,833**
Add:	Capital grants	5.3	6,151,200	5,804,642
	Other capital expenditure		16,165	15,906
	Other adjustments		3,207	–
Total			**6,170,572**	**5,820,548**
Less:	Income payable to the Consolidated Fund	S4	(14,141)	(397)
	Capital grant income		(78,671)	(80,586)
	Other adjustments		–	(62)
Total			**(92,812)**	**(81,045)**
Net operating expenditure in SoCNE		SoCNE	**90,377,842**	**58,580,336**

As noted in the introduction to the SOPS, 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 policy funding (income or expenditure) is budgeted for as CDEL so is not included within resource outturn but is 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 5.3 for more detail on our capital policy funding 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	**84,300,082**	**102,559,317**	**18,259,235**
Total capital outturn	S1.2	**37,549,436**	**41,162,026**	**3,612,590**
Adjustment for NDPBs				
Remove voted resource and capital		(2,001,312)	(2,017,401)	(16,089)
Add cash grant-in-aid		1,968,996	2,041,088	72,092
Adjustments to remove non-cash items				
Depreciation, amortisation and impairment	6.2	(74,600)	(39,151,991)	(39,077,391)
Student loan book fair value movement		(17,734,980)	–	17,734,980
New provisions and adjustment to previous provisions		(149,839)	(135,170)	14,669
Other non-cash adjustments		(31,493)	4,533,358	4,564,851
Adjustments to reflect movements in working balances				
Movement in receivables	SoCF	(361,159)	–	361,159
Movement in payables	SoCF	6,483	–	(6,483)
Movement in lease liabilities		(14,102)	–	14,102
Use of provisions		146,159	113,983	(32,176)
Use of financial guarantees		33,474	–	(33,474)
Total		**(18,212,373)**	**(34,616,133)**	**(16,403,760)**
Net cash requirement		**103,637,145**	**109,105,210**	**5,468,065**

As noted in the introduction to the SOPS, outturn and the Estimates are compiled against the budgeting framework not on a cash basis. Therefore, this reconciliation bridges the resource and capital outturn 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, 2022-23	
	Accruals	Cash basis	Accruals	Cash basis
	£000	£000	£000	£000
Income outside the Ambit of the Estimate	14,141	*14,141*	379	*397*
Excess cash surrenderable to the Consolidated Fund	–	–	–	–
Total amount payable to the Consolidated Fund	**14,141**	***14,141***	**397**	***397***

Parliamentary accountability disclosures (audited)

We are custodian of taxpayers' funds and have a duty to Parliament to ensure the regularity and propriety of our activities and expenditure. We manage public funds in line with Managing Public Money.

The importance of operating with regularity and the need for efficiency, economy, effectiveness and prudence in the administration of public resources to secure value for public money, is the responsibility of our accounting officer whose responsibilities are also set out in Managing Public Money. They include responsibility for the propriety and regularity of the public finances for which the accounting officer is answerable.

To discharge this responsibility and ensure our control totals are not breached, the following activities are in place:

- formal delegation of budgets
- detailed monitoring of expenditure
- monthly management reporting against control totals

In addition, we operate the three lines of defence model, which is included in our risk management framework. We have provided details of this in our Governance Statement.

In this year, we did not breach any of our control totals, details are provided in the Statement of Outturn against Parliamentary Supply.

The disclosures are for the bodies identified in note 22 and do not include the academy and FE sectors.

Public sector losses and special payments

A1. Losses statement

The total of all losses that have been recognised this year is as follows:

		2023-24		2022-23
	Department & Agencies	Group	Department & Agencies	Group
	Number	Number	Number	Number
Cash losses	1,492	1,525	500	520
Fruitless payments and constructive losses	348	595	269	333
Claims waived or abandoned	54,787	54,787	27,682	28,019
Store losses	1	1	64	64
Total number of cases	**56,628**	**56,908**	**28,515**	**28,936**
Analysed across:				
non-student loans	1,932	2,212	361	782
student loans	54,696	54,696	28,154	28,154
	£000	£000	£000	£000
Cash losses	3,300	3,313	2,813	2,828
Fruitless payments and constructive losses	6,011	6,067	316	319
Claims waived or abandoned	36,595	36,595	11,884	12,006
Store losses	433	433	159	159
Total value of losses	**46,339**	**46,408**	**15,172**	**15,312**
Analysed across:				
non-student loans	35,661	35,730	11,631	11,771
student loans	10,678	10,678	3,541	3,541

The increase in case numbers is predominantly due to an increase in cases related to student loans (employer insolvency or status of borrowers). This year there has seen a marked increase in the number of employer insolvency cases (see A1.3 below) being actioned, possibly due to the delayed effect of the pandemic on employers. As well as employer failure, we have experienced an increase in the number of borrowers (5,973 compared to 297 last year as cash losses) whose changed status (death or disability) prevents effective recovery of overpayments leading to balances being written-off.

The increase in non-student loan cases was driven by an increased focus on recoverability of balances and management of our SoFP. This focus resulted in the write-off of a large number of small immaterial balances each below the additional disclosure threshold, 1,205 cases with a total value of £2.0 million.

Losses are driven by individual circumstances and can show little consistency across years.

A1.1 Cash losses over £300,000

There were no cash losses over the additional disclosure threshold of £300,000.

A1.2 Fruitless payments and constructive losses over £300,000

Counterparty	Reporting body	£000
Michaela Community School Stevenage	Department	1,187

Losses relate to historic costs associated with the withdrawn Michaela Community School Stevenage project. The Department considers a project withdrawal or cancellation as better value for money in progressing with a free school project that will not be viable in the future.

A1.3 Claims waived or abandoned over £300,000

Counterparty	Reporting body	£000
Re-brokerage debt forgiveness		
Schools Company Trust	ESFA	2,465
City College Southampton	ESFA	1,200
Harefield Academy Trust	ESFA	915
Chapel Street Community Schools Trust	ESFA	813
Queen Elizabeth Grammar School Penrith	Department	502
Sandbach School	Department	438
UTC Leeds	ESFA	327
Dissolved providers		
Astute Minds Limited	Department	9,893
Progress to Excellence Limited	Department	3,763
MiddletonMurray Limited	Department	1,382
Logistics.com (UK) Limited	Department	1,184
FNTC Training and Consultancy Limited	Department	900
Personal Track Safety Limited	Department	801
EGS Nationwide Limited	Department	783
The Teaching & Learning Group Limited	Department	456
Student loans		
Write-off of student loan employer deductions	Department	7,513

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.

Dissolved providers

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.

The Department seeks to reclaim all such monies but in some cases the provider has failed. In such circumstances the debts are written-off.

Student loans

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 student loan repayments from borrowers on behalf of the Department collected by employers through the tax system. During the year, £7.5 million (prior year: £2.9 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 48,183 (prior year: 27,611).

A1.4 Store losses over £300,000

There were no store losses over the additional disclosure threshold of £300,000.

A2. Special payments

		2023-24		2022-23
	Department & Agencies	Group	Department & Agencies	Group
Total number of cases	**50**	**1,571**	**6**	**1,492**
	£000	£000	£000	£000
Total value of special payments	**3,223**	**3,512**	**728**	**925**

Special severance payments

Severance payments are included within special payments shown above. These are paid under certain circumstances to employees, contractors and others outside of normal statutory or contractual requirements, when leaving employment in the public service, whether they resign, are dismissed, or reach an agreed termination of contract.

For the current year, we made two payments totalling £115,000 (prior year: 3 payments totalling £80,086) in respect of severance cases. The highest payment was £95,000 (prior year: £48,869), the lowest payment was £20,000 (prior year: £12,000) and the prior year median payment was £19,217.

Student loans

The high volume of Group losses disclosed above is due to the large number of student loan losses reported by SLC; 1,518 cases (prior year: 1,483 cases) but with a total value of just £166,000 (prior year: £117,000). No single case was above the threshold for additional disclosure below.

A2.1 Special payments over £300,000

Counterparty	Reporting body	£000
Apprenticeship training providers		
Remit Group Limited	Department	988
Skillnet Limited	Department	384
National Tutoring Programme		
Teaching Personnel & Engage Education	Department	406

Apprenticeship training providers

The Department made two payments to apprenticeship training providers (Remit Group and Skillnet) to secure provision for already enrolled apprentices.

National Tutoring Programme

Settlement of a late claim for NTP fees from 2021/22.

A3. Student loans written-off in the year

		2023-24		2022-23
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Due to:				
death	54.6	54.6	32.7	32.7
age	9.4	9.4	8.1	8.1
disability	2.6	2.6	2.5	2.5
bankruptcy, on completion of individual voluntary arrangement or other	0.1	0.1	–	–
access to higher education	53.9	53.9	50.3	50.3
Total	**120.6**	**120.6**	**93.6**	**93.6**

A4. Gifts

The total of all gifts and hospitality that have been paid out this year are as follows:

		2023-24		2022-23
	Department & Agencies	Group	Department & Agencies	Group
Total number of cases	**8**	**54**	**–**	**82**
	£000	£000	£000	£000
Total value of gifts	**1**	**3**	**–**	**3**

There were no gifts over the additional disclosure threshold of £300,000.

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 20), 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 a contingent liability.

Quantifiable

The Group has entered into the following quantifiable remote 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.

Two quantified remote contingent liabilities have been reported to Parliament by departmental minute:

- PFI contracts to the academy sector – £9.25 billion (prior year: £9.25 billion)
- National College for Digital Skills[57] – £225,000

57 https://questions-statements.parliament.uk/written-statements/detail/2023-07-06/hcws919

Table 31: Reconciliation of remote contingent liabilities included in the Supply Estimates to the accounts

Description of contingent liability	Supply Estimates	Amount disclosed in ARA	Variance (Estimates less ARA value)
	£000	£000	£000
Operational activities			
Sanctuary Buildings property insurance	100,000	100,000	–
St Paul's Place property insurance	100,000	40,000	60,000
Curriculum body transfer (asset transfer)	10,000	10,000	–
Pension guarantor to USS	4,000	4,000	–
Data sharing agreements	3,000	3,000	–
Contract early termination	2,190	2,190	–
Junior ISA exposure	1,640	1,657	(17)
Free school principal designates	923	443	480
Contractual milestone credit cancellation	185	–	185
Legal cases	115	110	5
Sub-total	**222,053**	**161,400**	**60,653**
Education estate activities			
Academy PFI contracts	9,250,000	9,250,000	–
Indemnities in relation to s278 (highways) with local authorities to support school development works	166,432	216,432	(50,000)
Indemnity to the landlord for academy site lease rentals	12,500	12,500	–
Indemnity in relation to s38 (highways) with NHS to support school development works	10,000	10,000	–
Indemnity in relation to s184 (highways) with a local authority to support school development works	10,000	10,000	–
Indemnities in relation to s104 (sewage works) with local authorities to support school development	–	10,000	(10,000)
Coal Authority permit for school builds	–	10,000	(10,000)
Tenant default agreements	2,901	2,901	–
Indemnity over project costs for an academy site	300	–	300
Relocation costs for the National College for Digital Skills	225	225	–
Indemnity for commercial free school lease	110	110	–
Sub-total	**9,452,468**	**9,522,168**	**(69,700)**
Total	**9,674,521**	**9,683,568**	**(9,047)**

Summary of significant exposures

Operational activities

Property insurance

The Department has agreed with contractors to cover losses incurred if a catastrophic event occurred during the development of two of our properties (Sanctuary Buildings and St Paul's Place). The cover has been provided in accordance with Managing Public Money's view that government departments should not incur excessive insurance costs, but bear risks themselves where possible for value for money.

Education estate activities

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.

Local authority indemnities

Acting as developer and arising from planning decisions, the Department has provided uncapped indemnities to local authorities (acting as competent sewage or highways authorities) in relation to education provider building projects. Indemnities arise under different statutes:

- section 278 of the Highways Act 1980 (highways infrastructure), 24 cases ranging from £127,000 to £11 million with five cases being identified after Supplementary Estimates was produced
- section 184 of the Highways Act 1980 (highways infrastructure), one case
- section 104 of the Water Industry Act 1991 (sewers), one case which was identified after Supplementary Estimates was prepared
- section 38 of the Highways Act 1980 (highways infrastructure), one case

Unquantifiable

Table 32: Reconciliation of remote contingent liabilities included in the Supply Estimates to the accounts

Description of contingent liability	Included in Supply Estimates	Included in ARA
Operational activities		
Guarantee to Local Government Pension Scheme funds to meet the pension deficit of academy closures.	Yes	Financial statements (IAS 37)
Statutory indemnity in relation to the Office of the Schools Adjudicator outlined in paragraph 7 of schedule 5 to the Schools Standards Framework Act 1998.	Yes	Financial statements (IAS 37)
The Department contracts with lead suppliers for the delivery of the early career framework and national professional qualification. The Department used model government clauses on indemnity limits and since the introduction of the revised data protection legislation under the general data protection regulation it has been standard practice to include unlimited liability relating to data protection fines.	Yes	Remote
As a result of entering 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 liability for the Department.	Yes	Remote
The sale of student loans necessitated warranties and indemnities to secure interest and obtain value for money from investors.	Yes	Remote
Contingent liability in place with a software supplier which protects the supplier in respect of any litigation raised against it relating to the provision of services by them.	Yes	Remote
Contingent liability to the Civil Service Pension Scheme for the incremental costs of uprating accrued benefits by the Consumer Prices Index (CPI), if a decision is taken in future to uprate benefits in the scheme by less than CPI.	Yes	Remote
Litigation	Yes	Remote
Education sector activities		
Uncapped indemnities related to section 278 (highways infrastructure) of the Highways Act 1980, entered into as part of education provider site developments.	Yes	Remote
Uncapped indemnities relating to section 104 of the Water Industry Act 1991 (sewerage), entered into as part of education provider site developments.	Yes	Remote
Uncapped indemnity related to section 185 (sewage works) of the Water Industry Act 1991, entered into as part of education provider site developments.	Yes	Remote
Uncapped indemnities relating to section 38 of the Highways Act 1980 agreements entered into as part of school builds.	Yes	Remote
Coal Authority permit – the permit is required to undertake a ground investigation survey as part of the delivery of a free school project.	Yes	Remote
A basic asset protection agreement between the Department and a public sector company for development works at education providers.	Yes	Remote
The permanent site for an academy delivery was subject to entering an unlimited indemnity with Canal and Rivers Trust to allow the drainage connection.	Yes	Remote
As a result of entering into contracts on site purchases, the Department is subject to a number of overage clauses.	Yes	Remote
Indemnities provided to local authority landlords for potential costs in not performing its obligations under various building contracts and leases to which the Department is a counterparty.	Yes	Remote

Cost allocations 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 this financial year.

Cabinet Office functional standards (unaudited)

Cabinet Office functional standards exist to create a coherent, effective and mutually understood way of doing business within government organisations. These standards are mandated for use across central government and provide a stable basis for assurance, risk management and capability improvement, supporting value for money for the taxpayer.

A function is a grouping aligned across government to manage functional work such as human resources, commercial or finance. The head of each function is responsible for implementing the relevant functional standard to their responsible area and we continue to review standards whilst we work towards a level of compliance that fits with the purpose of the organisation.

Susan Acland-Hood
Accounting Officer

18 July 2024

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 2024 under the Government Resources and Accounts Act 2000. The Department comprises the core Department and its agencies. The Departmental Group consists of the Department and the bodies designated for inclusion under the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2023. The financial statements comprise: the Department's and the Departmental Group's:

- Consolidated Statement of Financial Position as at 31 March 2024;
- Consolidated Statement of Comprehensive Net Expenditure, Consolidated Statement of Cash Flows and Consolidated Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Department and the Departmental Group's affairs as at 31 March 2024 and its net 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.

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 2024 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 (UK) (ISAs UK), applicable law and Practice Note 10 Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022). 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 am independent of the Department and its Group 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.

The framework of authorities described in the table below has been considered in the context of my opinion on regularity.

Framework of authorities	
Authorising legislation	Government Resources and Accounts Act 2000 Education Act 2002 Education (Student Support) regulations Local Government Act 2003 Children and Families Act 2014
Parliamentary authorities	Supply and Appropriation Acts
HM Treasury and related authorities	Managing Public Money

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Department and its Group'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 or its Group'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 and its Group 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 is anticipated that the services which they provide will continue into the future.

Overview of my audit approach

Key audit matters

Key audit matters are those matters that, in my professional judgment, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditor, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon. I do not provide a separate opinion on these matters.

This is not a complete list of all risks identified through the course of my audit but only those areas that had the greatest effect on my overall audit strategy, allocation of resources and direction of effort. I have not, for example, included information relating to the work I have performed around management override of controls, an area where my work has not identified any matters to report.

The key audit matters were discussed with the Audit and Risk Committee; its report on matters that it considered to be significant to the financial statements is set out on pages 143-144.

In this year's report the following changes to the risks identified have been made compared to my prior year report:

IFRS 16 was deemed a significant risk in its first year of implementation in 2022-23 given the leasing operations undertaken by the Department. The Department operates a large estate of office space and shared floor space across approximately 20 sites and supports 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. Following assessment in the previous year, it was determined that the Department had adequately accounted for and captured all requirements for IFRS 16 and that the overall impact on its statement of financial position and statement of comprehensive net expenditure was not material. It is therefore no longer deemed a significant risk or a key audit matter.

In 2022-23 the Department underwent a change in Departmental structure resulting in amended groups and divisions, which had an impact on the operating segments note. Operating Segments was deemed a significant risk in 2022-23 but is no longer deemed a significant risk in the current year.

Key audit matter – Valuation of the Student Loan Book including data inputs
Description of risk The English Student Loan Book is a highly material estimate within the Department's accounts. The student loans valuation is derived from an intricate statistical model and relies on significant management judgements, interventions and assumptions that are individually complex or subjective. Small changes in assumptions can lead to material changes in the estimate. This risk is only relevant to the parent Department, which accounts for the loan book in its entirety. The Student Loans Company (SLC) is deemed a significant component, under ISA (UK) 600, because as the Department's service organisation, it is responsible for processing student loans and holding the borrower data. The data inputs into the student loan book have also been classified a significant risk, which is captured within my consideration of the valuation of the student loan book. As at 31 March 2024, the loan book comprises £234 billion of issued loans, valued at £151 billion in the accounts. The valuation model itself requires a significant forward-look at many key areas of the UK economy. The model must account for macroeconomic assumptions which are expected to incorporate key factors such as inflation, employment and earnings of the loan book population, and the Bank of England base-rate, and these are projected up to 2071 in many cases. The model is therefore not overly sensitive to short-term trends given the longevity of the repayments window. The valuation model and the data inputs, including assumptions, into the model are considered a key audit matter as the valuation is highly material, highly judgemental and is a complex estimate.

How the scope of my audit responded to the risk	In assessing the Department's valuation of the student loan book and the modelling, I have not elected to use a specific materiality for the loan book, and have continued to use materiality for the financial statements as a whole, being £900 million. I assessed the valuation of the loan book and the data inputs (such as borrower characteristics and historic earnings data) through several audit procedures. I risk assessed the IT systems that underpin the loan book, including the CLASS system at SLC, and assessed whether I could place reliance on the controls around the system. I tested and confirmed the new loans issued in year (loan additions) back to relevant data to confirm the appropriateness of the new loans issued and to identify any levels of fraud and error present in the population of new loans issued. This work built upon the work performed by the internal auditors, the Government Internal Audit Agency (GIAA), who perform a test of 384 students to assess the level of error in the population of new loans issued, after reviewing the testing of 1,100 students by the Department, covering all types of loans issued. In the current year, the estimated extrapolated level of fraud and error in the population of new loans issued of £20 billion was approximately £405 million, which is deemed to be irregular spend. This represents loans issued where some eligibility criteria were not evidenced or where a specific loan type was allocated to an inappropriate individual. This error is higher than in previous years, where it was estimated in 2022-23 to be £327 million, and has increased in each of the past three years. When testing new loans issued in 2023-24, I also confirmed the accuracy of the relevant characteristics from the data inputs that drive the modelling of the student loans book, such as gender, age, course type and education establishment. I have confirmed the accuracy of these relevant characteristics of the loan additions tested in the previous four years to provide assurance over the historic loan data within the model. I performed testing to confirm the accuracy of data flows between HM Revenue and Customs (HMRC) and SLC, and onto the Department, in respect of borrower data (including earnings information) and repayment data. This provides assurance that the data used in the modelling of the loan book valuation is using accurate and reliable base borrower data. I audited, using auditors' experts familiar with modelling and data analysis, the many components of the model used by the Department, including its earnings model, repayments model, outlay model, and the associated sub-models. This included analysing and assessing the code used by the model to achieve its outcomes and whether the modelling choices, assumptions and calculations are appropriate.

	I assessed whether the choice of modelling techniques for key parts of the model are appropriate and whether alternative modelling techniques would yield better results. I assessed the appropriateness of all assumptions and whether there are any alternative measures or assumptions, or whether there is any management bias within the assumptions used. I have reperformed the modelling calculations and sought to recreate the modelled output from the Department. I considered the governance, quality assurance processes, checks and assessment by the Department, and any change management procedures for managing the model and the modelling environment. I tested repayments in year, by assessing the loans collected through the PAYE system by HMRC and confirming that the amounts collected are paid over to the Department in year and accounted for correctly. As the repayments through self-payments or via SLC are not material, no further specific procedures are performed on these balances. I also tested a sample of individuals within the Department loan book population back to HMRC data to confirm that the earnings data used by the Department is consistent with that held by HMRC, from whom the data is derived. **Key observations** I performed extensive work on the loan model and am content that the method used is appropriate, that the estimated valuation of the loan book is in line with the model and its outputs, and that the model data inputs are appropriate and complete. I concluded that the model is operating as expected and that this represents a reliable estimate of the valuation of the loan book in line with IFRS 9 as interpreted and adapted by the Financial Reporting Manual (FReM). I concluded my testing on new loans issued, and the loans repaid in year. The result of my work was satisfactory. However, I draw attention to the disclosures made in note 1.3.5 and note 12 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.

Key audit matter – Regularity of Loans and Grants
Description of risk I have identified the risk of irregularity of grants and loans across the Departmental group as a significant risk and key audit matter. Significant numbers and values of grants and grant-like loans (i.e. student loans) are issued by entities within the Departmental group. The Department issued £20 billion in student loans and paid out £81 billion in resource grants and £6 billion in capital grants in the current year. Grant expenditure is inherently riskier with respect to regularity than other types of expenditure incurred by the Departmental group. This is mainly because the benefit of the underlying goods/services is received by a party other than the Department, so it is harder for the Department to determine if the benefit has been delivered in those circumstances where the primary legislation requires it to do so. This risk also encompasses the accuracy of formula-driven grant allocations and the validity of underlying data used to produce them where this data is provided by the recipient themselves. My prior year estimates of aggregate grant irregularity across the group have not been material. However, a consistent issue was identified in previous years where I noted a significant value of grant spend where assurance was limited. These were grants that were exposed to some risk of irregularity, though they varied in value and by grant stream year-on-year. In the current year, this has remained the case, with some newer grant streams being more difficult to assure as regular, as well as continuing irregularity associated with some existing grant streams. The total irregularity this year was again not material, although significant enough to require continued attention by the Department and its arm's length bodies. The risk also includes the risk of fraud and error in the student loan population, which is tested as part of the loan book audit, but also forms part of our overall assessment of regularity of loans. I assessed that there are still financial pressures in the education sector, which may incentivise people to claim additional funding inappropriately. There are several new grant streams in year, including £1,450 million for Main Schools Additional Grants, £468 million Teachers Pay grant, £199 million for the Early Years Supplementary Grant, £40 million for the Local Skills Improvement Grant, and £4 million for grants associated with RAAC remediation. As noted, assurance over new grant streams can have an elevated risk as new assessment procedures are put into place which may not be operating effectively throughout the year, or which are required at speed to address an issue in the current year. I did not identify material irregular transactions related to the use of funds of these grants. This risk is group-wide, with key contributors being the Department itself and its £8 billion of grants, the Education and Skills Funding Agency (ESFA) and its assessment of £65 billion of grants, the Construction Industry Training Board (CITB) and the Office for Students (OfS). Student loans are also administered by the Student Loans Company (SLC) as a service organisation for the Department.

How the scope of my audit responded to the risk	I test the regularity of grants by selecting samples of grants by stream and tying these back to underlying grant agreements, cash paid, and evidence received from grant recipients to confirm eligibility and use of funds. Where a recipient has not provided appropriate evidence, or where there are terms and conditions that have not been complied with, I deem these grants to be irregular. For most grants, the terms and conditions set by the Department are what determines the regularity in line with the relevant laws and statutes. For the Department and the ESFA this is often derived from the Education Act 2002 and the Local Government Act 2003. Once determined, they become the requirements for grant spending to be regular. For the ESFA, my testing involved reperformance of the work of the Corporate, Assurance and Restructuring Directorate (Assurance) (CARD(A)), formerly the Finance and Provider Market Oversight (FPMO), function in order to assess the level of error in the grants paid out to the sector via the ESFA, verifying these to the documentation provided to the ESFA to confirm eligibility and appropriate use of funds. For the core Department, there is no central testing function equivalent of CARD(A) for the majority of capital and resource grants, and therefore I risk-assessed all the grants issued by the Department based on the level of hypothecation and the restriction in place for the grant. The only exception is the apprenticeship grants which still relies on CARD(A) to provide assurance to the Department that the spend is regular. For higher risk grants, I selected a sample of grants to agree to supporting documentation and assessed each one on its own merit. The testing requires understanding each grant stream and the documentation required. This may involve seeking further evidence from the recipient regarding its use of funds where this is restricted. I have judged that the materiality I set for my audit of the financial statements is also appropriate for my regularity opinion. Any grants which are material by context owing to the nature of any irregularity observed has been considered when forming my opinion. I also sought to predict grant spend, using a substantive analytical procedure where data is publicly available, to assess the level of grant eligible to a recipient or group of recipients, which is particularly the case for the devolved Adult Education Budget grants and the formulaic capital grants which are paid out as a block to recipients. This was also the approach taken for the Pupil Premium, Main Schools Additional Grant, High Needs, Recovery Premium and several other smaller grant streams within ESFA. I then aggregated the results of the many strands of testing, to arrive at an overall conclusion.

	Key observations
	My testing did not identify a material level of irregular grant and loans expenditure and my regularity opinion is unqualified. However, our work did identify immaterial irregular grant spend, reported to the Department, and included here to inform Parliamentary scrutiny. I identified £22.7 million of irregular grant spend within the core Department and £212 million within ESFA. Separately, I identified £405 million of irregular student loans issued in year.

Application of materiality

Materiality

I applied the concept of materiality in both planning and performing my audit, and in evaluating the effect of misstatements on my audit and on the financial statements. This approach recognises that financial statements are rarely absolutely correct, and that an audit is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement or irregularity. A matter is material if its omission or misstatement would, in the judgement of the auditor, reasonably influence the decisions of users of the financial statements.

Based on my professional judgement, I determined overall materiality for the Department and its group's financial statements as a whole as follows:

	Departmental group	Department parent
Materiality	£903 million	£900 million
Basis for determining overall account materiality	1% of expenditure of £90 billion (£84 billion in 2022-23) excluding the expenditure impact of student loans as this is highly volatile	1% of expenditure of £90 billion (£84 billion in 2022-23)

	Departmental group	Department parent
Rationale for the benchmark applied	I have identified gross expenditure as the appropriate benchmark, given it is clearly the main driver of activity as voted on by Parliament through the supply process. The Departmental group's main activities are to provide education services, which it does mainly through grant expenditure, which makes up the majority of gross expenditure. I also assessed other benchmarks, and noted that net assets or profit, as is used by auditors in the private sector, are not appropriate for a major Department of State, particularly one with no profit. I excluded the fair value movement of student loans from the gross expenditure figure as it is a highly volatile figure and holding the loan book is not the main driver in determining the Department's activity. I have not sought to use an alternative benchmark for the student loan book, or for grant regularity. The grant regularity consideration is the same as the expenditure, and therefore is deemed sufficient.	The Department materiality benchmark has the same rationale as the Departmental group as the majority of the group's spend is within the Department and its executive agencies.

Performance materiality

I set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality of the financial statements as a whole. Group performance materiality was set at 75% of Group materiality for the 2023-24 audit (2022-23: 75%). There were several misstatements in the prior year; however, these were not related to our sampling or the aggregation of misstatements. They represented aggregate adjustments from components in compiling the financial statements, significant work around student loans, and statement of financial position reclassifications. In determining performance materiality, I also considered the uncorrected misstatements identified in the previous year.

Other materiality considerations

Apart from matters that are material by value (quantitative materiality), there are certain matters that are material by their very nature and would influence the decisions of users if not corrected. Such an example is any errors reported in the Related Parties note in the financial statements. Assessment of such matters needs to have regard to the nature of the misstatement and the applicable legal and reporting framework, as well as the size of the misstatement.

I applied the same concept of materiality to my audit of regularity. In planning and performing my audit work to support my opinion on regularity and in evaluating the impact of any irregular transactions, I considered both quantitative and qualitative aspects that would reasonably influence the decisions of users of the financial statements.

Error reporting threshold

I agreed with the Audit and Risk Committee that I would report to it all uncorrected misstatements identified through my audit in excess of £300,000, as well as differences below this threshold that in my view warranted reporting on qualitative grounds. I also report to the Audit and Risk Committee on disclosure matters that I identified when assessing the overall presentation of the financial statements.

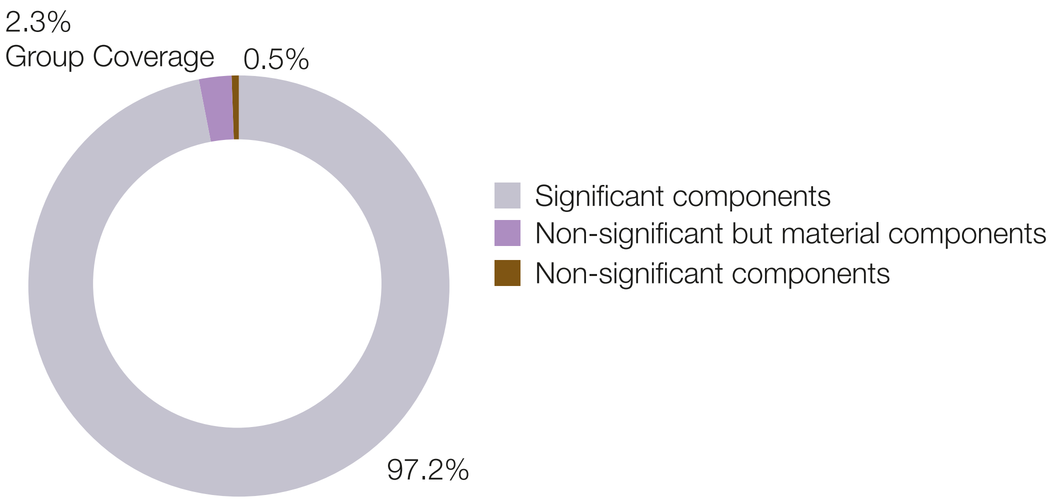
Total unadjusted audit differences reported to the Audit and Risk Committee would have decreased net expenditure and increased assets by £68.8 million.

Audit scope

The scope of my Group audit was determined by obtaining an understanding of the Department and its Group's environment, including Department and Group-wide controls, and assessing the risks of material misstatement at the Group level.

- The Departmental Group consists of the core Department and two significant components, the Education and Skills Funding Agency (ESFA) and the Student Loans Company (SLC). SLC is a significant component, under ISA (UK) 600, because as the Department's service organisation, it is responsible for processing student loans and holding the borrower data, thereby contributing to the significant risks relating to the student loan valuation and data inputs. SLC, in itself, is not significant by size. The Departmental Group also has two components, Office for Students and Construction Industry Training Board, that contribute to the significant risk of regularity of grants. These were designated as non-significant but material components for regularity purposes. The remaining group components are all immaterial by size and activity.
- The ESFA audit focuses on its grant expenditure and relies on the work of CARD(A) within the Agency to assess regularity of spend. For the group audit, I rely on the full audit performed by the ESFA team to assure its grant expenditure and other balances within the ESFA. I also rely on specific procedures around management override by the ESFA team to assure journals with an impact on the Statement of Outturn against Parliamentary Supply (SOPS) impact.

- The SLC itself contributes to the student loan valuation and data inputs risks for the group and is designated as a significant component by activity for its contribution. All work performed that is relevant to the loan book valuation is conducted by my group audit team, and not the SLC audit team.
- The other two component auditors for the Office for Students (OfS) and the Construction Industry Training Board (CITB) performed targeted substantive procedures on grants paid to assure the regularity of grant expenditure only, which I reviewed.



- As part of the group audit, the group audit team was involved in the key planning, continuous risk assessment, and completion meetings for the significant components, and were given access to minutes for the non-significant but material components. They also obtained access to all workpapers relating to the significant risks that were relevant at a group level, including all regularity work. I also specifically instructed that key journals be tested within the ESFA relating to the risk of management override and the manipulation of the SOPS.
- The Statement of Outturn against Parliamentary Supply (SOPS) was audited through reconciliation of all disclosures back to underlying records that were audited. I also assessed the likelihood of management override through procedures seeking to identify any amendments which would avoid a breach of parliamentary control totals.

This work covered substantially all of the Group's assets and expenditure, and together with the procedures performed at group level, gave me the evidence I needed for my opinion on the group financial statements as a whole.

Other information

The other information comprises the information included in the Annual Report, but does not include the financial statements and my auditor's certificate and report 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.

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 the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000.

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions issued 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 and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Department and its Group and their environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Reports.

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 by the Department and its Group or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; 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:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Department and its Group from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- preparing financial statements which give a true and fair view and are in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000;
- preparing the annual report, which includes the Remuneration and Staff Report, in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- assessing the Department and its Group'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 and its Group 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.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the Department and its Group's accounting policies and key performance indicators;
- inquired of management, the Department's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Department and its Group's policies and procedures on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Department and its Group's controls relating to the Department's compliance with the Government Resources and Accounts Act 2000, Managing Public Money, the Supply and Appropriation Acts, the Education Act 2002, the Education (Student Support) regulations, and the Local Government Act 2003;
- inquired of management, the Department's head of internal audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations;
  - they had knowledge of any actual, suspected, or alleged fraud,
- discussed with the engagement team including significant component audit teams and the relevant experts, the modelling team, regarding regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Department and its Group for fraud and identified the greatest potential for fraud in the following areas: posting of unusual journals, complex transactions, bias in management estimates, manipulation of pupil numbers underpinning grant funding, and the misuse of grants. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Department and Group's framework of authority and other legal and regulatory frameworks in which the Department and Group operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Department and its Group. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Managing Public Money, Supply and Appropriation Acts, Education Act 2002, Education (Student Support) regulations, the Local Government Act 2003 and Children and Families Act 2014.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports;
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on 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;
- I performed substantive procedures to test that grants have been paid out by the Department for Education, and used by recipients, in line with the Department for Education's framework of authorities; and
- I required component auditors to conduct appropriate procedures (testing control operating effectiveness and substantive procedures as relevant, according to the assessed risk levels) to test that grants have been paid out by components, and used by recipients, in line with the Group's framework of authorities.

I communicated relevant identified laws and regulations and potential risks of fraud 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.

Other auditor's responsibilities

I am required to obtain appropriate 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 required to obtain sufficient appropriate audit evidence 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 I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General

23 July 2024

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 2024

		2023-24		2022-23	
		Department & Agencies	Group	Department & Agencies	Group
	Note	£m	£m	£m	£m
Income	3	(310)	(634)	(383)	(665)
Total income		**(310)**	**(634)**	**(383)**	**(665)**
Staff costs	4	517	793	524	762
Policy funding:	5				
resource		81,059	80,673	75,926	75,613
capital		5,970	6,152	5,708	5,804
Purchase of goods and services	6.1	275	466	235	426
Depreciation, amortisation and other non-cash charges	6.2	231	296	309	374
Total operating expenditure		**88,052**	**88,380**	**82,702**	**82,979**
Net operating expenditure		**87,742**	**87,746**	**82,319**	**82,314**
Finance income		(3)	(22)	(4)	(23)
Finance expense		50	72	49	67
Other losses/(gains)	7	2,582	2,582	(23,778)	(23,778)
Net expenditure for the year		**90,371**	**90,378**	**58,586**	**58,580**
Other comprehensive expenditure					
Items that will not be reclassified to net operating costs:					
net gain on revaluation of property plant and equipment, right-of-use assets and intangible assets		–	(2)	–	–
actuarial (gain)/loss on defined benefit pension scheme		–	1	–	19
Total other comprehensive expenditure		**–**	**(1)**	**–**	**19**
Comprehensive net expenditure for the year		**90,371**	**90,377**	**58,586**	**59,599**

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

The notes on pages 243 to 307 form part of these accounts.

Consolidated Statement of Financial Position

as at 31 March 2024

		2024		2023	
		Department & Agencies	Group	Department & Agencies	Group
	Note	£m	£m	£m	£m
Non-current assets					
Operational assets	8	251	317	182	224
Education sector assets	9	820	820	611	611
Intangible assets		270	352	209	280
Student loans	12	146,749	146,749	133,788	133,788
Other loans	13	246	680	152	608
Investments		68	68	58	58
Receivables	14.2	42	42	64	61
Total non-current assets		**148,446**	**149,028**	**135,064**	**135,630**
Current assets					
Assets held for sale		20	20	6	6
Student loans	12	4,233	4,233	4,016	4,016
Other loans	13	45	85	44	84
Receivables	14.1	444	474	784	826
Cash and cash equivalents	15	892	1,056	694	857
Total current assets		**5,634**	**5,868**	**5,544**	**5,789**
Total assets		**154,080**	**154,896**	**140,608**	**141,419**
Current liabilities					
Payables	16	(2,938)	(3,036)	(2,652)	(2,744)
Lease liabilities	18	(19)	(19)	(11)	(14)
Provisions		(69)	(75)	–	(72)
Financial guarantees		(25)	(25)	(27)	(27)
Total current liabilities		**(3,051)**	**(3,155)**	**(2,690)**	**(2,857)**
Total assets less current liabilities		**151,029**	**151,741**	**137,918**	**138,562**
Non-current liabilities					
Payables	17	(862)	(1,314)	(957)	(1,431)
Lease liabilities	18	(178)	(210)	(141)	(152)
Provisions		(220)	(255)	(281)	(243)
Financial guarantees		(14)	(14)	(38)	(38)
Retirement benefit obligations		–	(20)	–	(17)
Total non-current liabilities		**(1,274)**	**(1,813)**	**(1,417)**	**(1,881)**
Assets less liabilities		**149,755**	**149,928**	**136,501**	**136,681**
Taxpayers' equity					
General Fund		149,748	149,818	136,494	136,554
Revaluation Reserve		7	9	7	7
Charitable Reserve		–	101	–	120
Total taxpayers' equity		**149,755**	**149,928**	**136,501**	**136,681**

Susan Acland-Hood
Accounting Officer

18 July 2024

The notes on pages 243 to 307 form part of these accounts.

Consolidated Statement of Cash Flows

for the year ended 31 March 2024

		2023-24		2022-23	
		Department & Agencies	Group	Department & Agencies	Group
	Note	£m	£m	£m	£m
Cash flows from operating activities					
Net expenditure for the year	SoCNE	(90,371)	(90,378)	(58,586)	(58,580)
Adjustments for non-cash transactions		2,800	2,860	(23,467)	(23,413)
De-recognition of education sector assets through leasing		135	135	36	36
Decrease/(increase) in receivables		362	371	(218)	(230)
Increase/(decrease) in payables		191	175	(274)	(304)
less movements in payables relating to items not passing through net operating costs		(184)	(160)	242	264
Use of provisions		(147)	(167)	(100)	(122)
Utilisation of financial guarantees		(34)	(34)	(40)	(40)
Finance income		(3)	(22)	(4)	(23)
Finance expense		50	72	49	67
Net cash outflow from operating activities		**(87,201)**	**(87,148)**	**(82,362)**	**(82,345)**
Cash flows from investing activities					
Finance income		3	22	4	24
Purchase or development of:					
operational assets		(85)	(121)	(104)	(119)
education sector assets		(323)	(323)	(194)	(194)
intangible assets		(89)	(124)	(68)	(91)
Proceeds on disposal of:					
operational assets		2	12	–	–
education sector assets		–	–	12	12
investments		–	1	–	5
assets held for sale		–	–	66	66
Net (draw down)/repayment of:					
student loans	12	(15,768)	(15,768)	(16,073)	(16,073)
PF2 loan assets		–	40	–	40
academy sector loans		9	9	4	4
FE sector loans		(103)	(103)	6	6
other loans		–	–	–	1
Net cash outflow from investing activities		**(16,354)**	**(16,355)**	**(16,347)**	**(16,319)**

	Note	2023-24 Department & Agencies £m	2023-24 Group £m	2022-23 Department & Agencies £m	2022-23 Group £m
Cash flows from financing activities					
Finance expense		(2)	(24)	(1)	(19)
Consolidated Fund Supply	D&A SoCTE	103,822	103,822	98,552	98,552
(Decrease)/increase in receipts to the Consolidated Fund		–	–	–	–
Draw down from the Contingency Fund		–	–	7	7
Repaid to the Contingency Fund		–	–	(7)	(7)
PF2 loan liabilities repaid		–	(24)	–	(22)
Capital element of PF2 notional lease		(16)	(16)	(15)	(15)
Capital element of lease payments		(12)	(15)	(15)	(15)
Interest element of PF2 notional lease		(48)	(48)	(48)	(48)
Interest element of lease payments		(2)	(4)	(1)	(1)
Repayment of long-term investment		11	11	11	11
Net cash inflow from financing activities		**103,753**	**103,702**	**98,483**	**98,443**
Net increase/(decrease) in cash and cash equivalents before adjustment for receipts and payments to the Consolidated Fund		**198**	**199**	**(226)**	**(221)**
Payments of amounts due to the Consolidated Fund		–	–	–	–
Net increase/(decrease) in cash and cash equivalents after adjustment for receipts and payments to the Consolidated Fund		**198**	**199**	**(226)**	**(221)**
Cash and cash equivalents at the beginning of the year net of overdrafts		694	857	920	1,078
Cash and cash equivalents at the end of the year net of overdrafts		**892**	**1,056**	**694**	**857**

The adjustments for non-cash transactions balance is predominately made up of depreciation, amortisation and other non-cash charges (note 6.2) and other losses/(gains) (note 7).

The notes on pages 243 to 307 form part of these accounts.

Consolidated Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2024

	Note	General Fund	Revaluation Reserve	Charitable Reserve	Taxpayers' Equity
		£m	£m	£m	£m
Balance as at 31 March 2022		**96,102**	**9**	**106**	**96,217**
Cumulative transition adjustments on adopting IFRS 16 Leases		272	–	–	272
Revised balance as at 1 April 2022		**96,374**	**9**	**106**	**96,489**
Net parliamentary funding:					
drawn down		98,552	–	–	98,552
deemed		920	–	–	920
Supply payable adjustment		(693)	–	–	(693)
CFERs payable to the Consolidated Fund		–	–	–	–
Comprehensive expenditure for the year		(58,613)	–	14	(58,599)
Non-cash adjustments					
Auditor's remuneration	6.3	1	–	–	1
Movement in reserves					
Other fund movements		13	(2)	–	11
Balance as at 31 March 2023		**136,554**	**7**	**120**	**136,681**
Net parliamentary funding:					
drawn down		103,822	–	–	103,822
deemed		693	–	–	693
Supply payable adjustment		(878)	–	–	(878)
CFERs payable to the Consolidated Fund		(14)	–	–	(14)
Comprehensive expenditure for the year		(90,360)	2	(19)	(90,377)
Non-cash adjustments					
Auditor's remuneration	6.3	1	–	–	1
Balance as at 31 March 2024		**149,818**	**9**	**101**	**149,928**

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 operational assets (see note 8), education sector assets (note 9) and intangible assets.

The Charitable Fund represents total assets less liabilities related to the Group's training boards less unrealised revaluation adjustments to operational assets (see note 8) and intangible assets.

The notes on pages 243 to 307 form part of these accounts.

Department and Agencies Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2024

	Note	General Fund	Revaluation Reserve	Taxpayers' Equity
		£m	£m	£m
Balance as at 31 March 2022		**96,019**	**6**	**96,025**
Cumulative transition adjustments on adopting IFRS 16 Leases		272	–	272
Revised balance as at 1 April 2022		**96,291**	**6**	**96,297**
Net parliamentary funding:				
drawn down		98,552	–	98,552
deemed		920	–	920
Supply payable adjustment		(693)	–	(693)
CFERs payable to the Consolidated Fund		–	–	–
Comprehensive expenditure for the year		(58,586)	–	(58,586)
Non-cash adjustments				
Auditor's remuneration	6.3	1	–	1
Movement in reserves				
Other fund movements		9	1	10
Balance as at 31 March 2023		**136,494**	**7**	**136,501**
Net parliamentary funding:				
drawn down		103,822	–	103,822
deemed		693	–	693
Supply payable adjustment		(878)	–	(878)
CFERs payable to the Consolidated Fund		(14)	–	(14)
Comprehensive expenditure for the year		(90,371)	–	(90,371)
Non-cash adjustments				
Auditor's remuneration	6.3	1	–	1
Balance as at 31 March 2024		**149,748**	**7**	**149,755**

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.

The Revaluation Reserve reflects the unrealised element of the cumulative balance of the revaluation adjustments to operational assets (see note 8), education sector assets (note 9) and intangible assets.

The notes on pages 243 to 307 form part of these accounts.

Notes to the accounts

1. Accounting policies

These accounts have been prepared in accordance with the 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 (GRAA).

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 this financial year 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 Estimates 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, investment properties, 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 (and its bodies) for the foreseeable future.

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 and underlying assumptions are based on historic and other factors, are reviewed regularly and are believed to be reasonable.

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 property, plant and equipment (PPE) and right-of-use assets, and the timing of de-recognition of assets under construction (AuC) related to the academy and FE sectors.

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 IFRS 16 Leases (IFRS 16). Assets are initially recognised at cost.

1.3.2 Student loans – accounting classification

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 value or amortised cost) student loans fall 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 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 fair value through profit or loss (FVTPL).

1.3.3 Student loans – initial fair value

When student loans are issued they are 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. We have determined that our valuation technique uses data from unobservable markets (see note 12). 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 fair value deferred is subsequently recognised as an in-year remeasurement to fair value. Net fair value gains and losses are recognised within net operating expenditure (see note 7).

1.3.4 Student loans – discount rate

FReM's interpretation of IFRS 9 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 rates of RPI-1.05% and RPI-0.05% (prior year: RPI-1.3% and RPI-0.2%) applicable to cash flows out to February 2030 and post-February 2030, respectively. The discount rates provided by HMT are based on an analysis of real yields on UK index linked Gilts and are specifically appropriate to central government.

The discount rates applied are as follows:

- HMT directed rate: undergraduate Plans 1, 2 and 5 loans, and postgraduate Plan 3 doctoral loans
- intrinsic rate: postgraduate Plan 3 master's loans

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 (undergraduate Plans 1, 2 and 5 loans, and postgraduate Plan 3 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 Office for Budget Responsibility (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 30-40 years, as well as a number of other assumptions, for a large number of borrowers. There is insufficient historic repayment data available for Plans 2 and 3 loans, as they did not enter statutory repayment until 2016. Plan 5 loans started this year so there is no historic data since those loans have not reached any statutory repayment points.

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 12 provides quantitative disclosures on the impact of assumption variations and more detailed narrative over the different assumptions used. Further information on the undergraduate model assumptions[58] is provided on the Department's website.

1.3.6 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:

58 https://www.gov.uk/government/collections/statistics-student-loan-forecasts

- 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.

1.3.7 Leases – treatment of peppercorn leases

Management have reviewed the large number of leases with nil consideration entered into by the Department to support the academy and FE sectors as both landlord and tenant. Management consider that the agreements provide a degree of control over specified assets with the Department having no practical ability to substitute assets. Therefore, the Department considers these peppercorn leases to be in scope of the standard.

1.3.8 Leases – short-term leases

FReM requires all departments to adopt the exemption whereby neither a RoU asset nor finance liability is recognised for leases of less than twelve months duration (short-term leases). Consequently, rentals for all short-term leases are expensed as incurred.

1.3.9 Leases – low value assets

FReM requires departments to apply the exemption to retain an expense treatment for rentals for leases of assets classified as low value. Low value is not based on a monetary threshold, rather it is an assessment of the asset's inherent value to the reporting body. The standard removes motor vehicles from the scope of the exemption.

Management judges that leased office equipment to be low value in that the assets are ancillary to operation of the Group and the assets are consumable and generic. All office equipment leases have been classified as low value.

1.3.10 Leases – discount rate

The Department has taken advantage of the FReM interpretation and applied the discount rate provided by HMT to calculate the initial values for leases. The rate is provided annually for leases entered into based on a calendar year.

1.3.11 Leases – classification of outbound leases

Where freehold or leasehold assets (termed parent assets in this ARA) are leased out to third parties IFRS 16 requires an assessment to be made as to the nature of the outbound lease. The assessment is based on the transfer of risks and rewards of ownership between the Department and its tenant. Where leases are judged to transfer the majority of risks and rewards the lease is classified as a finance lease, otherwise leases are considered to be operating leases.

Where the lease is judged to be a finance lease, the parent asset, to the extent covered by the outbound lease, is de-recognised once the asset is judged to be controlled by the tenant. The Department considers control to pass once the lease has been signed with the tenant; or in the case of providers a licence to occupy the site lawfully has been signed prior to signing the final long-term lease. Where the de-recognised parent asset is leased out under a commercial finance lease, a lease receivable will be recognised for the future lease receipts.

Where the lease is judged to be an operating lease the parent asset, to the extent covered by the outbound lease, is reclassified to investment property. Under FReM's adoption of IAS 40 Investment Properties such assets will be held at fair value and not depreciated.

1.4 Basis of consolidation

1.4.1 Approach

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 GRAA. 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 at 31 December 2023, which is within three months of the Group's year end:

- Aggregator Vehicle Plc
- Engineering Construction Industry Training Board

Academy trusts 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.

The FE sector has been excluded from this consolidated ARA under the terms of a derogation to consolidate issued by HMT. The Department continues to work with HMT and Parliament to identify the consolidation approach for the sector, such as consolidation into the Group, into a standalone ARA or another approach.

1.5 Adoption of FReM amendments

There have been no significant amendments to FReM for this reporting year.

1.6 Early adoption

The Group has not early adopted any accounting standards in this reporting year.

1.7 IFRSs in issue but not yet effective

In order to comply with the requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the Group must disclose where it has not applied a new IFRS that has been issued but is not yet effective. The Group has carried out a review of the IFRSs in issue but not yet effective, to assess their impact on its accounting policies and treatment.

1.7.1 IFRS 17 Insurance Contracts

Effective for central government bodies for annual periods beginning on or after 1 April 2025. Next year's FReM will present adaptations and interpretations to the standard for public sector adoption.

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 Insurance Contracts (IFRS 4).

The Group adopts insurance accounting for its risk protection arrangement (RPA) for schools and academies. However, RPA activities are immaterial to the Group's financial reporting, so we do not expect a material impact once IFRS 17 is introduced.

1.7.2 IFRS 18 Presentation and Disclosure in Financial Statements

This standard was issued on 9 April 2024 with an effective date for the private sector of reporting periods beginning on or after 1 January 2027. The standard has not yet been adopted by FReM, so there is as yet no effective date for central government bodies.

The objective of the standard is to set out requirements for the presentation and disclosure of information in financial statements to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.

Until the standard is adopted into FReM, with adaptations and interpretations for the public sector context decided, it is not possible for the Department to assess the impact on our reporting.

1.7.3 IFRS 19 Subsidiaries without Public Accountability: Disclosures

This standard was issued on 9 May 2024 with an effective date for the private sector of reporting periods beginning on or after 1 January 2027. The standard has not yet been adopted by FReM, so there is as yet no effective date for central government bodies.

This standard, as issued, addresses how subsidiaries of IFRS-applying entities present their own IFRS-compliant financial statements. The Department is not a subsidiary of a parent company so we do not expect this standard to have any significant impact on our reporting. However, until the standard is adopted into FReM with public sector context adaptations and interpretations, the position cannot be fully determined.

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.

Since segmental information for total assets and liabilities is not regularly reported to the chief operating decision-maker and in compliance with the FReM, it has not been re-produced in these accounts.

1.9 Income

Group income is authorised in the Supply Estimates (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 Group 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 levy income, registration fee satisfaction is judged in both cases to occur across the registration year. The social care practitioner consumes the benefit of registration over time through being able to operate in the sector. HE providers 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 responsible body (such as a 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 responsible body to fund the upgrade.

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 sells 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 obligation and receipt of income. Revenue recognition is immediate.

Master servicer fees

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 considers 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 and local authority-maintained schools. 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

Expenditure to support the Group's policy aims is delivered in two main ways:

- grant funding payable under legislation, such as NFF payments funding local authority-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.

Contractual funding

Accruals accounting is adopted for contractual funding owing to the higher degree of certainty of the Group's obligations. In addition, contractual funding is generally provided on the basis of post-activity claims made by the end user to the agency providing a measure of certainty of outcome.

1.12 Policy funding recoveries

Policy funding may generate overfunding or unspent amounts. We do not recognise a prepayment if the end user has not spent the funding due to timing or delays. However, where recoveries of overfunding or unspent amounts cross a year end a receivable will be recognised.

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.

The Group will seek to recover overfunding through reprofiling future funding payments, to bring the total payments into line with the final funding obligation. When identification of overfunding is early enough in the funding's period, recovery will occur within the same programme period. If identification of overfunding is later in the funding period, recovery will occur in the next grant cycle. This approach is suited to annual funding payments which are paid evenly across a year, such as general annual grant funding academies.

Unspent amounts

Sometimes recipients are unable to apply time bound funding as intended, which means funds may be left unspent within the stipulated timescale. Where the Group chooses to recover such unspent amounts, a claim will be made to the recipient to recover the funds. This approach is more common for single funding payments where there are no future payments to reprofile as described above.

1.13 Leases

1.13.1 Lessee accounting

Right-of-use assets

The Group recognises a right-of-use asset (RoU asset) and lease liability (if a commercial lease) at the commencement date. The RoU asset is initially measured at cost, which comprises the initial value of the lease liability adjusted for initial direct costs, prepayments or incentives, and costs related to restoration at the end of a lease. The initial value for peppercorn leases of provider development sites is found from a depreciated replacement cost of the land element of the leased asset.

RoU assets are subsequently measured at either fair value or current value in existing use in line with property, plant and equipment assets. The cost measurement model in IFRS 16 is used as an appropriate proxy for current value in existing use or fair value for the majority of leases (consistent with the principles for subsequent measurement of property, plant and equipment) except for those which meet one of the following:

- a longer-term lease that has no provisions to update lease payments for market conditions or if there is a significant period of time between those updates
- the fair value or current value in existing use of the underlying asset is likely to fluctuate significantly due to changes in market prices

Operational RoU assets are depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the RoU asset or the end of the lease term. The estimated useful lives of the RoU assets are determined on the same basis as those of property, plant and equipment assets. The Group applies IAS 36 Impairment of Assets to determine whether the RoU asset is impaired and to account for any impairment loss identified.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that cannot be readily determined, the rate provided by HMT. Applicable HMT discount rates for leases entered into during the named calendar years were:

- 2022 and earlier – 0.95%
- 2023 – 3.51%
- 2024 – 4.72%

The lease payment is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in the index or rate, if there is a change in the Group's estimates of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments
- variable lease payments that depend on an index or a rate, initially measured using the index rate as at the commencement date

When the lease liability is re-measured a corresponding adjustment is made to the RoU asset or recorded in the SoCNE if the carrying amount of the right of use asset is £nil.

1.13.2 Lessor accounting

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance or operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease, if not then it is an operating lease.

When the Group is an intermediate lessor, it accounts for its interest in the head lease and the sub-lease separately. If a head lease is a short-term lease to which the Group applies the exemption above, then the sub-lease classifies as an operating lease.

The Group recognises lease receipts under operating leases as income on a straight-line basis over the length of the lease terms.

1.14 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 the FReM adaption of 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 ONS. Some assets are of short life and of low value and have used depreciated historical cost as a proxy for fair value.

1.15 Education sector assets

One of the Group's purposes is to fund the acquisition of premises or sites that, ultimately, education providers 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 development site will be recognised by the Group as freehold AuC until such time as the site is complete when it will be leased to a provider and de-recognised from the Group's SoFP. Such assets, whether owned or leased, are presented on the SoFP as educational assets.

The Group measures the value of 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. Additional funds to complete development are recognised as capital grants-in-kind.

Where circumstances existing prior to the year end indicate that AuC cannot be opened as a provider, 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 Non-current Assets Held for Sale and Discontinued Operations (commonly termed 'assets held for sale' (AHfS)). 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.

1.16 Depreciation

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

Asset lives are in the following ranges:

- property – up to 60 years, or the lease term (whichever is shorter)
- other asset types – 3 to 20 years, or the lease term (whichever is shorter)

1.17 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.

1.17.1 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.

Amortised cost

Financial assets classified as amortised cost include:

- trade and other receivables: which have fixed or determinable payments, do not carry any interest, that are not quoted on an active market
- 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 property 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 (SoCF).

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 impairment 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 and investments.

Student loans have been classified to FVTPL because management considers 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 12.

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 note 7.

1.17.2 Financial liabilities

Financial liabilities are measured at amortised cost. Financial liabilities include trade and other payables and loans. The Group does not have complex derivative financial instruments. Financial guarantees are designated to FVTPL on inception. The Group determines the classification of its financial liabilities at initial recognition.

The measurement of financial liabilities depends on their classification, as outlined in the following.

Trade and other payables: excluding non-contractual 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

1.18 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 noted separately. 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.

1.19 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 PPE and intangible assets. Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT.

1.20 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 was part of the wider Priority Schools Building Programme (PSBP) that addressed 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 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 recognised 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. Segmental reporting

Information on operating activities, financial results, forecasts and plans is presented to and reviewed by the Leadership Team to support the focus on Skills, Schools and Families, and the Group's Supply Estimates are also structured in this way.

The 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.

Note 2.1 presents performance analysed by business segments prepared as outturn to reconcile back to note S1; which matches how the Leadership Team manage Group performance. Gross expenditure and income are based on the budgetary framework set out in CBG. Note 2.2 provides a reconciliation to the net expenditure for the year presented in SoCNE.

2.1 Segmental analysis

			2023-24			2022-23
	Gross expenditure	Income	Net expenditure	Gross expenditure	Income	Net expenditure
	£m	£m	£m	£m	£m	£m
Families Group	5,784	–	5,784	5,042	(1)	5,041
Schools Group	66,534	(263)	66,271	62,814	(345)	62,469
Skills Group	68,078	(19,600)	48,478	28,114	(12,881)	15,233
Regions Group	250	–	250	206	–	206
Strategy Group	163	(11)	152	194	(9)	185
Operations and Infrastructure Group	1,076	(161)	915	602	(119)	483
Total	**141,885**	**(20,035)**	**121,850**	**96,972**	**(13,355)**	**83,617**

2.2 Reconciliation between operating segments and SoCNE

2.2.1 2023-24

	Net expenditure per segmental analysis	Reconciling items		Net costs per SoCNE
		Income and gains	Expenditure	
	£m	£m	£m	£m
Families Group	5,784	–	(2)	5,782
Schools Group	66,271	204	(379)	66,096
Skills Group	48,478	4,419	(35,422)	17,475
Regions Group	250	–	(7)	243
Strategy Group	152	–	(3)	149
Operations and Infrastructure Group	915	13	(295)	633
Total	**121,850**	**4,636**	**(36,108)**	**90,378**

2.2.2 2022-23

	Net expenditure per segmental analysis	Reconciling items		Net costs per SoCNE
		Income and gains	Expenditure	
	£m	£m	£m	£m
Families Group	5,041	–	(3)	5,038
Schools Group	62,469	248	(306)	62,411
Skills Group	15,233	3,978	(28,879)	(9,668)
Regions Group	206	–	(7)	199
Strategy Group	185	–	–	185
Operations and Infrastructure Group	483	29	(97)	415
Total	**83,617**	**4,255**	**(29,292)**	**58,580**

2.2.3 Reconciling items

Reconciling items are transactions which are correctly included in budgetary outturn but do not result in SoCNE entries. Transactions are primarily annual movements in non-current assets (loans, PPE, right-of-use assets and intangible assets).

Schools Group includes (see note 9):

- £325 million additions of education sector assets

Skills Group includes in relation to student loans:

- £4.4 billion of student loan repayments, recognised as loan asset repayments
- £20.2 billion of student loan advances and £15.1 billion capitalised loan interest (accounted for as part of the annual fair value movement), which are both recognised as loan asset additions

Operations and Infrastructure Group

- £114 million net loans to the FE sector

3. Income

3.1 Revenue analysis

	2023-24		2022-23	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Income from contracts				
Levy income	–	227	–	196
Fees and charges	43	86	43	82
Sale of goods and services	5	52	3	48
Capital contributions	43	43	51	51
Other income	44	50	9	10
Grant income				
Funds from other government departments	73	74	91	92
European Union funding	–	–	100	100
Other income				
RPA income	101	101	84	84
Rental income	1	1	2	2
Total	**310**	**634**	**383**	**665**

Funds from other government departments relates mainly to income from Department of Health and Social Care for jointly managed projects.

Included within income from contracts is £7 million deferred from the prior year (prior year deferral: £8 million) and recognised in the opening contract liability. EU funding recognised in the table represented more than 10% of total revenue and is reported by the Skills Group segment in note 2.1.

3.2 Revenue streams

3.2.1 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.

3.2.2 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's regulators (Social Work England) each year to receive authorisation to practice. Under the Higher Education and Research Act 2017, HE providers are required to register with their regulator (OfS) if they wish to:

- access public grant funding (such as funding to support teaching) 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 or university title

3.2.3 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 online). Both areas have no significant delay between satisfaction of obligations and recovery of fees. Therefore, income is not deferred but recognised immediately.

3.2.4 Capital contributions

The Group is investing into the education sector estate through its rebuilding programmes for schools and colleges. The Group applies standard design specifications to projects to drive value for money and efficiency. However, responsible bodies 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 education sector buildings; the customer consumes the benefit as their asset is constructed. Consequently, income received from responsible bodies is deferred to the SoFP and revenue is recognised evenly over the construction period.

3.2.5 Risk protection arrangement fees

Fees received from schools (academies and local authority-maintained schools) through membership of the risk protection arrangement are accounted for through IFRS 4.
Fees are recognised evenly over the cover period of September to August.

4. Staff costs

Disclosures relating to staff numbers and costs are detailed within the Remuneration and Staff Report.

5. Policy funding

5.1 Summary

	2023-24		2022-23	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Resource spending				
Families Group	5,539	5,549	4,941	4,950
Schools Group	61,138	61,138	57,095	57,095
Skills Group	12,140	13,713	11,846	13,323
Regions Group	152	152	115	115
Strategy Group	77	77	109	109
Operations and Infrastructure Group	44	44	21	21
Grant-in-aid	1,969	–	1,799	–
Total	**81,059**	**80,673**	**75,926**	**75,613**
Capital spending				
Families Group	141	141	19	19
Schools Group	4,890	4,890	5,151	5,151
Skills Group	653	832	440	534
Regions Group	37	37	37	37
Strategy Group	1	1	–	–
Operations and Infrastructure Group	248	251	61	63
Total	**5,970**	**6,152**	**5,708**	**5,804**

In the following tables, all programmes of less than £150 million spend (Families Group £100 million) value have been aggregated together as ‘Other spending’ for each business segment.

5.2 Resource funding

5.2.1 Values

	2023-24		2022-23	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Families Group				
Early years childcare entitlements	3,966	3,966	3,651	3,651
Free meals (direct grants)	663	663	608	608
Life Skills, Disadvantaged and SEND	271	271	254	254
Children's social care	138	138	99	99
Children in care	111	111	46	46
Other spending	270	270	199	199
Support costs	120	130	84	93
Schools Group				
National funding formula	44,622	44,622	41,956	41,956
High needs funding	9,459	9,459	8,486	8,486
Pupil premium	2,866	2,866	2,685	2,685
Core funding	807	807	879	879
PFI revenue grant	753	753	752	752
High needs funding (16 to 19)	697	697	678	678
Teacher pay grant	534	534	31	31
Primary sport premium	325	325	325	325
Teacher supply	199	199	148	148
School curriculum	185	185	171	171
Other spending	421	421	744	744
Support costs	270	270	240	240
Skills Group				
Core funding (16 to 19)	6,839	6,839	6,586	6,586
Apprenticeships	2,460	2,460	2,430	2,430
Adult education budget	1,359	1,359	1,447	1,447
Teaching grant	48	1,464	48	1,404
HE student support grants	663	663	607	607
Bursary funding	222	222	210	210
Other spending	399	550	441	553
Support costs	150	156	77	86
Regions Group				
Other spending	129	129	93	93
Support costs	23	23	22	22
Strategy Group				
Other spending	83	83	54	54
Support costs	(6)	(6)	55	55
Operations and Infrastructure Group				
Other spending	27	27	15	15
Support costs	17	17	6	6
Grant-in-aid	1,969	–	1,799	–
Total	**81,059**	**80,673**	**75,926**	**75,613**

5.2.2 Significant funding streams

National funding formula

NFF is used to allocate funding to mainstream, state-funded schools. The majority of funding that goes through the schools NFF is 'pupil-led'. This funding is calculated based on the number of pupils in the school and their characteristics. All schools get a basic amount for each pupil (with different amounts for different ages), and extra funding for pupils with additional needs.

Schools also receive 'school-led' funding, based on the characteristics of the school itself. This includes a lump sum for every school, and extra funding for schools with certain characteristics, such as a school that operates across more than one site, or a school that is small and remote.

The school-level allocations are added up to create a total allocation for each local authority. Authorities then set their own local formulae, based on the same factors in the NFF, but with more up-to-date pupil characteristics, to distribute their total allocation between all the schools in their area. Schools receive their funding based on their authority's formula. This means that while the NFF determines how much money each local authority area receives, it is the authorities' own formulae that determine how much each of the schools in the area finally receives.

NFF payments are processed slightly differently to the two different school sectors: dedicated schools grant payments directly to local authorities who then distribute funds to their maintained schools, and general annual grant payments directly to academy trusts to support their academies.

The government has announced its intention to move to a 'direct NFF' whereby there would be a single national formula for all schools in the country. The final consultation closed in 2022 and we have published our response.[59] Implementation of direct NFF will be staggered with the first stage in 2024/25 covering growth and falling rolls, and split site funding.

High needs funding

This funding supports provision for children and young people with SEND from their early years to age 25.

Pupil premium

Extra funding for state-funded schools and early years providers to help them improve the attainment of their disadvantaged pupils.

59 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1153128/_Implementing_the_direct_national_funding_formula_government_consultation_response.pdf

Early years childcare 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-hour entitlement for disadvantaged 2-year-olds
- universal 15-hour entitlement for all 3- and 4-year-olds
- additional 15-hour entitlement for eligible working parents of 3- and 4-year-olds
- early years pupil premium
- disability access fund
- maintained nursery school supplementary funding

Core 16 to 19 funding

Funding for the provision of study programmes for young people. Providers can work through a wide range of establishment types including colleges, sixth forms in schools and academies, special schools, special academies, independent training providers, special post-16 institutions and some HE providers and also via local authorities.

Apprenticeships

Funding that supports the delivery of the apprenticeships programme for young people and adults.

Adult education budget

Funding that aims to engage and provide the skills and learning adults need to progress into work or equip them for an apprenticeship or other learning.

5.3 Capital funding

5.3.1 Values

	2023-24		2022-23	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Families Group				
Children in care	100	100	–	–
Other spending	41	41	19	19
Schools Group				
School condition allocations	1,795	1,795	2,242	2,242
High needs funding	954	954	1,198	1,198
Free schools	910	910	693	693
Basic needs schools capital	746	746	535	535
School capital improvement	395	395	159	159
Other spending	90	90	324	324
Skills Group				
College condition improvement	320	320	–	–
Other spending	333	512	440	534
Regions Group				
Other spending	37	37	37	37
Strategy Group				
Other spending	1	1	–	–
Operations and Infrastructure Group				
School condition improvement	173	176	43	45
Other spending	75	75	18	18
Total	**5,970**	**6,152**	**5,708**	**5,804**

5.3.2 Significant funding streams

School condition allocations

Spending 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 MATs and larger voluntary aided school bodies receive funding directly to invest across their schools. Smaller academy trusts, voluntary aided bodies and sixth-form colleges are instead able to bid for condition improvement funding.

School condition 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

The drop in spending across the two years is predominantly due to the £447 million of additional one-off capital funding last year. This funding was allocated for capital projects, prioritising projects that improved the college estate's energy efficiency.

High needs funding

Supports provision for children and young people with SEND from their early years to age 25, enabling both providers to meet their statutory duties under the Children and Families Act 2014.

Free schools

Grants include both the value of the sites leased to academy trusts and spending on development sites which are not recognised as Group assets. Programme spending for sites recognised as education sector assets is recognised as asset additions and is not expensed.

Basic needs schools capital

This supports the statutory duty to provide sufficient school places that sits with local authorities. We provide authorities with funding for every place that is needed in their area, based on their own data on pupil number forecasts.

Priority school building programme

This funding 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 the years presented in the table reflects the gradual completion of individual school projects in this programme.

College condition improvement

The Group provides funds to ensure college condition improvement through:

- the further education capital transformation programme provided £257 million to upgrade and transform, and significantly reduce the proportion of the college estate not fit for purpose or in unsatisfactory condition
- the T Levels capital fund provided £63 million to support eligible further education providers offering T Levels from September 2024

Skills Group other spending

Includes the T Levels capital fund (to support eligible further education providers delivering T Levels from September 2023 onwards) and Institutes of Technology (collaborations between FE providers, HE providers and employers) to deliver higher technical education that gives employers the skilled workforce they need.

Children in care

The Department provided £100 million of funding to support local authorities in delivering the expansion of the 30-hour early years entitlement for working families and of wraparound provision in primary schools.

6. Operating expenditure

6.1 Purchase of goods and services

	2023-24		2022-23	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
IT and telecommunications costs	119	231	92	215
Advertising and publicity	48	51	37	40
Other professional fees	28	60	27	53
Research and development costs	27	29	29	30
Building, maintenance and premises costs	12	29	7	19
Staff related costs	12	15	11	14
Rentals under leases to which exemptions have been applied	6	7	9	12
Release of accrued rent	(17)	(17)	–	–
Other expenditure	40	61	23	43
Total	**275**	**466**	**235**	**426**

During the year the Department identified an error whereby rent accrued under the previous accounting policy was still recognised on the SoFP. The error was judged to be immaterial and so has been corrected by reversing the balance as a credit to the rent expense.

6.2 Depreciation, amortisation and other non-cash charges

	2023-24		2022-23	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Depreciation:				
owned assets	–	19	7	12
leased assets	29	21	20	25
Amortisation	28	54	26	54
Impairment	2	3	98	96
Provisions: net movement	155	182	78	107
Financial guarantees: net movement	8	8	20	20
Loss on disposal	8	8	59	59
Other expenditure	1	1	1	1
Total	**231**	**296**	**309**	**374**

Included in other expenditure are audit fees, presented in more detail as follows.

6.3 Audit fees

	2023-24		2022-23	
	Department & Agencies	Group	Department & Agencies	Group
	£000	£000	£000	£000
Group audit:				
non-cash	1,195	1,195	1,141	1,141
cash – NAO	–	885	–	829
cash – non-NAO	–	40	–	20
SARA audit:				
cash – NAO	550	550	505	505

Non-cash audit fees for the Department and Agencies are included in note 6.2 as other expenditure. Non-cash audit fees are charged by NAO but are not paid. The audit fees are recognised as an expense but also as a credit to reserves in both Statements of Changes in Taxpayers' Equity (SoCTEs). Cash audit fees for NDPB audit costs are included within other professional fees in note 6.1.

The Department is responsible for preparing SARA which is then audited by NAO. As SARA is an amalgamation of operational academy trusts it does not bear central costs itself. Consequently, NAO's fee for auditing SARA is recognised in this ARA not SARA.

7. Other losses/(gains)

	2023-24		2022-23	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Annual valuation movements:				
student loans	2,469	2,469	(23,883)	(23,883)
investments	(22)	(22)	2	2
On de-recognition:				
write-off of student loans	121	121	94	94
write-off of non-student loans	6	6	6	6
Losses on student loans	8	8	3	3
Total	**2,582**	**2,582**	**(23,778)**	**(23,778)**

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 are the net balances between:

- £17.9 billion of unrealised losses (prior year: £15.2 billion unrealised gains)
- £15.1 billion of capitalised interest gains (prior year: £8.7 billion gains)

8. Operational assets

The Group has split its property, plant and equipment asset and leased right-of-use (RoU) asset financial reporting based on the Group's usage rather than the relevant financial reporting standard. This split reflects the differing risk exposures presented by the different activities.

This note presents information concerning assets we use to support our operational activities, primarily office blocks. Note 9 Education sector assets presents information about our activities supporting educational provider operations. Both notes contain both owned (under IAS 16) and leased (under IFRS 16) assets.

The property asset class includes freehold and leasehold sites, as well as leasehold improvements on leased sites recognised as RoU assets. AuC primarily consists of property-based assets such as property improvements midway through completion for our office estate. 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.

The Group operates from multiple sites, with all but three being leased. The Group's surveyors revalue land and buildings in accordance with the Royal Institute of Chartered Surveyors' appraisal and valuation manual. The owned properties, Bircham Newton, Erith, and Inchinnan, were most recently valued on 31 March 2024 by Montagu Evans LLP.

8.1 Values

8.1.1 2024

	Property	AuC	Other assets	Total
	£m	£m	£m	£m
Cost or valuation				
1 April 2023	226	30	79	335
Additions	65	48	8	121
Disposals	(8)	–	(4)	(12)
Revaluations	1	–	2	3
Reclassifications	6	(6)	–	–
Lease modifications	(20)	–	–	(20)
At 31 March 2024	**270**	**72**	**85**	**427**
Depreciation				
1 April 2023	(54)	–	(57)	(111)
Charged in year	(30)	–	(10)	(40)
Eliminated on disposal	5	–	4	9
Lease modifications	33	–	–	33
Revaluation	–	–	(1)	(1)
At 31 March 2024	**(46)**	**–**	**(64)**	**(110)**
Carrying value at 31 March 2024	**224**	**72**	**21**	**317**

Analysis of the year end carrying values by holding route and reporting body is provided below:

	Property	AuC	Other assets	Total
	£m	£m	£m	£m
Analysis of carrying value by control type				
Owned	33	72	21	126
Leased	191	–	–	191
Total	**224**	**72**	**21**	**317**
Analysis of carrying value by Group body				
Department	172	70	9	251
Agencies	–	–	–	–
NDPBs	52	2	12	66
Total	**224**	**72**	**21**	**317**

8.1.2 2023

	Property	AuC	Other assets	Investment property	Total
	£m	£m	£m	£m	£m
Cost or valuation					
1 April 2022	42	274	72	12	400
Recognised on adoption of IFRS 16	125	–	–	–	125
Revised opening balance 1 April 2022	**167**	**274**	**72**	**12**	**525**
Additions	49	26	8	–	83
Disposals	(1)	–	(5)	–	(6)
Reclassified to education sector assets	–	(241)	–	(12)	(253)
Reclassifications	23	(29)	4	–	(2)
Lease modifications	(12)	–	–	–	(12)
At 31 March 2023	**226**	**30**	**79**	**–**	**335**
Depreciation					
1 April 2022	(19)	–	(50)	–	(69)
Recognised on adoption of IFRS 16	(11)	–	–	–	(11)
Revised opening balance 1 April 2022	**(30)**	**–**	**(50)**	**–**	**(80)**
Charged in year	(25)	–	(12)	–	(37)
Eliminated on disposal	1	–	5	–	6
At 31 March 2023	**(54)**	**–**	**(57)**	**–**	**(111)**
Carrying value at 31 March 2023	**172**	**30**	**22**	**–**	**224**

Analysis of the year end carrying values by holding route and reporting body is provided below:

	Property	AuC	Other assets	Investment property	Total
	£m	£m	£m	£m	£m
Analysis of carrying value by control type					
Owned	36	30	22	–	88
Leased	136	–	–	–	136
Total	**172**	**30**	**22**	**–**	**224**
Analysis of carrying value by Group body					
Department	140	30	12	–	182
Agencies	–	–	–	–	–
NDPBs	32	–	10	–	42
Total	**172**	**30**	**22**	**–**	**224**

8.2 Leasing activities

8.2.1 2024

	Property	AuC	Other assets	Total
	Number	Number	Number	Number
Leases for which IFRS 16 is adopted in full				
Opening volume at 1 April 2023	37	–	98	135
New leases entered into	4	–	–	4
Existing leases expired	(8)	–	(19)	(27)
Existing leases surrendered	(4)	–	(3)	(7)
Closing volume at 31 March 2024	**29**	**–**	**76**	**105**
Leases for which the short-term exemption was applied				
Opening volume at 1 April 2023	9	–	84	93
New leases entered into	–	–	–	–
Existing leases expired	(8)	–	(79)	(87)
Closing volume at 31 March 2024	**1**	**–**	**5**	**6**
Leases for which the low value exemption was applied				
Opening volume at 1 April 2023	–	–	5	5
New leases entered into	–	–	–	–
Existing leases expired	–	–	(3)	(3)
Closing volume at 31 March 2024	**–**	**–**	**2**	**2**
Total number of leases at 31 March 2024	**30**	**–**	**83**	**113**

8.2.3 2023

	Property	AuC	Other assets	Investment property	Total
	Number	Number	Number	Number	Number
Leases for which IFRS 16 is adopted in full					
at 1 April 2022	35	–	125	–	160
at 31 March 2023	37	–	98	–	135
Leases for which the short-term exemption was applied					
at 31 March 2023	9	–	84	–	93
Leases for which the low value exemption was applied					
at 31 March 2023	–	–	5	–	5
Total number of leases at 31 March 2023	**46**	**–**	**187**	**–**	**233**

The majority of the other assets leases are for motor vehicles.

9. Education sector assets

9.1 Background

The Department supports the academy and FE sectors in identifying and developing sites for occupation by academy trusts or colleges to deliver educational provision. The Department acquires these sites, develops them, and then leases them to providers on generally 125-year peppercorn leases. The Department has acquired sites through both freehold and leasehold tenure, with some leasehold sites held on long (>99 years) and very long (>150 years) leases. As a result, the Department acts as both a lessee (for inbound leases and asset creation) and lessor (for outbound leases and asset de-recognition).

All education sector assets are held and reported by the Department.

A small volume of shorter-term commercial leases has been entered into to support provider operations. These leases, which typically last from 5 to 25 years, are separate from leases included in the short-term exemption. They provide temporary accommodation to operational providers whilst their permanent site is developed or for sitting tenants on mixed-use sites.

The majority of outbound leases have been assessed as being finance leases since the long-term, peppercorn nature of the lease transfers significantly all the risks and rewards of ownership of the leased assets to the lessees (mainly academy trusts). This approach mirrors the lease recognition approach the Department has adopted for preparing the SARA for the lessee position of the academy trusts. The classification of the outbound lease as a finance lease results in the de-recognition of the previously recognised parent asset whether owned or leased.

In some instances where the initial parent asset acquisition was on a very long lease (>250 years) the 125-year outbound lease does not transfer the majority of risks and rewards of ownership of the leased parent asset due to the difference in lease durations. In such situations the parent asset is retained and reclassified to a leasehold investment property.

9.1.1 Assets under construction

Sites are initially recognised at cost as AuC (both freehold or leasehold) until they are completed and leased to the education provider for use through an outbound lease. The classification of the outbound lease informs the subsequent accounting treatment for the parent AuC.

When the outbound lease is classified as a finance lease the AuC parent asset is de-recognised as a capital grant-in-kind. Where the outbound lease is judged to be an operating lease, the asset is reclassified to investment property, but remains within the educational sector asset caption.

In the event of an education provider failure, we may step in to acquire the site to maintain education provision or to allow for a repurpose in the education sectors we support. Newly recognised assets are classified as AuC since they are non-operational and presented in the 'transferred in from education providers' row in the disclosures.

9.1.2 Investment properties

Investment properties can include both education providers and third-party accommodation.

On a limited number of occasions, to secure suitable premises where availability is limited, the Department has acquired mixed-use sites which include both an education provision site and third-party accommodation. Where appropriate, the Department 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.

Where the outbound lease to the third-party is judged to be an operating lease the parent asset is reclassified from AuC to the investment property asset class. Investment property assets are not depreciated but are fair valued each year. Where the outbound lease is judged to be a finance lease the parent asset is de-recognised.

9.2 2024

9.2.1 Values

	Freehold		Leasehold		
	AuC	Investment property	AuC	Investment property	Total
	£m	£m	£m	£m	£m
Cost or valuation					
1 April 2023	398	62	115	36	611
Additions	–	–	46	–	46
In-year development spend	196	5	121	1	323
Transferred in from education providers	–	–	–	–	–
Disposals	(6)	–	(2)	–	(8)
De-recognition through lease to providers or third parties	(135)	–	(7)	–	(142)
Impairment	–	–	–	–	–
Reclassifications	(86)	34	(25)	63	(14)
Revaluations	–	–	–	–	–
Lease modifications	–	–	4	–	4
At 31 March 2024	**367**	**101**	**252**	**100**	**820**
Carrying value at 31 March 2024	**367**	**101**	**252**	**100**	**820**

No depreciation is charged on AuC and investment properties. All education sector assets are held by the Department.

9.2.2 Volumes

	Freehold		Leasehold		
	AuC	Investment property	AuC	Investment property	Total
	Number	Number	Number	Number	Number
Assets recognised at 1 April 2023	42	23	27	23	115
New assets recognised in year	11	–	6	1	18
Reclassification across asset classes	(4)	4	(6)	6	–
Reclassified to AHfS	(2)	(1)	(2)	–	(5)
Assets de-recognised in year	(10)	(3)	(1)	–	(14)
Assets disposed of	–	–	(1)	–	(1)
Assets recognised at 31 March 2024	**37**	**23**	**23**	**30**	**113**
Add back:					
assets de-recognised in year	10	3	1	–	14
assets de-recognised in prior year	15	–	7	–	22
assets de-recognised pre-adoption of IFRS 16	111	–	34	–	145
Total assets held at 31 March 2024	**173**	**26**	**65**	**30**	**294**

9.3 2023

9.3.1 Values

	Freehold		Leasehold		
	AuC	Investment property	AuC	Investment property	Total
	£m	£m	£m	£m	£m
Cost or valuation					
1 April 2022	–	–	–	–	–
Recognised on adoption of IFRS 16:					
lease recognition	9	65	25	12	111
AuC pulled back from SARA	168	–	26	–	194
Revised opening balance 1 April 2022	**177**	**65**	**51**	**12**	**305**
Additions	–	–	44	–	44
Reclassified from operational assets	241	12	–	–	253
In-year development spend	171	–	21	2	194
Disposals	(65)	(60)	–	–	(125)
De-recognition through lease to providers or third parties	(53)	–	(1)	–	(54)
Impairment	–	(55)	–	–	(55)
Reclassifications	(73)	100	–	22	49
Movement in fair value	–	–	–	–	–
At 31 March 2023	**398**	**62**	**115**	**36**	**611**
Carrying value at 31 March 2023	**398**	**62**	**115**	**36**	**611**

No depreciation is charged on AuC and investment properties. All education sector assets are held by the Department.

9.3.2 Volumes (revised)

	Freehold		Leasehold		
	AuC	Investment property	AuC	Investment property	Total
	Number	Number	Number	Number	Number
Assets recognised at 1 April 2022	–	–	–	–	–
Assets recognised on adoption of IFRS 16	54	23	31	22	130
New assets recognised in year	7	–	7	1	15
Reclassified to AHfS	(1)	–	–	–	(1)
Assets de-recognised in year	(15)	–	(7)	–	(22)
Assets disposed of	(3)	–	(4)	–	(7)
Assets recognised at 31 March 2023	**42**	**23**	**27**	**23**	**115**
Add back:					
assets de-recognised in year	15	–	7	–	22
assets de-recognised pre-adoption of IFRS 16	111	–	34	–	145
Total assets held at 31 March 2022	**168**	**23**	**68**	**23**	**282**

Further work during the year allowed a better lens to be applied to our leasing activities which identified additional assets than disclosed last year. In the majority of cases the increase is because multiple assets were identified arising from single leases.

9.4 Leasing activities

9.4.1 Volume of leases

	2024		2023	
	Lessee (inbound)	Lessor (outbound)	Lessee (inbound)	Lessor (outbound)
	Number	Number	Number	Number
Leases active at 1 April	82	248	78	227
New leases entered into in year	6	26	7	35
Expired in year	–	(8)	(1)	(8)
Surrendered in year	(1)	(4)	(2)	(6)
Leases active at 31 March	**87**	**262**	**82**	**248**

The table presents the volume of the Department's leasing activities across both years to support educational sector provision.

9.4.2 Analysis of lessor positions

2024

	Finance leases		Operating leases		
	Provider sites	Third-party sites	Provider sites	Third-party sites	Total
	Number	Number	Number	Number	Number
Active leases at 1 April 2023	144	50	19	35	248
New leases in year	11	3	9	3	26
Expired in year	–	(1)	(2)	(5)	(8)
Surrendered in year	(1)	(1)	(1)	(1)	(4)
Active at 31 March 2024	**154**	**51**	**25**	**32**	**262**
Analysed by tenure:					
freehold parent asset	117	41	7	18	183
leasehold parent asset	31	10	17	14	72
mixed tenure parent asset	6	–	1	–	7
Total	**154**	**51**	**25**	**32**	**262**

2023

	Finance leases		Operating leases		
	Provider sites	Third-party sites	Provider sites	Third-party sites	Total
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
	Number	Number	Number	Number	Number
Active leases on adoption of IFRS 16 at 1 April 2022	123	47	24	33	227
New leases in year	25	5	1	4	35
Expired in year	–	–	(6)	(2)	(8)
Surrendered in year	(4)	(2)	–	–	(6)
Active at 31 March 2023	**144**	**50**	**19**	**35**	**248**
Analysed by tenure:					
freehold parent asset	108	39	7	19	173
leasehold parent asset	31	11	12	16	70
mixed tenure parent asset	5	–	–	–	5
Total	**144**	**50**	**19**	**35**	**248**

9.4.3 Explanation

The prior year lessor volumes have been restated after process improvements to the Department's understanding of leases identified additional leases. Work continues to design and adopt a comprehensive lease management system for the Department's educational sector asset activities.

10. Financial instruments

10.1 Financial assets

	2024		2023	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Fair value through profit or loss				
Student loans	150,982	150,982	137,804	137,804
Investments	68	68	58	58
Amortised cost				
Other loans	291	765	196	692
Receivables	391	411	689	721
Cash at bank	892	1,056	694	857
Total	**152,624**	**153,282**	**139,441**	**140,132**

10.2 Financial liabilities

	2024		2023	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Amortised cost				
Payables	1,690	1,742	1,701	1,755
Lease liabilities	197	229	152	166
PF2 imputed lease liabilities	567	567	583	583
PF2 loan liabilities	–	478	–	502
Financial guarantees	39	39	65	65
Total	**2,493**	**3,055**	**2,501**	**3,071**

10.3 Fair values

	2024		2023	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Level 1 (quoted market price)				
Investments	–	–	1	1
Level 2 (other observable inputs)				
None	–	–	–	–
Level 3 (non-observable inputs)				
Student loans	150,982	150,982	137,804	137,804
Retention note	68	68	57	57
Total	**151,050**	**151,050**	**137,862**	**137,862**

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 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.

11. Financial risk

11.1 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.

11.1.1 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 student loans and PF2 loans) and the funding of education providers.

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 12.

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 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.

11.1.2 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 school construction were aligned to the planned drawdowns from the external investors to manage liquidity risk. The Group's PF2 loan assets and loan liabilities have aligned maturity profiles, the loan assets are used to service the loan liabilities.

In addition, the majority of the Group's education sector leases are peppercorn leases with no liquidity exposure. Operational asset leases are covered by Supply funding.

Consequently, the Group is therefore not exposed to significant residual liquidity risk.

11.1.3 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 Plan 1 undergraduate 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 Plan 1 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 12 and Annex C.

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 the Group is exposed to significant residual interest rate risk.

11.1.4 Market risk

Investments

The Group is exposed to market risk through its small investment portfolio held by its two industry training boards. The majority of the Group's investment portfolio comprises investment funds 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.

Student loans

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 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.

11.2 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.

In summary, the transactions involved are:

- external investor funding is raised (liabilities of the Group)
- onward loans are made to each of the five regional consortia (assets of the Group)
- the consortia undertake their school building construction projects, with assets controlled by the local authority or academy trust as relevant
- adopting the Group's asset recognition accounting policy, the school assets are not recognised by the Group
- an imputed lease liability is recognised in respect of future unitary charges payable to the consortia to cover the construction value of the schools

12. Student loans

Loans for students in higher education and further education are originated and recognised by the Group. Student loans can be split into different repayment plans depending upon which education sector the borrowers are members of and when the loans were taken out. Depending on circumstances it is possible for borrowers to have loans across different plans. The plans are as follows:

- Plan 1 loans – loans taken out for undergraduate courses that started before 1 September 2012
- Plan 2 loans – loans taken out for new undergraduate courses that started on or after 1 September 2012 until 31 August 2023, including advanced learner loans
- Plan 3 loans – loans for postgraduate master's courses starting on or after 1 August 2016 and postgraduate doctoral courses starting on or after 1 August 2018
- Plan 5 loans – loans taken out for new undergraduate courses that started on or after 1 August 2023, including advanced learner loans

Plan 2 will continue to be a live plan until existing borrowers who started their undergraduate courses on Plan 2 finish their courses.

Plan 4 loans are issued solely by Student Awards Agency Scotland so do not form part of the Group's activities.

Features of student loans, such as repayment thresholds and interest rates can be found online.[60] Annex C presents background information about student loans and extends the following disclosures across the sub-portfolios.

12.1 Values

	2024		2023	
	Carrying value	Face value	Carrying value	Face value
	£m	£m	£m	£m
Balance at 1 April	137,804	203,263	97,942	178,532
New loans issued	20,174	20,174	20,038	20,038
Interest charged	–	15,138	–	8,752
Repayments	(4,406)	(4,406)	(3,965)	(3,965)
Write-offs	(121)	(121)	(94)	(94)
Fair value (loss)/gain	(2,469)	–	23,883	–
Balance at 31 March	**150,982**	**234,048**	**137,804**	**203,263**
Analysed across plans as:				
Plan 1	13,164	28,054	14,662	28,203
Plan 2	127,791	196,438	118,158	170,017
Plan 3	6,252	5,823	4,984	5,043
Plan 5	3,775	3,733	–	–
Total	**150,982**	**234,048**	**137,804**	**203,263**
Disclosed as:				
current assets	4,233		4,016	
non-current assets	146,749		133,788	
Total	**150,982**		**137,804**	

Under IFRS 9, student loans are recognised at fair value. In determining the fair value of student loans, the Department discounts all future cash flows, including the interest that is expected to be received. As a result, a single fair value movement is recognised in the SoCNE.

Fair value movements are excluded from the face value of student loans. The closing face value is made up of the opening face value plus additions and interest, less repayments and write-offs.

12.2 Budgetary performance (outturn)

The following table provides an analysis of the budgetary outturn of student loans. As well as the overall outturn, the fair value (gain)/loss is also analysed across its two elements: the initial transaction fair value movement (reflecting the proportion of loan outlay we expect not to recover when loans are issued) and the year end re-assessment (which captures movements between issue and year end). The budgetary analysis supports the Department's fiscal reporting to HMT. Positive numbers are costs, whereas negative numbers are benefits.

60 https://www.gov.uk/government/publications/student-loans-a-guide-to-terms-and-conditions

The spending control on student loans was revised this year and the budgeting treatment of the fair value movement was updated as a result. The budget category of components of the fair value movement relate to the degree of control the Department has over their drivers. For instance, the discount rate applied to student loan repayments is set by HMT outside of the Department’s control, and as such the outturn resulting from a change in the discount rate is scored to RAME.

The revised spending control required a change in analysis of the fair value movements which could not be applied retrospectively to the prior year’s performance. Consequently, we have not presented prior year values in the table below.

	2024
	£m
Net lending	
CAME	
Loan advances	20,174
Repayments	(4,406)
Capitalised interest	15,138
Write-offs	121
Total net lending	**31,027**
Initial fair value (gain)/loss on loan origination	
RDEL	
Impact of policy changes	8
Residual fair value change	5,476
RAME	
Impact of discount rate change	282
Sub-total	**5,766**
Annual fair value (gain)/loss	
RDEL	
Modelling differences	1,153
Operational costs movement	124
Residual fair value change	(846)
RAME	
Unwinding the discount	(5,428)
Impact of discount rate change	2,074
Modelling differences	(253)
CAME	
Write-offs	(121)
Sub-total	**(3,297)**
Total fair value (gain)/loss	**2,469**
Total outturn	**33,496**
Analysed as:	
CAME	30,906
RAME	(3,325)
RDEL	5,915
Total outturn	**33,496**

12.3 Fair value (gain)/loss analysis

12.3.1 Background

The total fair value (gain)/loss movement (covering both the initial and year end elements) is calculated through modelling as described elsewhere as a single value per plan from known model inputs.

Due to additional information being available this year, we are able to directly associate the movements in note 12.2 in the following table.

12.3.2 Analysis

Description	2024	2023	Movement improvement/ (worsening)
	£m	£m	£m
Overall annual fair value (loss)/gain – calculated	**(2,469)**	**23,883**	**(26,352)**
Which can be dis-aggregated into the following drivers:			
deferral of the difference in fair value and amount advanced to students on new loans	(5,766)	(5,496)	(270)
write-offs	121	94	27
impact of changes in assumptions and modelling*	(900)	–	(900)
operational costs	(124)	(580)	456
discount rate change*	(2,074)	–	(2,074)
unwinding of the discount	5,428	14,221	(8,793)
residual fair value movement	846	15,644	(14,798)

*relates to data unavailable in 2023

Deferral of the difference in fair value and amount advanced to students on new loans

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. 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.

The movement (£270 million) from last year is driven by an increase in loan outlay and an increase in the HMT discount rate by 0.25% from (1.3%) to (1.05%) for cashflows before February 2023 and by 0.15% thereafter. Increasing the discounting applied to future repayments of student loans means valuing them less, and hence an increase in the difference between student loans and the fair value of those loans on issuance.

Modelling differences

Modelling differences reported this year are not comparable to last year's ARA because they have only been separately identified since the spending control on student loans was revised this year.

The modelling differences shown above can be broken down into two sub-sets:

- differences due to changes in cashflow assumptions (£253 million gain): these relate to small differences in assumptions about when cashflows occur between models within the student finance modelling pipeline
- other differences (£1,153 million loss): these relate to factors other than cashflow timing differences within the different models

Operational costs

In accordance with IFRS 9 operational costs of servicing the loan books are included in the fair value calculation. Operational costs are the costs associated with the collection of student loans throughout the life of the loan. The movement in the discounted cashflow calculation is a component of the fair value movement.

The favourable movement of £456 million from last year relates to updated forecasts for RPI and the HMT-mandated PES rate. Each year operational costs are calculated and adjusted using the discount rate (calculated as RPI+PES rate for the full term of the loan). The discount rate (relative to RPI) has increased compared to the rate in place for last year, meaning less value is being placed on future operational costs. RPI forecasts also have increased since last year. These favourable movements are partially offset by an overall increase in operational costs of 9% when compared to 2022-23.

Discount rate change

The closing carrying value of student loans reflects a reduction of £2,074 million from the impact of the change in the discount rate applied in the year end valuation. This impact can now be identified separately due to the recent revisions to the budgeting treatment. There is no comparable figure for the prior year.

Unwinding the discount

This fair value movement arises from removing one year's worth of discounting from the year end valuation of student loans. This year's gain of £5428 million is £8,974 million lower than that reported last year due to the year end RPI forecast, 7.5%, being considerably lower than that in 2022-23 12.7%. Decreased discounting means less gain from unwinding the discount.

Write-offs

The movement here relates to the amount of student loans which have been written-off in a year. The breakdown by plan type can be seen in Annex C.

Residual fair value movement

This is the fair value movement remaining after the identified drivers have been dis-aggregated. It appears much smaller than in last year due to the additional factors now separately identifiable.

12.4 Valuation modelling

12.4.1 Assurance over the carrying value

Each year the 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.

12.4.2 Impact of changes in assumptions and modelling

Key macroeconomic assumptions that affect the value of the student loan books are earnings growth, RPI inflation and the Bank of England base rate (Plan 1 loans only). These macroeconomic assumptions are based on OBR forecasts as they are considered to be the most reliable and span the length of time required for consideration for student loan repayments. Other assumptions, for example, that future graduate earnings will mimic the available data on historical graduate earnings cannot be easily verified.

In calculating the carrying value of the loan book, FReM stipulates that the higher of the intrinsic rate to the financial instrument or HMT's current discount rates of RPI-1.05% and RPI-0.05% (prior year: RPI-1.3% and RPI-0.2%) should be applied to cash flows out to February 2030 and post-February 2030, respectively.

The following sections discuss the impacts on the current year end carrying fair values as a result of changes in modelling, assumptions and other variables that impact the valuation, and also detail sensitivity analysis on the valuation.

12.5 Sensitivity analysis

The analysis below shows the changes in carrying value from changes in variables that can significantly affect the fair value of student loans. The analysis covers factors flexed individually and in combination. The combined analysis is not attempting to create future economic scenarios or forecasts; we have presented the combined analysis to illustrate the potential interplay between specific factors.

Factors are split between those that are external to the Department, which include the discount rate set by HMT and macroeconomic factors, and internal factors such as policy decisions that the Department can influence.

The HMT discount rate and earnings forecasts are expected to change annually and have a significant impact on the carrying value of student loans. Both these external factors have therefore been flexed together. RPI, a further external factor, has been considered in isolation and so has the repayment threshold, an internal factor.

The carrying values used in the sensitivity analysis 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 12.1. Annex C presents the overall sensitivities disclosed, analysed by plan.

12.5.1 RPI

	2024	2023
	£m	£m
Year end carrying value	150,982	137,804
Increase of named factor by 1%	(22,744)	(23,108)
Decrease of named factor by 1%	27,235	24,637
Increase of named factor by 2%	(44,294)	(43,371)
Decrease of named factor by 2%	53,004	49,880

An increase in RPI leads to:

- a higher discount rate, which will lower the carrying value of loan books
- increased interest on borrowers' balances in the following year for Plans 2, 3 and 5 loans
- increased interest for Plan 1 loans, unless RPI is higher than the base rate +1%, in which case RPI does not determine the interest rate
- increased repayment threshold for Plan 1 loans, which results in lower repayments

The outturn for March 2024 RPI is 7.5% and is forecast to fall to 2.2% in 2025-26 before increasing marginally throughout the remainder of the forecast period (prior year: 13.5% and was forecast to drop significantly in the year to March 2024, then stabilise at 2.0% over the long-term). Long-term is considered to be 30 years for these purposes. The table shows the impact of a 1% or 2% change to each RPI forecast in each of the forecast cash flow years. An increase in RPI reduces the valuation of the loan book, and a decrease in RPI increases the valuation. The amounts are significant due to the impact that RPI has on the discount rate, as explained above and as seen last year, changes to the discount rate can have a significant impact on the carrying value of the loan book.

The percentage movements are not against the year end RPI value. The +/- margins are against the OBR's central forecast of RPI which was used in the year end valuation modelling across the full 30-year life of the loans.

12.5.2 Loan repayment threshold

	2024	2023
	£m	£m
Year end carrying value	150,982	137,804
Increase of threshold by £1,000	(2,219)	(3,549)
Decrease of threshold by £1,000	5,550	3,742

The repayment threshold determines the earnings level above which borrowers repay their student loans. For Plan 1 this is uprated each year in line with RPI, for Plan 2 this is frozen up to and including 2024-25 and will be uprated by RPI thereafter, and for Plan 3 this has been frozen in recent years.

The table shows that increasing the repayment threshold decreases the carrying value of the loan book, because this reduces the repayments made by borrowers. Reducing the rate increases the carrying value.

12.5.3 Multiple factors

	2024	2023
	£m	£m
Year end carrying value	150,982	137,804
Scenario 1	9,326	5,046
Scenario 2	(9,365)	(12,486)
Scenario 3	12,730	13,064
Scenario 4	(6,479)	(5,274)

The table above illustrates the effect of varying more than one model input. The four situations are as follows:

- scenario 1 – discount rate increased by 0.2%, earnings up by 1%
- scenario 2 – discount rate increased by 0.2%, earnings down by 1%
- scenario 3 – discount rate decreased by 0.2%, earnings up by 1%
- scenario 4 – discount rate decreased by 0.2%, earnings down by 1%

The sensitivity analysis presented here is to give awareness of what would happen to the Department's financial position should certain conditions change. An increase in earnings in isolation would increase the valuation of the loan book, because it means more repayments will be received. An increase in the discount rate in isolation means expected future repayments are valued less, leading to a decrease in the fair value of student loans. The four scenarios presented above show the impact changes in both, because both are updated annually.

Discount rate

The HMT discount rate is used to calculate the remeasurements on student loans. It is the long-term cost of government borrowing. In a break from the previous approach (changes in 2015-16 then 2021-22), HMT will update the discount rate annually from 2022-23. The 2022-23 rate change was a reduction of a further 0.2% for cash flows to 2030. The current year amendment was an increase of 0.25% to 2030 and 0.15% thereafter. This is something that is determined by HMT, and over which the Department has no control.

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's interpretation of IFRS 9 and is therefore the rate as promulgated by HMT annually to all government departments. Discount rate sensitivities have been considered in scenarios with earnings forecasts, as these are considered to be the factors most likely to change year-on-year.

A sensitivity of 0.2% in each direction has therefore been considered here – 0.2% being in line with recent updates, and so yielding realistic scenarios.

Earnings growth

Earnings growth in the last four years has increased to between 4%-7% after a period of lower growth at around 2%-3% previously. It is forecast to be below 3% in the years to 2028, and between 3%-4% thereafter.

Higher earnings growth leads to:

- increased repayments for all loan books, as repayments are linked to earnings
- increased interest applied to students' loan accounts, and therefore due for repayment for Plan 2 loans, as the variable element of the interest rate is linked to the borrower's earnings

The OBR outturn for this financial year earnings growth is 6.5% and is forecast to be below 3.1% in the years to 2028 before stabilising between 3% to 4% in the long-term, considered to be the next thirty years (prior year: 5.8%, forecast to be below 3% to 2027 and then stabilise to 3-4% over the long-term). An increase in earnings growth increases the valuation of the loan book as a result of the increased repayments arising from the growth. Earnings sensitivities have been considered in scenarios with the HMT discount rate, as these are considered to be the factors most likely to change year-on-year. The scenarios have considered short-term movements of 1% in each direction which is based on the likely volatility in earnings forecasts, and only short-term (to 2030) has been considered because our understanding is that the OBR is unlikely to change long-term earnings forecasts.

13. Other loans

13.1 Current loans

	2024		2023	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
PF2 loan assets	–	40	–	40
FE sector loans	19	19	11	11
Academy sector loans	26	26	33	33
Other loans	–	–	–	–
Total	**45**	**85**	**44**	**84**

13.2 Non-current loans

	2024		2023	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
PF2 loan assets	–	431	–	453
FE sector loans	153	153	60	60
Academy sector loans	93	93	92	92
Other loans	–	3	–	3
Total	**246**	**680**	**152**	**608**

13.3 Loan types

13.3.1 PF2 loans assets

These are loans made within the structure of the Group's PF2 transaction between the Group and the transaction's five regional consortia. Each consortium has a single loan repayable in 6-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% (prior year: 3.56%).

13.3.2 FE sector loans

Loans to the FE sector representing both exceptional financial support and restructuring facility loans provided to colleges in order to safeguard learner provision. These loans provided to colleges have varying terms based on the individual merits of each college's situation.

Following the reclassification of the FE sector to central government colleges are no longer able to borrow commercially. Consequently, the Group has stepped in to support the sector in continuing their critical educational activity.

13.3.3 Academy sector loans

Loans issued to academy trusts comprise the following types:

- Deficit funding loans, to assist with the academy trusts' deficit funding at conversion with the ex-local authority. 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 capital project loans, issued to voluntary aided schools for capital projects under Schedule 3 of the Schools Standards and Framework Act 1998.

13.4 Analysis

13.4.1 2024

	PF2 loan assets	FE sector loan	Academy sector loans	Other loans
	£m	£m	£m	£m
Opening balance at 1 April 2023	493	71	125	3
New lending	–	114	18	–
Effective interest recognised	18	2	1	–
Repayments	(40)	(11)	(27)	–
Write-offs	–	(1)	(5)	–
Impairment movement in year	–	(3)	7	–
Closing balance at 31 March 2024	**471**	**172**	**119**	**3**
Made up of:				
gross value	471	221	127	3
impairment allowance	–	(49)	(8)	–
Total	**471**	**172**	**119**	**3**
Disclosed as:				
current loans	40	19	26	–
non-current loans	431	153	93	3
Total	**471**	**172**	**119**	**3**

13.4.2 2023

	PF2 loan assets	FE sector loans	Academy sector loans	Other loans
	£m	£m	£m	£m
Opening balance at 1 April 2022	515	67	134	4
New lending	–	11	26	–
Effective interest recognised	18	–	2	–
Repayments	(40)	(17)	(30)	(1)
Write-offs	–	(2)	(4)	–
Impairment movement in year	–	12	(3)	–
Closing balance at 31 March 2023	**493**	**71**	**125**	**3**
Made up of:				
gross value	494	117	140	3
impairment allowance	(1)	(46)	(15)	–
Total	**493**	**71**	**125**	**3**
Disclosed as:				
current loans	40	11	33	–
non-current loans	453	60	92	3
Total	**493**	**71**	**125**	**3**

14. Receivables

14.1 Amounts falling due within one year

		2024		2023
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Trade receivables	16	31	18	46
VAT receivables	45	40	50	45
Other receivables – student loans	214	214	475	475
Other receivables	119	124	132	136
Prepayments	13	26	21	35
Accrued income	37	39	88	89
Total	**444**	**474**	**784**	**826**

Trade receivables are presented after applying impairment allowances of £47 million (Department and Agencies) and £190 million (Group) (prior year: £63 million and £126 million respectively).

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.

14.2 Amounts falling due after more than one year

	2024		2023	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Other receivables – student loans	40	40	62	62
Other receivables	2	2	2	(1)
Total	**42**	**42**	**64**	**61**

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 £390 million (prior year: £374 million) applied against gross overpayments of £436 million (prior year: £436 million).

15. Cash and cash equivalents

15.1 Analysis

	2024		2023	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Balance at 1 April	694	857	920	1,078
Net change in cash and cash equivalent balances	198	199	(226)	(221)
Balance at 31 March	**892**	**1,056**	**694**	**857**
The following balances are held as cash at bank and in hand				
Government Banking Service	850	882	676	708
Commercial banks	–	132	–	131
Cash held by third parties on behalf of the Group	42	42	18	18
Balance at 31 March	**892**	**1,056**	**694**	**857**

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.

15.2 Reconciliation of liabilities arising from financing activities

15.2.1 2024

			Non-cash changes		
	2023	Cash flows	Acquisition	Other	2024
	£m	£m	£m	£m	£m
Supply	694	184	–	–	878
PF2 imputed lease liabilities	583	(16)	–	–	567
PF2 loan liabilities	502	(24)	–	–	478
Lease liabilities	166	(15)	27	51	229
Total liabilities from financing activities	**1,945**	**129**	**27**	**51**	**2,152**

15.2.2 2023

			Non-cash changes		
	2022	Cash flows	Acquisition	Other	2023
	£m	£m	£m	£m	£m
Supply	920	(226)	–	–	694
PF2 imputed lease liabilities	598	(15)	–	–	583
PF2 loan liabilities	524	(22)	–	–	502
Lease liabilities	–	(15)	57	124	166
Total liabilities from financing activities	**2,042**	**(278)**	**57**	**124**	**1,945**

16. Current payables

		2024		2023
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Tax and social security payables	12	18	13	17
Trade payables	36	44	25	34
Other payables	607	612	537	541
Accruals	1,345	1,383	1,333	1,372
Deferred income	30	44	36	44
Amounts issued from the Consolidation Fund for Supply but not spent at year end	878	878	693	693
PF2 imputed lease liability	16	16	15	15
PF2 loan liabilities	–	27	–	28
Consolidated Fund extra receipts due to be paid to the Consolidated Fund:				
received	14	14	–	–
Total	**2,938**	**3,036**	**2,652**	**2,744**

17. Non-current payables

17.1 Analysis

	2024		2023	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
PF2 imputed lease liability	551	551	568	568
PF2 loan liabilities	–	451	–	474
Other payables	308	309	352	352
Accrued expenses	–	–	35	35
Deferred income	3	3	2	2
Total	**862**	**1,314**	**957**	**1,431**

PF2 loan liabilities include senior debt owed to two third parties and subordinated debt provided by a party related to the Aggregator that is not part of the Group.

PF2 senior debt relates to five bank notes and five bond subscriptions. The borrowing facilities are for a total value of £563.3 million (prior year: £563.3 million) and as at 31 December 2023 £428.0 million (prior year: £450.8 million) has been drawn down. 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 £12.3 million (prior year: £12.5 million) of accrued interest and an unamortised effective interest adjustment of £5.5 million (prior year: £5.8 million) as at the company's year end of 31 December 2023.

The loans are repayable in 6-monthly instalments commencing on 31 March 2018, 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% (prior year: 3.56%).

As at 31 December 2023 £2.6 million (prior year: £2.6 million) interest has been accrued on the subordinated debt.

17.2 Maturity analysis

	2024		2023	
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Not later than one year	16	43	15	43
Later than one year and not later than five years	73	178	69	163
Later than five years	478	824	499	879
Total	**567**	**1,045**	**583**	**1,085**

The maturity analysis covers the Group's financial liabilities with defined multi-year maturities: PF2 loan liabilities and PFI lease liabilities.

18. Lease liabilities

The following tables provide additional analysis of the overall lease liability position for both operational and education sector leased assets. To align to the asset disclosures, liabilities have been split between those incurred from leasing operational assets and those incurred from education sector assets. The disparity between the education sector assets' carrying value and the associated lease liability value is caused by the preponderance of peppercorn leases in our education sector activities. Peppercorn leases produce assets but no liabilities.

18.1 Analysis

18.1.1 2024

			Department & Agencies			Group
	Operational assets	Education sector	Total	Operational assets	Education sector	Total
	£m	£m	£m	£m	£m	£m
Balance as 1 April 2023	117	35	152	131	35	166
Additions	–	–	–	23	–	23
Interest	2	–	2	3	–	3
Repayments	(12)	(2)	(14)	(17)	(2)	(19)
Modification adjustments	53	4	57	52	4	56
Closing balance at 31 March 2024	**160**	**37**	**197**	**192**	**37**	**229**
Disclosed as:						
amounts due within one year	17	2	19	17	2	19
amounts due after more than one year	143	35	178	175	35	210
Total	**160**	**37**	**197**	**192**	**37**	**229**

18.1.2 2023

			Department & Agencies			Group
	Operational assets	Education sector	Total	Operational assets	Education sector	Total
	£m	£m	£m	£m	£m	£m
Balance as 1 April 2022	–	–	–	–	–	–
Recognised on adoption of IFRS 16	106	16	122	120	16	136
Revised opening balance	**106**	**16**	**122**	**120**	**16**	**136**
Additions	36	21	57	36	21	57
Interest	1	–	1	1	–	1
Repayments	(14)	(2)	(16)	(14)	(2)	(16)
Modification adjustments	(12)	–	(12)	(12)	–	(12)
Closing balance at 31 March 2023	**117**	**35**	**152**	**131**	**35**	**166**
Disclosed as:						
amounts due within one year	9	2	11	12	2	14
amounts due after more than one year	108	33	141	119	33	152
Total	**117**	**35**	**152**	**131**	**35**	**166**

18.2 Maturity analysis

		2024		2023
	Department & Agencies	Group	Department & Agencies	Group
	£m	£m	£m	£m
Operational assets				
Not later than one year	18	21	9	12
Later than one year and not later than five years	81	96	49	52
Later than five years	61	75	59	67
Total	**160**	**192**	**117**	**131**
Expected receipts from sub-leases	**2**	**2**	**2**	**2**
Education sector assets				
Not later than one year	2	2	2	2
Later than one year and not later than five years	2	2	2	2
Later than five years	33	33	31	31
Total	**37**	**37**	**35**	**35**
Expected receipts from sub-leases	**2**	**2**	**2**	**2**
Total	**197**	**229**	**152**	**166**

In a change from last year, the maturity analysis is presented by activity area (operation assets or education sector). Last year the analysis presented by asset class (land and buildings and AuC) across both sectors. The change this year continues the separation of disclosures across the two activity sectors throughout the financial statements. The prior year values have not changed, they are just presented differently.

19. Capital and other commitments

19.1 Capital commitments

Contracted and approved commitments at 31 March not otherwise included in these financial statements:

		2024		2023
	Department & Agencies	Group	Department & Agencies (Restated)	Group (Restated)
	£m	£m	£m	£m
Property, plant and equipment	–	–	–	1
Intangible assets	6	9	4	9
Total	**6**	**9**	**4**	**10**

The prior year Department & Agencies intangible assets commitment has been restated (from £nil) following an omission of a £4 million commitment. The prior year Group disclosure has also been adjusted for the error.

19.2 Lease commitments

Total future minimum lease payments under leases are given in the following tables for both of the reporting years covered by this ARA.

Continuing the presentation style, the disclosures have been split by activity type (operational assets and education sector assets) rather than by asset type. Lease commitments for short-term and low value leases fall below the reporting units of ‘£m’ and so have been excluded from the disclosure as immaterial.

19.2.1 2024

	Operational assets	Education sector assets	Total
	£m	£m	£m
Leases for which IFRS 16 applies in full			
Not later than one year	22	2	24
Later than one year and not later than five years	96	2	98
Later than five years	91	38	129
Sub-total	**209**	**42**	**251**
Less future interest charges	(17)	(5)	(22)
Present value of obligations	**192**	**37**	**229**
Analysed as:			
payables: amounts due within one year	17	2	19
payables: amounts due after more than one year	175	35	210
Total	**192**	**37**	**229**
Expected receipts from sub-leases	**2**	**2**	**4**
Analysed as:			
Department	160	37	197
Agencies	–	–	–
NDPBs	32	–	32
Total	**192**	**37**	**229**

19.2.2 2023

	Operational assets	Education sector assets	Total
	£m	£m	£m
Leases for which IFRS 16 applies in full			
Not later than one year	12	2	14
Later than one year and not later than five years	58	2	60
Later than five years	69	37	106
Sub-total	**139**	**41**	**180**
Less future interest charges	(8)	(6)	(14)
Present value of obligations	**131**	**35**	**166**
Expected receipts from sub-leases	**2**	**2**	**4**
Analysed as:			
payables: amounts due within one year	12	2	14
payables: amounts due after more than one year	119	33	152
Total	**131**	**35**	**166**
Analysed as:			
Department	117	35	152
Agencies	–	–	–
NDPBs	14	–	14
Total	**131**	**35**	**166**

19.3 PFI contract commitments

	2024	2023
	£m	£m
Minimum lease payments		
Due within one year	61	61
Due later than one year and not later than five years	239	241
Due later than five years	781	840
Sub-total	**1,081**	**1,142**
Less interest element	(501)	(546)
Present value	**580**	**596**
Service elements due in future periods		
Due within one year	8	7
Due later than one year and not later than five years	43	39
Due later than five years	208	220
Total	**259**	**266**
Total commitments	**839**	**862**

Under the terms of the Department's PF2 agreement (the Group's only PFI transaction), the Group is committed to pay unitary service charges regarding each batch for the 25-year operational period of the schools constructed under the financing transaction. The disclosures are applicable to both Department & Agencies and Group reporting levels.

19.4 Policy funding commitments

19.4.1 Resource programmes

	2024		2023	
	Department & Agencies	Group	Department & Agencies (Restated)	Group (Restated)
	£m	£m	£m	£m
Not later than one year	4,761	5,429	4,460	5,129
Later than one year and not later than five years	4,171	4,181	4,188	4,365
Later than five years	3,923	3,923	4,601	4,601
Total	**12,855**	**13,533**	**13,249**	**14,095**

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.

The prior year commitments have been restated to remove £2.3 billion of non-contractual commitments that were included in error.

19.4.2 Capital programmes

	2024			2023
	Department & Agencies	Group	Department & Agencies (Restated)	Group (Restated)
	£m	£m	£m	£m
Free schools	480	480	641	641
School rebuilding programme	600	600	504	504
Secure accommodation	–	–	63	63
FE transformation	109	109	6	6
Strategic school improvement	–	–	28	28
Total	**1,189**	**1,189**	**1,242**	**1,242**

Commitments for capital programmes are due to close within two years of the year end.

This year end we have changed what we consider to be a commitment for capital policy funding programmes. From this year, we have focused on identifying and valuing amounts outstanding from active development contracts supporting the named programmes. Last year the commitment was valued on the broader approach of outstanding programme budgets, not active contracts. The difference in approach has caused values to fall which represents a clearer picture of our contractual exposure. There has been no significant change in the proposed scale of our capital programmes across the two years. The prior year's commitments have been restated to reflect the changed approach.

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.

19.5 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.

	2024			2023
	Department & Agencies	Group	Department & Agencies (Restated)	Group (Restated)
	£m	£m	£m	£m
Not later than one year	339	350	83	88
Later than one year and not later than five years	303	305	63	66
Later than five years	6	6	–	–
Total	**648**	**661**	**146**	**154**

The prior year disclosures have been restated to correct an error in the table whereby a commitment total (£73 million) was reported as a commitment later than five years.

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.

20. Contingent liabilities

20.1 IAS 37 contingent liabilities

20.1.1 Quantifiable

The Group holds two quantifiable contingent liabilities as described by IAS 37 (prior year: none). The liabilities arose from a statutory appeal against a prohibition order and a judicial review against findings of serious misconduct, both have been quantified at £20,000 each.

20.1.2 Unquantifiable

The Group has identified the following unquantifiable contingent liabilities.

Guarantee to the Local Government Pension Scheme

A guarantee to the separate scheme funds to meet pension deficits if an AT closes. The Department considers the guarantee to be unquantifiable due to the extent of the academy sector and the uncertainty over whether an academy will fail without being able to transfer staff to the successor academy trust.

The guarantee is unlimited, but the Department has agreed with HMT that we can pay out up to £20 million in any given year before requiring additional HMT approval. During the year, the Department settled £96,000 (prior year: £890,000) under the guarantee.

Adjudication

Under paragraph 7 of schedule 5 of the Schools Standards Framework Act 1998, the Secretary of State has a statutory duty to indemnify any adjudicator against any reasonable cost and expense reasonably incurred by him in connection with any decision taken in pursuit of his statutory duty. Adjudicator decisions can be challenged through judicial review. It is not possible to quantify this.

21. Related party transactions

The Department is the parent of the Agencies and sponsor of the NDPBs shown in note 22. 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 grant-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) and FE corporate bodies (and their FE and sixth form colleges) are classified as related parties only at the trust- and body-level which is the corporate body. Therefore, only board-level members who are trustees of academy trusts or FE bodies 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 GPA (as landlord) and local authorities. We also make 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 the accounting standard. Transactions are classified as related party transactions if they occurred during the period the individual held the board-level appointment.

Disclosures are split between those individuals who were board members as at the year end, and those whose term as a board member ended during the year. The following are related party transaction disclosures for those board-level individuals in post at year end:

- Gillian Keegan's spouse is a non-executive director at Centerprise International Holdings Limited
- Jack Boyer is the Chair of Trustees at the University of Bristol
- Stuart McMinnies is a non-executive director at Ardent Hire Solutions
- Sir Peter Bazalgette is the Chair of Council at the Royal College of Art
- Juliet Chua is a trustee at Whitehall and Industry Group

Related party disclosures for those board-level individuals who were no longer appointed as at the year end are also given. The date individuals ceased to be appointed, and so cease to be included in related party disclosures, can be found in the Accountability Report.

- Nick Gibb's spouse is the Chief Executive Officer of Yonder Consulting Limited
- Graham Archer was a trustee at the US-UK Fulbright Commission

The following table shows the value of material related party transactions entered into during the year and the closing amounts due to or from the counterparty. Where individuals left the Group in the year, the balances disclosed are as at their leaving date. Spending disclosed for academy trusts include all transactions which occurred with their relevant academies. Spending with education bodies is predominantly formulaic policy funding under the terms of the relevant funding streams available to education providers.

Apart from the related party transaction disclosures outlined, no minister, board member, key manager or other related parties have undertaken any material transactions with the Group during the year.

	2023-24		2022-23	
	Net payments/ (receipts)	Receivable/ (payable)	Net payments/ (receipts)	Receivable/ (payable)
	£000	£000	£000	£000
Other education sector bodies				
University of Bristol	38,891	11	39,636	12
Royal College of Art	5,149	–	5,077	–
The US-UK Fulbright Commission	1,260	–	857	–
Open University	–	–	43,656	–
Nottingham College	–	–	4,969	–
St Bede's School Redhill	–	–	115	–
Non-government bodies				
Yonder Consulting Group	562	–	589	–
Ardent Hire Solutions	(87)	–	8	1
Centerprise International Holdings Limited	60	–	90	–
Whitehall and Industry Group	14	–	–	–
Tech UK	–	–	2	–
SafeLives	–	–	1	–
Academy trusts				
Edmonton Academy Trust	–	–	21,201	–
The Howard Partnership Trust	–	–	7,498	(9)

22. Entities within the Group

22.1 Closing position

The entities within the boundary during this reporting year 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 E. There were no movements in Group bodies during the year.

They are:

Executive agencies

- Executive and Skills Funding Agency
- Standards and Testing Agency
- Teaching Regulation Agency

Executive NDPBs

- Children's Commissioner's Office
- Construction Industry Training Board
- Engineering Construction Industry Training Board
- Institute for Apprenticeships and Technical Education
- Located Property Limited
- Oak National Academy Limited
- Office for Students
- Social Work England
- Student Loans Company Limited

Advisory NDPBs

- School Teachers' Review Body

Other

- Aggregator Vehicle Plc

The ARAs of Aggregator Vehicle Plc, Oak National Academy Limited, Located Property Limited and Student Loans Company Limited are available on Companies House. However, the School Teachers' Review Body does not produce its own ARA.

22.2 Movements after the year end

From 1 April 2024 responsibility for the supporting families programme, previously known as the troubled families programme, transferred from the Department of Levelling Up, Housing and Communities to the Department for Education. The machinery of government change will be accounted for as a transfer of function, no new Group body was created, and its activities were absorbed into the core department.

23. Events after the reporting period

23.1 Student loan valuation

The valuation of student loans is complex and reliant upon forecasts of economic factors both near-term and longer-term over the life of the loans. Economic uncertainty has continued since the year end with economic measures deteriorating.

Management judges the change in economic values post-year end to be a non-adjusting event because the conditions causing the changes occurred after the year end. Therefore, no adjustment has been paid to the carrying values of student loans in this ARA. Whilst the Department has not quantified the potential impact of the changes close to authorisation of these accounts, the size of the student loans portfolio means it could be material.

23.2 Authorisation

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 committed to the principles of better regulation, ensuring we fulfil our 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 and higher education providers.

The Department has continued to promote effective policy making through robust assessment of evidence and proportionate impact assessments.

The Small Business, Enterprise and Employment Act 2015 required the government to report annually on progress against a business impact target. The report included information on the qualifying regulatory provisions that came into force, or ceased to be in force, during the relevant parliamentary year and an assessment of the economic impact on business of those regulatory provisions. The Retained EU Law (Revocation and Reform) Act 2023 repealed the duty, and the final business impact target report[61] was published in 2021-22.

The new Better Regulation Framework has a more holistic approach to the consideration of new regulatory provisions. It allows for a more flexible and responsive approach to the measurement and scrutiny of impacts. This is expected to improve policymaking and support a key government objective to minimise the burdens of regulation on business.

During this financial year the Early Years Foundation Stage (Learning and Development and Welfare Requirements) (Amendment) Regulations 2023 has helped to reform childcare provision by seeking to overcome regulatory barriers and enabling providers to increase supply to align with additional demand. The net annual benefit to business was assessed as £179 million.

The Early Years Foundations Stage (Learning and Development, Early Years Register and Welfare Requirements (Amendment) Regulations 2023 has increased provider flexibility to make the early years foundation stage more practical for all types of early years providers. The net annual benefit to business was assessed as £16.5 million.

Other legislative regulatory provisions that came into force fell within the +/-£5 million de minimis threshold:

- Adoption Support Agencies (England) (Amendment) Regulations 2023
- Higher Education (Freedom of Speech) Act 2023
- Higher Education (Registration Fees) (England) (Amendment) Regulations 2023

61 https://www.gov.uk/government/publications/better-regulation-annual-report-2021-to-2022

- Lifelong Learning (Higher Education Fee Limits) Act 2023
- Childcare (Childminder Agencies) (Cancellation etc.) (Amendment) Regulations 2023
- School Attendance (Pupil Registration) (England) Regulations 2023

Post-implementation reviews

The Department published one post-implementation review on the Children's Homes Regulations 2015.[62]

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 provide a framework for improving policymaking. Understanding the purpose of the policy, the role of government, the evidence base and the creativity and deliverability of the policy are the approaches used by policy makers to consider alternative approaches, tools and methods.

Behavioural insights are also useful in considering alternatives to regulation. They 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.

Fire, health and safety

The Department is committed to ensuring the health, safety and wellbeing of staff, contractors and all others who are 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. We acknowledge that positive, proportionate health and safety risk management prevents harm and enables efficient delivery of services across the Department.

In the past year we continued to improve the health and safety culture throughout the Department. We have developed a new display screen equipment process, including a provision for reasonable workplace adjustments for those working on a hybrid basis. We have invested in health and safety management training by providing the Institution of Occupational Safety and Health's safety for executives and directors training and continued our rolling programme of first aid and fire warden training.

We have a new health and safety online system to help us maintain legal compliance and are continually improving our policies, guidance and documentation to ensure staff understand what is required of them and how we can help.

62 https://www.legislation.gov.uk/uksi/2015/541/resources

Table 33: Accident and incident statistics for the past five years

Category	2023-24	2022-23	2021-22	2020-21	2019-20
Total number of employee accidents/incidents	14	18	1	4	18
Total number of non-employee/member of public/detainee accidents/incidents	–	–	2	22	–
Total number of near misses	8	3	4	1	3
Total number of reporting of injuries, deaths and dangerous occurrences regulations	–	–	–	–	–
Total	**22**	**21**	**7**	**27**	**21**

The data shows a minor increase in the total number of reported accidents and incidents compared to the prior year. Numbers reported in 2021-22 were lower due to fewer staff attending the office during the COVID-19 pandemic. Awareness of reporting near miss events has increased, which we use to positively improve our safety culture and reduce the number of potential accidents.

Personal data breaches

All government departments are required to report personal data breaches to ICO that have occurred during the financial year in accordance with the standard disclosure format issued by Cabinet Office. The disclosures outlined cover the Department and its Agencies since the Department's Office of Data Protection Officer (ODPO) is responsible for data reporting for all four bodies.

A 'personal data breach' is defined as a breach of security leading to the accidental or unlawful destruction, loss, alteration, unauthorised disclosure of or access to, personal data transmitted, stored or otherwise processed. Personal data breaches are required by law to be reported to ICO where there is a likely risk to data subjects as a result within 72 hours of discovery. The eight personal data breaches formally notified to ICO this year are summarised below.

Data breach 1 – June 2023

Nature of incident

Data emailed to incorrect recipient.

Nature of data involved

Information relating to a misconduct investigation was sent to an incorrect email address, following the provision of inaccurate information to the Department by a third party.

Number of people potentially affected

1

Notification steps

- 22 June 2023, incident reported to the Department
- 23 June 2023, incident reported to ICO by ODPO
- 29 June 2023, ICO confirmed no further action against the Department

Further action on information risk

None

Data breach 2 – June 2023

Nature of incident

Other non-cyber incident.

Nature of data involved

Additional information was shared with an organisation that may have allowed the identification of an individual making a whistleblowing allegation.

Number of people potentially affected

1

Notification steps

- 2 August 2023, incident reported to the Department
- 4 August 2023, incident reported to ICO by ODPO
- 2 September 2023, ICO confirmed no further action against the Department

Further action on information risk

None

Data breach 3 – September 2023

Nature of incident

Data posted or faxed to incorrect recipient.

Nature of data involved

Documents relating to misconduct were posted to the wrong individual, due to an administrative error.

Number of people potentially affected

1

Notification steps

- 7 November 2023, incident reported to Department
- 16 November 2023, incident reported to ICO by ODPO following receipt of further information

Further action on information risk

The Department is awaiting a decision from ICO on this matter.

Data breach 4 – January 2024

Nature of incident

Personal data incorrectly shared.

Nature of data involved

A CV template was re-used after being completed, meaning personal details of an individual were incorrectly shared with a number of other individuals.

Number of people potentially affected

1

Notification steps

- 22 January 2024, incident reported to the Department
- 24 January 2024, incident reported to ICO by ODPO
- 15 February 2024, ICO confirmed no further action against the Department

Further action on information risk

None

Data breach 5 – March 2024

Nature of incident

Personal data incorrectly shared.

Nature of data involved

A member of staff discovered that personal information, including special category information, had been shared with other members of staff without a valid reason.

Number of people potentially affected

1

Notification steps

- 26 January 2024, incident reported to the Department
- 8 February 2024, incident reported to ICO by ODPO following receipt of further information

Further action on information risk

The Department is awaiting a decision from ICO on this matter.

Data breach 6 – February 2024

Nature of incident

Data emailed to incorrect recipient.

Nature of data involved

Information relating to alleged misconduct was sent to a generic inbox instead of an individual, due to an administrative error.

Number of people potentially affected

1

Notification steps

- 9 February 2024, incident reported to the Department
- 20 February 2024, incident reported to ICO by ODPO following receipt of further information
- 28 February 2024, ICO confirmed no further action against the Department

Further action on information risk

None

Data breach 7 – February 2024

Nature of incident

Loss/theft of paperwork or data left in insecure location.

Nature of data involved

A parcel, containing sensitive personal information and special category information, was reported missing during international transit.

Number of people potentially affected

2

Notification steps

- 15 February 2024, incident reported to the Department
- 19 February 2024, incident reported to ICO by ODPO
- 23 February 2024, ICO updated by ODPO
- 23 February 2024, ICO confirms no further action against the Department

Further action on information risk

The parcel was delivered, untampered with, on 21 February 2024. There appears to have been an issue with the courier service's tracking information.

Data breach 8 – February 2024

Nature of incident

Data of wrong data subject shown/provided.

Nature of data involved

A technical issue with a service resulted in a number of individuals accounts being mis-matched and displaying information for other individuals for a short period of time.

Number of people potentially affected

12

Notification steps

- 6 March 2024, incident reported to the Department
- 8 March 2024, incident reported to ICO by ODPO
- 13 March 2024, ICO confirmed no further action against the Department

Further action on information risk

None

Other data breaches

Table 34 summarises the total number of personal data breaches reported this year. Incidents which do not fall within the criteria for reporting to ICO, but are recorded centrally within the Department, are included. Incidents deemed to be a near-miss, or those not involving personal data, are not included.

Table 34: Personal data breaches for the last three years

	2023-24	2022-23	2021-22
Alteration of personal data	1	–	–
Data/email sent to incorrect recipient	95	73	86
Data of wrong ‘data subject’ shown/provided	28	23	–
Data posted or faxed to incorrect recipient	3	11	20
Failure to redact	6	14	17
Failure to use BCC	20	20	15
Incorrect disposal of paperwork	1	–	–
Insecure sharing of personal data	4	15	15
Insecure storage of personal data	4	7	1
Loss/theft of device containing personal data	–	3	–
Loss/theft of paperwork or data left in insecure location	6	4	1
Other non-cyber incident	22	27	3
Personal data incorrectly shared	32	19	11
Personal data retained for too long	–	2	–
Unauthorised access	3	6	–
Verbal disclosure of personal data	–	–	6
Cyber – brute force	–	1	–
Cyber – hardware/software misconfiguration	–	1	–
Cyber – phishing	1	1	–
Cyber – ransomware	3	2	–
Cyber – unauthorised access	1	2	–
Other	–	–	30
Total	**230**	**231**	**205**

The information contained in the table only relates to personal data security for the Department and its Agencies. The Department’s NDPBs and Agencies report personal data-related incidents in their own ARAs.

Departmental correspondence

All government departments and executive agencies have published targets for answering correspondence. 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.

Timeliness for treat official and ministerial correspondence has significantly progressed for the second year in a row. Against our Departmental targets we have achieved a 21% improvement for treat official correspondence and 13% for ministerial correspondence. System and process enhancement work continues to ensure that we meet Cabinet Office timeliness for both correspondence types for the 20-day target.

Freedom of information requests have a deadline of 20 working days as governed by ICO.

Table 35: Treat official correspondence for the last five years

	2023-24	2022-23	2021-22	2020-21	2019-20
Internal 15-day deadline					
Number	18,264	21,463	22,977	30,904	21,765
Deadline met	82%	69%	51%	51%	89%
20-day deadline					
Deadline met	91%	80%	64%	61%	95%

Table 36: Ministerial correspondence for the last five years

	2023-24	2022-23	2021-22	2020-21	2019-20
Internal 18-day deadline					
Number	7,637	9,795	10,014	28,298	7,267
Deadline met	74%	53%	71%	24%	91%
20-day deadline					
Deadline met	78%	58%	74%	39%	93%

Table 37: Freedom of information requests for the last five years

	2023-24	2022-23	2021-22	2020-21	2019-20
20-day deadline					
Number	2,835	2,281	2,237	2,330	3,133
Deadline met	75%	79%	73%	78%	88%

Communications, publicity and advertising

In this reporting year, the Department continued to deliver communications activity across its remit of Skills, Schools and Families, and in line with the government's wider and published communications plan. Activity included delivering joined up, national campaigns with the following objectives:

- increasing supply and demand for technical qualifications (including apprenticeships and T Levels) and skills offers by explaining how they lead to good jobs
- inspiring more people to teach in schools and colleges to boost recruitment alongside showing how the government values teachers
- improving awareness and encouraging take up of the government's expanded childcare offer, and inspiring more people to become childcare professionals

The communications profession within the Department has continued to play an important role in both accountability and as a lever for change by delivering against its core purpose as set down by the Government Communications Service:

- changing the attitudes and behaviour of parents, pupils and students, adult learners, employers and teachers

- delivering an operationally effective service to the public and meeting the Department's responsibilities as a department of state
- protecting and improving the Department's reputation and responding at times of crisis
- explaining our policies to the public through the media and social content
- engaging our staff and keeping them informed

Most communication activity continues 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.

Table 38: Communications Directorate's staffing and spend for the last five years

	2023-24	2022-23	2021-22	2020-21	2019-20
Number of staff	73	75	75	83	80
Spend on activity (£000)	507	332	288	1,422	580

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 general practice for the Department to pay all correctly submitted invoices within five calendar days.

The Department publishes prompt payment data[63] for the Department and Agencies and some of our NDPBs.

Complaints policy

The Department publishes its complaints procedure policy and guidance.[64] Guidance on how to complain about a school[65] (whether it is a local authority-maintained or academy) and how the Department will consider your complaint is also published.

We continue to use the same complaints policy as we did last year. However, we have reviewed the policy and are submitting proposed changes for consideration by Department and Agency colleagues during May 2024. The key changes are to significantly reduce the size of the policy document and streamline this to make the policy clearer.

In addition, we have reviewed our service level agreement timings to ensure these are reasonable and enable us to track and report against these. As part of this review work we have already amended our online form that parents use to contact us to provide a clear and concise customer journey. This change was implemented in March 2024, and we have already received a reduction in the volume of complaints coming through.

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
65 https://www.gov.uk/complain-to-dfe

We have listened to parents who have submitted complex complaints and are planning additional changes to take this feedback into account. This is inclusive of managing expectations upfront to ensure parents are aware of our remit.

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 an MP. Cases which relate to local authorities and state-funded schools (where most of our services are delivered to the public) are normally outside the Ombudsman's jurisdiction.

The most recent information available at the time of reporting is from 2022-23. There were no new complaints received during that year, that were sent to the Ombudsman. No 2022-23 table has been presented below because there were no new cases. The prior year analysis has been disclosed as a comparative. There is one case that was submitted during the previous year (2021-22), which we continue to work through with the Ombudsman.

Table 39: Complaints to the Ombudsman for 2021-22

	Department	Agencies	NDPBs	Group
	Number	Number	Number	Number
Enquiries received	33	23	156	212
Concluded at initial checks and preliminary investigation	31	26	156	213
General discretion	1	7	17	25
Specific discretion	2	–	–	2
Premature complaints	6	4	35	45
Complaints not properly made	20	9	88	117
Complaints out of remit	2	1	2	5
Complaints withdrawn	–	1	6	7
Other	–	4	8	12
Complaints accepted for investigation	1	–	4	5
Detailed investigations concluded	–	–	4	4
Investigations upheld or partly upheld	–	–	3	3
Investigations not upheld	–	–	1	1

Effectiveness of whistleblowing arrangements

The Department has stringent whistleblowing processes and procedures in place. The Department reviewed and updated its whistleblowing policy in February 2024. Updates included:

- additional reassurance for employees raising a concern that they will be treated sensitively and professionally
- highlighting the protection offered and reinforcing that anyone who raises a concern should not suffer any detriment as a result
- reference to the Public Interest Disclosure Act
- additional sources of support have been referenced to aid those involved in the process
- encouraging those who have raised a concern to provide feedback of their experience of the process so this can be taken into consideration for future improvements

Guidance for the nominated officers has also been updated, and new guidance produced for whistleblowing investigators, with the aim of making the process and their responsibilities within it clear.

The Department has a dedicated whistleblowing mailbox and ensures that cases are monitored and progressed without undue delay.

The Department has increased the number of nominated officers to eight (from three) who are able to offer impartial advice and support to those who want to or have raised a concern.

Four whistleblowing cases were raised in the reporting year to 31 March 2024. Three cases were closed and had no case to answer or no evidence of wrongdoing. A single case is currently under investigation. The number of cases has fallen by one since last year.

Annex B – Sustainability reporting

Background

The Group has three separate exposures to climate change and sustainability: the activities of our corporate estate and operational policy, monitored via the GGCs; our policy responsibility for the education and CSC sectors; and our policy responsibility for the education estate.

The Department recognises its responsibilities to the GGCs, the 25 Year Environment Plan and Environmental Principles' legal duty; and we are incorporating climate change considerations in our operational delivery and policy development.

The GGCs affect how we operate as an organisation and our ways of working. Through the Department's corporate sustainability strategy, launched in March 2023 outlining our commitments up to 2025 to align with our corporate plans to achieve the GGCs, we are clear on how the Department's staff can support us in ensuring we meet these centrally mandated targets.

Schools are out of scope for GGCs, but the Department has acknowledged the impact climate change has, and will have, on the education and CSC sectors. The Department also recognises the contribution it can make to help create a sustainable future through education, developing the skills needed for a green economy, supporting our sectors reach net zero targets and furthering our work in sustainable development in our school building programmes. The action we are taking is set out in the Department's Sustainability and Climate Change Strategy.[66]

We aspire to lead our organisation and our sectors towards a more sustainable future, as well as being active contributors to cross-government priority outcomes, strategies and programmes.

Scope of these disclosures

This year's disclosures have been prepared in accordance with HMT's TCFD phase 1 implementation guidance,[67] FReM, Public Expenditure System Paper 2024-01 and Sustainability Reporting Guidance 2023-24[68] (SRG).

As set out in the SRG, as organisations become more proficient in managing their own internal performance on sustainability, they should then consider how they could seek to improve sustainability in areas where they have an influence, for example in policy or procurement.

66 https://www.gov.uk/government/publications/sustainability-and-climate-change-strategy
67 https://www.gov.uk/government/publications/tcfd-aligned-disclosure-application-guidance/task-force-on-climate-related-financial-disclosure-tcfd-aligned-disclosure-application-guidance
68 https://www.gov.uk/government/publications/public-sector-annual-reports-sustainability-reporting-guidance-2022-to-2023

In April 2022, the Department published what is thought to be the world's first cross-cutting climate change and sustainability strategy for an education system. The approach has been to consider how we reconnect learners with nature and in doing so address the legislative requirements in the Climate Change Act, the Environment Act and GGCs. The Department is seeking to ensure that its policies, support and guidance for the education estate help it to meet the same standards as for GGC, recognising the education sector's unique position as public bodies.

Disclosures in the main body of the report have been made within three separate scopes:

Corporate body

Pertaining to the Departmental organisation itself and our Agencies and NDPBs, including our office estate. Quantified GGC disclosures along with policy statements relating to the Group's own activities.

Education sector strategy

Describing our policy aims and activities for the education and children's services system (such as schools) whose activities are not included within the scope of GGC, but for which the Department retains policy responsibility.

Education estate

Pertaining to the carbon emissions and adaptation responsibilities from education sector buildings which are equivalent to around one-third of total public sector emissions, and whose activities are not included within the scope of GGC but for which the Department retains policy responsibility.

As required in SRG, the detailed data in this annex refers to the corporate body GGC responsibilities and the data includes all Group bodies (see note 22). Accordingly, some public bodies in education sectors (for example Ofsted, Ofqual, schools and colleges) are excluded from these GGC disclosures since they are not part of the Department's financial reporting group covered by this ARA.

In accordance with the SRG, all disclosures are for this financial year unless otherwise noted. Departures from this reporting period are explained.

The Department is unable to report data from locations where property owners are not obliged to provide it and some data will be estimated. The data shows the position for this financial year against a 2017-18 baseline, using data available up to March 2024. Our sustainability performance data is audited by Carbon Smart on behalf of Defra.

Greening Government Commitments

The Group continues to report against the 2017-18 baseline to meet our GGCs, and we have effectively reduced utilities usage and waste across the whole estate.

The Department has developed an operational estates sustainability management plan, which outlines our values and intended interventions required to reach the GGC targets.

The Department has developed:

- an operational estates sustainability management plan, which outlines our values and intended interventions required to reach the GGC targets
- a corporate office estates sustainability strategy which comprehensively outlines our net zero road map for the next three years and the strategy required to meet the GGC targets set out by 2025

In 2021-22, we recruited sustainability expertise and a corporate office estates sustainability manager to bring focus to ensure our office estate, operations and policies support resilience and adaptation.

We have continued to implement a range of practical interventions in the education estate which will drive forward knowledge of how to achieve sustainable outcomes economically and efficiently whilst supporting the overall aim of productive learning environments.

Corporate sustainability and climate change strategy

The corporate sustainability and climate change strategy demonstrates how we will embed sustainability across everything we do, from how we maintain and use our office estate, to our decision-making and business processes, policy development and training our people.

The strategy sets out how the Department will:

- embed environmental considerations into our policy development and delivery, including compliance with the Environmental Principles' legal duty which became law in November 2023
- protect and enhance the environment in our operations as an organisation, including our offices, business travel and use of IT, in line with the GGCs

As part of this, climate literacy training is now available to all of the Department's staff. This is accredited by the Carbon Literacy Project[69] and includes the science of climate change, how this links with education policy and disadvantage, and how to comply with the Environmental Principles.

Greening Government Commitments reporting

The Department is committed to a number of targets including the mandatory GGCs for reducing energy, water, paper, travel emissions and waste management. These targets were updated during 2021-22 with a new target period to 2025. The greenhouse gas emissions target for the Department is a reduction of 56% in total emissions, 36% in direct emissions and to reduce water consumption compared to the 2017-18 baseline. Waste targets are less than 5% sent to landfill and at least 70% sent for recycling.

69 https://carbonliteracy.com/

Scope

The data shows the Department's present position for this financial year against a 2017-18 baseline (unless otherwise stated).

Governance and data validation

The Government Property Agency was responsible for managing the property portfolio for the Department and its Agencies in the current year. However, overall responsibility for sustainability remains with the Department. Internal data validation checks have been carried out by the Department. In order to report the greenhouse gas emissions associated with activities, 'activity' data such as distance travelled, litres of fuel used or tonnes of waste disposed has been converted into carbon emissions. The greenhouse gas conversion factors used in this report can be found in the government environmental impact reporting requirements for business.[70]

The Department undertakes a stringent monitoring regime in relation to GGC performance management, working closely with GPA 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. Internal and cross-governance arrangements are also in place for the phases of development and delivery of initiatives set out within the Department's sustainability and climate change strategy. These are regularly reviewed by the GIAA.

During the reporting period, the Department successfully implemented and embedded all remaining audit recommendations from a GIAA audit into sustainability in the Department.

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.

Exemption from GGC reporting

No new exemptions have been identified in the year.

70 https://www.gov.uk/government/collections/government-conversion-factors-for-company-reporting

Summary of GGC performance

Table 40 presents a summary of performance against the GGC quantitative targets which largely relate to office estate-based activities (the first target also includes scope 3 business travel emissions). The years between 2017-18 and 2022-23 are not part of the current target. Performance indicators for these years relate to the previous GGC targets.[71] Annual performance is measured against the 2017-18 baseline year and is not a cumulative measure.

Table 40: Overall GGC performance

	Actual performance – reduction/(increase)					Baseline
	2023-24	2022-23	2021-22	2020-21	2019-20	2017-18
Reduce overall greenhouse gas emissions by 56% (tCO_2e)	43%	43%	44%	48%	11%	11,436
Reduce direct greenhouse gas emissions by 36% (tCO_2e)	8%	4%	(13%)	(20%)	(16%)	1,702
Reduce the overall amount of waste generated by 15% (tonnes)	35%	36%	41%	54%	(32%)	725
Reduce the amount of waste going to landfill to less than 5% of overall waste (tonnes)	Nil	3%	6%	1%	5%	22%
Increase the proportion of waste which is recycled to at least 70% of overall waste (tonnes)	78%	74%	72%	70%	82%	59%
Reduce water consumption by at least 8% (m^3)	54%	60%	45%	19%	(5%)	71,154

Achievement against target

This year, the Group:

- reduced gas and water use compared to the baseline year
- is yet to meet the GGC targets for greenhouse gas (GHG) reduction, but has seen a 43% decrease for in–scope overall emissions and an 8% decrease for in–scope direct emissions compared to the 2017-18 baseline year
- exceeded all targets related to waste reduction, waste management and water consumption, including sending zero waste to landfill for the first time

The GHG emissions target for overall emissions by 2025 is a reduction of 56% compared to a 2017-18 baseline year.

71 https://www.gov.uk/government/publications/greening-government-commitments-2016-to-2020

Table 41: Non-financial indicators

	Actual performance					Baseline
	2023-24	2022-23	2021-22	2020-21	2019-20	2017-18
	tCO_2e	tCO_2e	tCO_2e	tCO_2e	tCO_2e	tCO_2e
Total gross Scope 1 emissions	1,559	1,602	1,917	2,043	1,981	1,702
Total gross Scope 2 emissions	2,900	3,142	3,316	3,460	5,049	6,132
Total gross Scope 3 emissions	2,049	1,725	1,125	461	3,164	3,602
Total	**6,508**	**6,469**	**6,358**	**5,964**	**10,194**	**11,436**

Emission scopes

The emission scopes[72] can be explained as:

- Scope 1 (direct GHG emissions): these occur from sources owned or controlled by an organisation – for example emissions as a result of combustion in boilers owned or controlled by the organisation and emissions from organisation-owned fleet vehicles
- Scope 2 (energy indirect emissions): these are emissions a body makes indirectly, like when the electricity or energy it buys for heating and cooling buildings, as a result of electricity consumed which is supplied by another party – for example electricity supply in buildings or outstations; also includes other purchased indirect emission sources such as heat, steam and cooling
- Scope 3 (other indirect GHG emissions): all other emissions which occur as a consequence of activity, but which are not owned or controlled by the accounting entity, this is primarily business travel emissions

Group operational activities

The Department has decreased its total in-scope gross GHG emissions (total emissions – Scope 1, 2 and 3) by 43% since the 2017-18 baseline year. It is worth noting that travel emissions were heavily reduced during periods of COVID-19 restrictions.

72 https://www.gov.uk/government/publications/environmental-reporting-guidelines-including-mandatory-greenhouse-gas-emissions-reporting-guidance

Table 42: Non-financial indicators

	Actual performance					Baseline
	2023-24	2022-23	2021-22	2020-21	2019-20	2017-18
	KWh	KWh	KWh	KWh	KWh	KWh
Electricity:						
non-renewable	13,391,092	14,612,000	13,989,000	13,708,000	18,560,000	16,708,000
renewable	38,267	904,000	903,000	615,000	710,000	283,000
Gas	8,327,908	8,575,000	10,318,000	11,080,000	10,436,000	8,993,000
Gas oil	–	–	–	–	–	2,000
Steam	660,298	829,000	899,000	702,000	702,000	802,000
Diesel	–	–	–	–	–	13,000
Total	**22,417,565**	**24,920,000**	**26,109,000**	**26,105,000**	**30,408,000**	**26,801,000**

The reduction in renewable electricity figure is due to changes in procured energy suppliers under the Crown Commercial Service contracts.

Minimising waste and promoting resource efficiency

Table 43: Non-financial indicators

	Actual performance					Baseline
	2023-24	2022-23	2021-22	2020-21	2019-20	2017-18
	tonnes	tonnes	tonnes	tonnes	tonnes	tonnes
Hazardous waste	–	–	–	–	–	–
Non-hazardous waste:						
landfill	–	13	23	5	44	146
reused/recycled	382	347	311	231	787	444
composted	17	21	18	33	15	8
ICT waste:						
reused	–	–	–	–	–	–
recycled	unknown	unknown	29	3	4	13
Waste incinerated with energy from waste	75	86	79	62	112	127
Total	**474**	**467**	**460**	**334**	**962**	**738**

The volume of waste has decreased by 35% since the 2017-18 baseline year, with zero waste being sent to landfill and 78% of waste being recycled in this year.

The Group was required to measure and report on food waste from 2022 (for office estate with over 50 FTE or over 500m^2 of floor area offering a food service).

The Group has been unable to collect and apportion financial information for the sustainability disclosures for 2023-24. The Group continues to work with the third-party suppliers who manage the Group's sustainability activities with the aim to provide the disclosures for next year's ARA.

Water consumption

Table 44: Non-financial indicators

	Actual performance					Baseline
	2023-24	2022-23	2021-22	2020-21	2019-20	2017-18
Total water consumption (m^3)	32,772	28,277	22,674	57,324	74,393	71,154
Reduction/(increase) in usage against baseline	54%	60%	68%	19%	(5%)	N/A

Since the 2017-18 baseline year, the Group has decreased water use by 54%.

Paper usage

Table 45: Non-financial indicators

	Actual performance					Baseline
	2023-24	2022-23	2021-22	2020-21	2019-20	2017-18
Reams	7,138	11,816	12,385	12,369	22,348	27,250
Reduction in usage against baseline	74%	57%	55%	55%	18%	N/A

The target is to reduce government's paper use by at least 50% from a 2017-18 baseline. The Department is currently exceeding our target by 24%.

Consumer single use plastics

Due to data collection challenges within the supply chain, the Group is unable to disclose single use plastic data for this year. However, new restrictions introduced in September 2023 by Defra have eliminated the procurement of single use plastics within the catering industry.

Travel

Table 46: Non-financial indicators (tonnes)

	Actual performance					Baseline
	2023-24	2022-23 (Restated)	2021-22	2020-21	2019-20	2017-18
	000s Km	000s Km	000s Km	000s Km	000s Km	000s Km
Distance travelled						
Domestic flights	246	430	19	N/A	N/A	N/A
International flights:						
short haul	189	46	14	N/A	N/A	N/A
long haul	1,021	430	14	N/A	N/A	N/A
Trains	23,665	11,899	N/A	N/A	N/A	N/A
	tCO_2e	tCO_2e	tCO_2e	tCO_2e	tCO_2e	tCO_2e
Emissions						
Domestic flights	40	56	7	1	88	130
International flights:						
short haul	186	–	7	N/A	N/A	N/A
long haul	186	66	–	N/A	N/A	N/A
Trains	838	426	N/A	N/A	N/A	N/A

The Group does not operate a fleet with the exception of SLC. Greenhouse gas emissions (tCO_2e) figures for 2022-23 have been restated.

Table 47: Non-financial indicators (000s Km)

	Actual performance					Baseline
	2023-24	2022-23	2021-22	2020-21	2019-20	2017-18
	000s Km	000s Km	000s Km	000s Km	000s Km	000s Km
Economy class	979	391	27	N/A	N/A	N/A
Premium economy class	42	19	–	N/A	N/A	N/A
Business class	189	56	–	N/A	N/A	N/A
First class	–	10	–	N/A	N/A	N/A

Distance data was only collected from 2021-22. The Group's policy on air travel is to restrict it to instances where overall there is value for money compared to other forms of travel when the full cost of travel and subsistence is assessed.

ICT waste

The Department continues to utilise technology to improve our overall environmental impact. Recent initiatives include replacing desk phones with softphones (software for making telephone calls over the internet) and encouraging the use of softphones over mobile phones further supports a reduction in our physical impact and footprint. In addition, improvements to our videoconferencing provision seeks to aid and enable effective hybrid working, reducing the need for travel.

More broadly, sustainable ICT solutions will be integrated into new build schools as standard via sustainable procurement, design, implementation and management.

The Department provides an annual return on the sustainable technology advice and reporting to Defra. By doing so, the Department is helping the government calculate its ICT carbon footprint and demonstrate progress towards embedding sustainable ICT best practice into business operations.

Accounting for shared, offset, renewable and sequestered carbon

The Department does not purchase or utilise carbon credits at all across the office estate.

Sustainable construction

All schools and colleges constructed under our control (termed centrally delivered) follow the Department's detailed specification which includes performance standards on environmental performance and energy. The Department has been successfully delivering good quality, economic and efficient schools for twelve years focusing on simple easy to manage facilities with low running costs. Since 2021, all of the Department's delivered schools are designed to be net zero carbon in operation.

As part of our strategy for sustainability and climate change the Department is committed to net zero carbon in operation for all centrally delivered capital programmes including the school rebuilding and free school programmes. Projects will be designed to be resilient to climate change under a 2°C global warming scenario and future proofed to a 4°C scenario.

Additionally, we are piloting a range of projects to test initiatives such as access to nature, ultra-low carbon construction and wider use of green infrastructure to improve biodiversity. We have developed the UK's first 'biophilic' primary school, which supports school users to connect with nature through the built environment. The project will act as a real time lesson in improving health and wellbeing working in partnership with Derby University to gather evidence on how this impacts the health and wellbeing and sustainable literacy of children and young people.

Mitigating and adapting to climate change

The Department's own offices will be adapted to the effects of climate change. GPA has commissioned a climate risk assessment of the Department's office estate. The outcomes of the report will inform and prioritise climate change mitigation and adaptation requirements as well as create a risk register. As a tenant of GPA, the Department will be consulted on the outcomes of this report and will support the climate mitigation and adaption process going forward.

Biodiversity reporting

As well as the sustainability reporting included here, the Department also reports through the central sustainability reporting undertaken by Defra. All public authorities are subject to the general duty to consider action they can take to conserve and enhance biodiversity, and then take that action. We have partnered with GPA to create a nature recovery plan for the

Department's office estate. The key drivers of this plan are to enhance biodiversity within the office estate by adapting the landscape and introducing pollinating plants, green walls and insect and bird habitats.

Sustainable procurement

Our commercial teams have embedded social and environmental sustainability into their work and monitor the effectiveness of these practices. This includes an SCS sponsor for commercial activity on our sustainability portfolio delivery board to coordinate activities relating to sustainability and procurement.

Business case templates state the requirement for completion of an environmental impact screening assessment for all procurements above £5 million to evaluate the environmental impact of a policy. Where required an environmental principles assessment will be included with the business case. The supporting guidance states the "purpose of the economic dimension of the business case is to identify the proposal that delivers best public value to society, including wider social and environmental effects".

Our contracts require suppliers to meet the Government Buying Standards on sustainability. In addition, we apply Procurement Policy Note 06/21 'Taking account of carbon reduction plans in the procurement of major government contracts' for all in-scope procurements. The Department's procurement also meets the requirements of Procurement Policy Note 06/20 'Taking account of social value in the award of central government contracts'. One of the themes is fighting climate change and that is selected when it is relevant to the subject matter of the contract.

Commercial staff involved in letting and managing contracts undertake Chartered Institute of Procurement & Supply's ethics e-learning which covers three key pillars of the ethical procurement and supply profession, one of which is environmental procurement. During this year, 93% of commercial delivery staff undertook this training exceeding the target of 90%.

More broadly, sustainability is part of the Department's assessment and validation criteria for suppliers on procurement frameworks within the Get Help Buying for Schools service, to support sustainable purchasing of products and services in schools. We also support schools to purchase from procurement frameworks that offer sustainable goods and services via this service, although schools still retain full autonomy in their contracting decisions.

Procurement of food and catering services

Using both the Department and GPA supply chain, 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.

More broadly, we will encourage and support education settings to gather data and take action on food waste and to share their evidence-based best practice for sustainable waste prevention and management. We will also work with Defra and the Waste and Resources Action Programme to share resources for schools and children that support food waste prevention.

Annex C – Student loans

This annex contains breakdowns of the overall student loan disclosures from note 12 analysed across the different loan portfolios.

Student loan plans

Loans for students in higher education and further education are originated and recognised by the Department. The Department's student loans can be split into different repayment plans depending upon which education sector the borrowers were members of. The plans are as follows:

- Plan 1 loans – loans taken out for undergraduate courses that started before 1 September 2012
- Plan 2 loans – loans taken out for new undergraduate courses that started on or after 1 September 2012 until 31 August 2023, including advanced learner loans
- Plan 3 loans – loans for postgraduate master's courses starting on or after 1 August 2016 and postgraduate doctoral courses starting on or after 1 August 2018
- Plan 5 loans – loans taken out for new undergraduate courses that started on or after 1 August 2023, including advanced learner loans

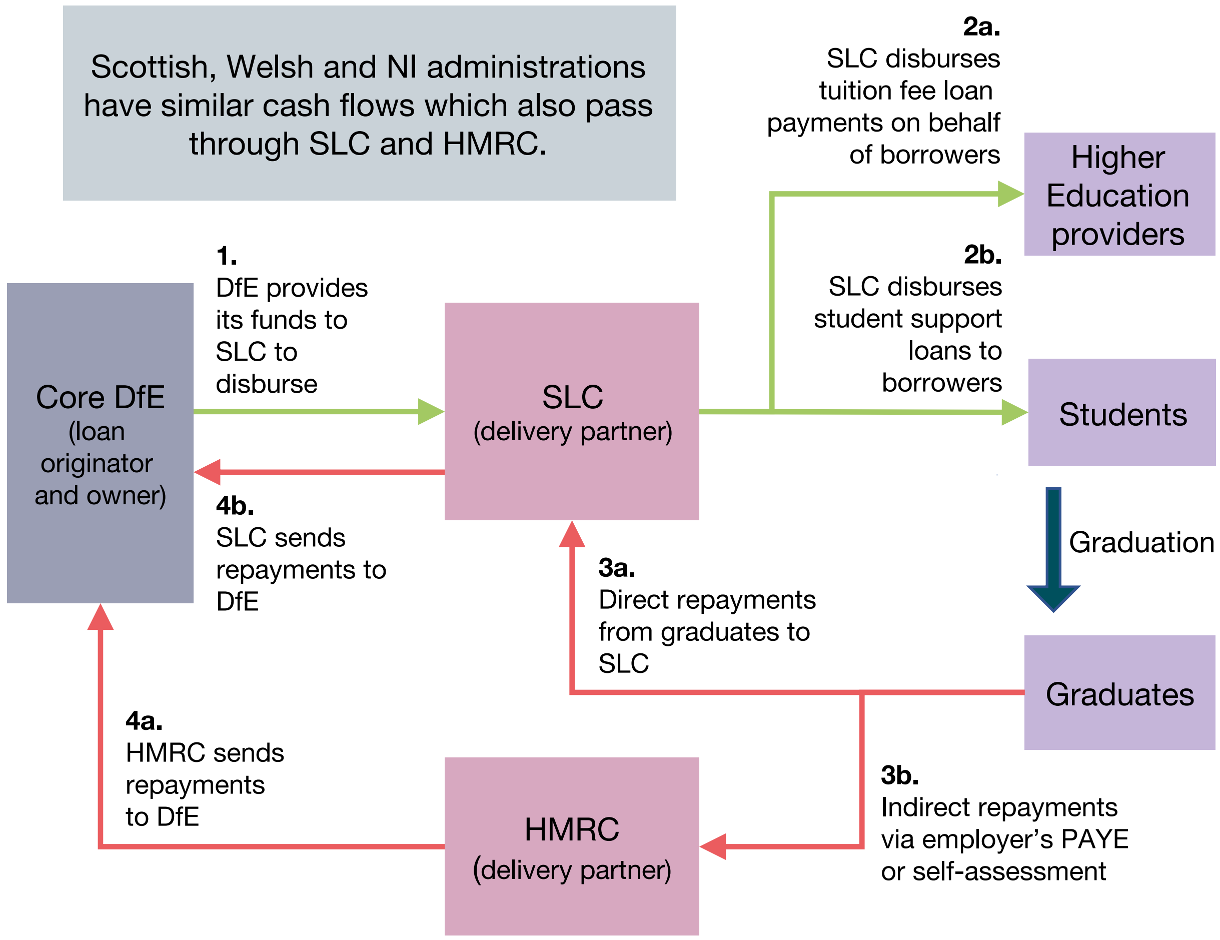
Plan 2 will continue to be a live plan until existing borrowers who started their undergraduate courses on Plan 2 finish their courses.

Plan 4 loans are issued by Student Awards Agency Scotland so do not form part of the Group's activities.

Student loan cash flows

Figure 67 sets out the different cash flows associated with student loan origination and repayment.

Figure 67: Student loan cash flows



Student loan cash flows and accounting are complex and involve several Group bodies and other public sector bodies. To improve understanding, the graphic above shows the cash flows generated by origination (cash flows 1 and 2) and repayment (cash flows 3 and 4) of student loans between the Department (loan owner), SLC (loan administrator), HMRC (repayment collector), students and HE providers.

SLC administers student loans on behalf of the Department, passing tuition fee funds to HE providers (on behalf of borrowers) and student support loans directly to borrowers. SLC also administers separate student loan portfolios for the Scottish, Welsh and Northern Irish devolved administrations leading to similar cash flows for those loan portfolios. Student loans originated by the three devolved administrations, and administered by SLC, are not included in this ARA since they are owned and recognised by the individual devolved administrations.

Student loan repayments are mainly collected by HMRC through the tax system, PAYE (via employers) and self-assessment (individuals). Loan repayments are then passed on to the Department by HMRC. Direct repayments by borrowers 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 on to the Department and updates borrowers' loan accounts with the latest information on repayments collected by HMRC or directly by SLC itself.

Student loan spending control

The spending control on student loans was revised this year. As explained in note 12, the budgeting treatment of the fair value movement has been updated as a result. The treatment described here does not affect how student loans are accounted for; the annual movement in fair value continues to be fully recognised as a gain or loss in the SoCNE in the year to which it relates. The spending control only affects which budget types fair value losses score to, should they exceed agreed limits – in which case a management charge is levied.

The Department and HMT have agreed separate limits for the initial fair value loss on loan origination and the annual fair value movement for existing loans. The limit for existing loans was agreed this year. The initial fair value management charge has existed for several years and was levied in 2020-21 and 2021-22.

The charges may be levied, individually or collectively, by HMT in any given year when fair value losses of student loans are higher than limits agreed with HMT. Separate limits exist for initial fair value losses and existing loan losses. Under the Department's agreement with HMT, excess fair value losses are recognised in Resource AME rather than ringfenced Resource DEL. Following the initial RDEL-RAME switch, the value is unwound through non-ringfenced Resource DEL over the following thirty years, with the first annual instalment in the year after the switch occurs. The unwinding of the excess losses does not have any overall effect on the Department's reported TME in any given year since the balances sum to zero, although there are effects on the separate RAME and RDEL outturn balances.

Impact of student loans on Estimates to outturn variances

Calculating student loan valuations, for either year end accounting purposes or to support the Estimates claim, is inherently difficult and different to commercial loan portfolios. Unlike commercial mortgage books (which are similar in duration) the student loan portfolios do not have stable monthly contractual 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. None of the year end valuation model 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 (£234.1 billion face value) presents challenges. The student loan valuation models apply valuation inputs to student loan face value balances to calculate the carrying values. This means that minor movements of a valuation input can generate extremely large movements in the final student loan carrying value due to the size of the loan portfolios. Therefore, small differences between model inputs forecast at Supplementary Estimates and actual values at the year end can generate very large variances.

Consequently, the Department is prudent when it prepares its Supplementary Estimates claim for budget cover for student loan balances across all budget categories.

Carrying values of student loans

The following tables provide additional analysis of the headline movements in carrying value shown in note 12.1 across the different loan plans.

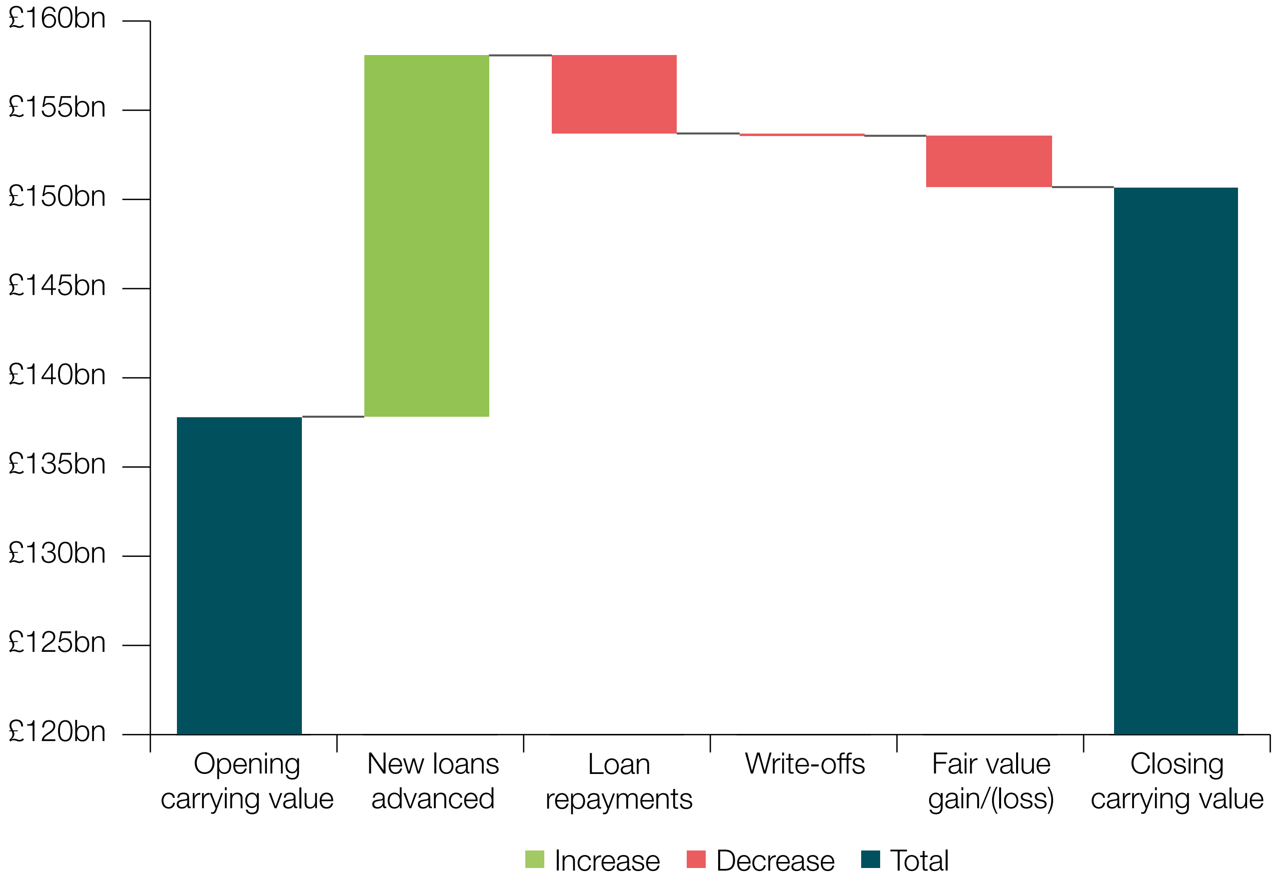
2024

	Plan 1 loans	Plan 2 loans	Plan 3 loans	Plan 5 loans	Total
	£m	£m	£m	£m	£m
Balance at 1 April 2023	14,662	118,158	4,984	–	137,804
New loans issued	–	15,769	742	3,663	20,174
Repayments	(1,745)	(2,285)	(363)	(13)	(4,406)
Write-offs	(31)	(88)	(2)	–	(121)
Fair value gain/(loss)	278	(3,763)	891	125	(2,469)
Balance at 31 March 2024	**13,164**	**127,791**	**6,252**	**3,775**	**150,982**
Disclosed as:					
current assets	1,756	2,105	372	–	4,233
non-current assets	11,408	125,686	5,880	3,775	146,749
Total	**13,164**	**127,791**	**6,252**	**3,775**	**150,982**

2023

	Plan 1 loans	Plan 2 loans	Plan 3 loans	Total
	£m	£m	£m	£m
Balance at 1 April 2022	15,050	78,822	4,070	97,942
New loans issued	–	19,255	783	20,038
Repayments	(1,865)	(1,791)	(309)	(3,965)
Write-offs	(19)	(74)	(1)	(94)
Fair value gain/(loss)	1,496	21,946	441	23,883
Balance at 31 March 2023	**14,662**	**118,158**	**4,984**	**137,804**
Disclosed as:				
current assets	1,626	2,039	351	4,016
non-current assets	13,036	116,119	4,633	133,788
Total	**14,662**	**118,158**	**4,984**	**137,804**

Figure 68: Current year student loan carrying value movements



Face values of student loans

The following tables provide additional analysis of the headline movements in face value shown in note 12.1 across the different loan plans.

2024

	Plan 1 loans	Plan 2 loans	Plan 3 loans	Plan 5 loans	Total
	£m	£m	£m	£m	£m
Balance at 1 April 2023	28,203	170,017	5,043	–	203,263
New loans issued	–	15,769	742	3,663	20,174
Interest charged	1,627	13,025	403	83	15,138
Repayments	(1,745)	(2,285)	(363)	(13)	(4,406)
Write-offs	(31)	(88)	(2)	–	(121)
Balance at 31 March 2024	**28,054**	**196,438**	**5,823**	**3,733**	**234,048**

2023

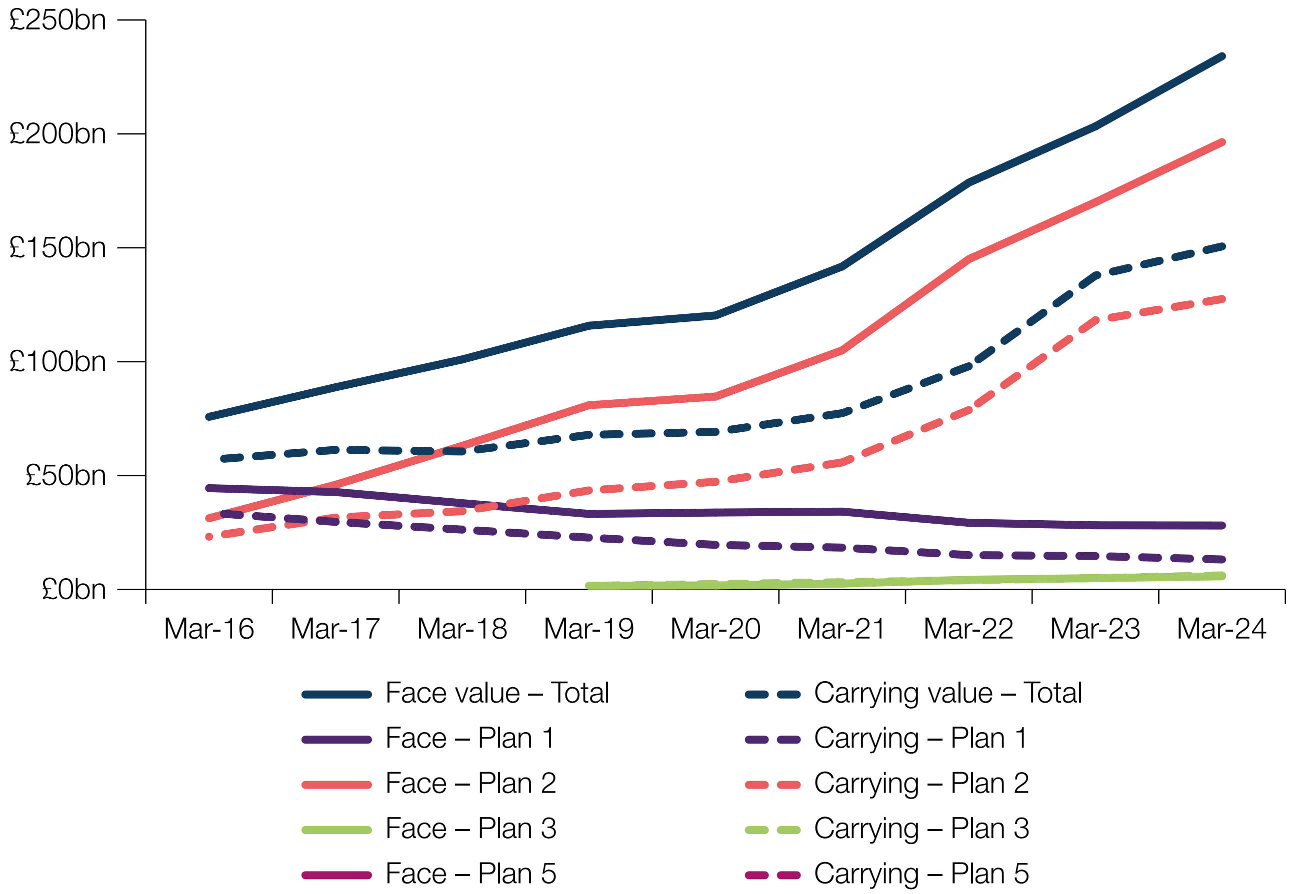
	Plan 1 loans	Plan 2 loans	Plan 3 loans	Total
	£m	£m	£m	£m
Balance at 1 April 2022	29,284	144,951	4,297	178,532
New loans issued	–	19,255	783	20,038
Interest charged	803	7,676	273	8,752
Repayments	(1,865)	(1,791)	(309)	(3,965)
Write-offs	(19)	(74)	(1)	(94)
Balance at 31 March 2023	**28,203**	**170,017**	**5,043**	**203,263**

Figure 69: Current year student loan face value movements

Comparison of carrying value and face value

Figure 68 compares the face value of student loans (which equates to what borrowers see) against their carrying value in the ARA, split into the four loan books, over the last nine years. Note 12 and this annex provide reconciliations between face and carrying values. The figure illustrates the closed nature of the Plan 1 loan book, which is now in run-off, and the active status of the Plans 3 and 5 which are still advancing loans. Plan 2 has now closed but will still issue a small volume of new loans to existing borrowers. Its carrying and face values will start to fall in the near future as it moves fully into run-off.

Figure 70: Comparison of carrying values to face values



Budgetary performance (outturn)

The following table provides additional analysis of the current year budgetary outturn of student loans across the different plans and budget categories. Positive numbers are costs, whereas negative numbers are benefits.

2024

	Plan 1 loans	Plan 2 loans	Plan 3 loans	Plan 5 loans	Total
	£m	£m	£m	£m	£m
Net lending					
CAME					
Loan advances	–	15,769	742	3,663	20,174
Repayments	(1,745)	(2,285)	(363)	(13)	(4,406)
Capitalised interest	1,627	13,025	403	83	15,138
Write-offs	31	88	2	–	121
Total net lending	**(87)**	**26,597**	**784**	**3,733**	**31,027**
Initial fair value (gain)/loss on loan origination					
RDEL					
Impact of policy changes	–	5	–	3	8
Residual value change	–	4,462	13	1,001	5,476
RAME					
Impact of discount rate change	–	221	1	60	282
Sub-total	**–**	**4,688**	**14**	**1,064**	**5,766**
Annual fair value (gain)/loss					
RDEL					
Modelling differences	–	592	(89)	650	1,153
Operational costs movement	(19)	126	4	13	124
Residual value change	54	1,344	(510)	(1,734)	(846)
RAME					
Unwinding the discount	(485)	(4,525)	(349)	(69)	(5,428)
Impact of discount rate change	203	1,795	76	–	2,074
Modelling differences	–	(169)	(35)	(49)	(253)
CAME					
Write-offs	(31)	(88)	(2)	–	(121)
Sub-total	**(278)**	**(925)**	**(905)**	**(1,189)**	**(3,297)**
Total fair value (gain)/loss	**(278)**	**3,763**	**(891)**	**(125)**	**2,469**
Total outturn	**(365)**	**30,360**	**(107)**	**3,608**	**33,496**
Analysed as:					
CAME	(118)	26,509	782	3,733	30,906
RAME	(282)	(2,678)	(307)	(58)	(3,325)
RDEL	35	6,529	(582)	(67)	5,915
Total outturn	**(365)**	**30,360**	**(107)**	**3,608**	**33,496**

Fair value movements

The following tables provide additional analysis of the headline fair value changes shown in note 12.3 across the different loan plans.

2024

	Plan 1 loans	Plan 2 loans	Plan 3 loans	Plan 5 loans	Total
	£m	£m	£m	£m	£m
Overall annual fair value (loss)/ gain – calculated	**278**	**(3,763)**	**891**	**125**	**(2,469)**
which can be dis-aggregated into the following main drivers:					
deferral of the difference between fair value and amounts advanced on new loans	–	(4,688)	(14)	(1,064)	(5,766)
write-offs	31	88	2	–	121
impact of changes in assumptions and modelling	–	(423)	124	(601)	(900)
operational costs	19	(126)	(4)	(13)	(124)
discount rate change	(203)	(1,795)	(76)	–	(2,074)
unwinding of the discount	485	4,525	349	69	5,428
residual fair value movement	(54)	(1,344)	510	1,734	846

2023

	Plan 1 loans	Plan 2 loans	Plan 3 loans	Total
	£m	£m	£m	£m
Overall annual fair value (loss)/gain – calculated	**1,496**	**21,946**	**441**	**23,883**
which can be dis-aggregated into the following main drivers:				
deferral of the difference between fair value and amounts advanced on new loans	–	(5,481)	(15)	(5,496)
write-offs	19	74	1	94
impact of changes in assumptions and modelling	–	–	–	–
operational costs	(62)	(502)	(16)	(580)
discount rate change	–	–	–	–
unwinding of the discount	1,697	11,902	622	14,221
residual fair value movement	(158)	15,953	(151)	15,644

Sensitivity analysis

The tables provide additional analysis of the headline sensitivities shown in note 12.5 across the different plans.

Multiple factors

The following tables illustrate the effect of varying more than a single valuation model input. The four situations are as follows:

- scenario 1 – discount rate increased by 0.2%, earnings up by 1%
- scenario 2 – discount rate increased by 0.2%, earnings down by 1%
- scenario 3 – discount rate decreased by 0.2%, earnings up by 1%
- scenario 4 – discount rate decreased by 0.2%, earnings down by 1%

2024

	Plan 1 loans	Plan 2 loans	Plan 3 loans	Plan 5 loans	Total
	£m	£m	£m	£m	£m
Year end carrying value	13,164	127,791	6,252	3,775	150,982
Scenario 1	802	8,034	399	91	9,326
Scenario 2	(662)	(8,893)	367	(177)	(9,365)
Scenario 3	1,034	10,970	522	204	12,730
Scenario 4	(500)	(6,394)	491	(76)	(6,479)

2023

	Plan 1 loans	Plan 2 loans	Plan 3 loans	Total
	£m	£m	£m	£m
Year end carrying value	14,662	118,158	4,984	137,804
Scenario 1	601	4,553	(108)	5,046
Scenario 2	(1,039)	(11,333)	(114)	(12,486)
Scenario 3	1,023	11,933	108	13,064
Scenario 4	(655)	(4,733)	114	(5,274)

Single factors

RPI

2024

	Plan 1 loans	Plan 2 loans	Plan 3 loans	Plan 5 loans	Total
Value applied in year end valuation	4.3%	4.3%	4.3%	4.3%	
	£m	£m	£m	£m	£m
Year end carrying value	13,164	127,791	6,252	3,775	150,982
Increase in RPI by 1%	(1,021)	(21,374)	264	(613)	(22,744)
Decrease in RPI by 1%	1,357	24,692	622	564	27,235
Increase in RPI by 2%	(2,131)	(40,981)	79	(1,261)	(44,294)
Decrease in RPI by 2%	2,594	48,615	793	1,002	53,004

2023

	Plan 1 loans	Plan 2 loans	Plan 3 loans	Total
Value applied in year end valuation	13.5%	13.5%	13.5%	
	£m	£m	£m	£m
Year end carrying value	14,662	118,158	4,984	137,804
Increase in RPI by 1%	(1,478)	(21,472)	(158)	(23,108)
Decrease in RPI by 1%	1,473	23,011	153	24,637
Increase in RPI by 2%	(2,782)	(40,268)	(321)	(43,371)
Decrease in RPI by 2%	3,059	46,522	299	49,880

Loan repayment threshold

2024

	Plan 1 loans	Plan 2 loans	Plan 3 loans	Plan 5 loans	Total
Value applied in year end valuation	24,990	27,295	21,000	25,000	
	£m	£m	£m	£m	£m
Year end carrying value	13,164	127,791	6,252	3,775	150,982
Increase in threshold by £1,000	(275)	(2,327)	420	(37)	(2,219)
Decrease in threshold by £1,000	612	4,405	465	68	5,550

2023

	Plan 1 loans	Plan 2 loans	Plan 3 loans	Total
Value applied in year end valuation	£20,195	£27,295	£21,000	
	£m	£m	£m	£m
Year end carrying value	14,662	118,158	4,984	137,804
Increase in threshold by £1,000	(517)	(3,029)	(3)	(3,549)
Decrease in threshold by £1,000	507	3,202	33	3,742

Annex D – Regulatory reporting

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 2024, OSCAR reflects the position agreed at the 2023 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

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Outturn (Restated)	Outturn (Restated)	Outturn (Restated)	Outturn (Restated)	Outturn	Plans
	£m	£m	£m	£m	£m	£m
Budget						
Resource DEL	79,409	75,220	72,946	67,155	87,627	94,864
Resource AME	(1,739)	1,768	(5,180)	(14,314)	(3,327)	(2,957)
Total resource	**77,670**	**76,988**	**67,766**	**52,841**	**84,300**	**91,907**
Capital DEL	4,865	4,830	4,798	5,948	6,636	6,095
Capital AME	19,947	21,144	21,863	24,828	30,913	35,951
Total capital	**24,812**	**25,974**	**26,661**	**30,776**	**37,549**	**42,046**
Total Departmental spending	**102,482**	**102,962**	**94,427**	**83,617**	**121,849**	**133,953**
Of which:						
total DEL	84,274	80,050	77,744	73,103	94,263	100,959
total AME	18,208	22,912	16,683	10,514	27,586	32,994

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.

Prior years' outturn has been restated to reflect the impact of the new apprenticeships Estimates row. Reported balances have not been recalculated, merely re-presented in the new Estimates row.

Resource spending

	2019-20 Outturn (Restated)	2020-21 Outturn (Restated)	2021-22 Outturn (Restated)	2022-23 Outturn (Restated)	2023-24 Outturn	2024-25 Plans
	£m	£m	£m	£m	£m	£m
Resource DEL						
A Activities to Support all Functions	360	437	496	532	510	541
B Other School Funding (Department)	1,302	1,050	851	1,034	902	1,064
C Other School Funding (ALB) (net)	1	2	2	3	8	12
D Families and Children Services (Department)	409	908	411	509	747	1,407
E Families and Children Services (ALB) (net)	9	10	12	16	19	16
F Standards and Testing Agency	57	22	25	44	47	54
G Teaching Regulation Agency	6	7	8	10	14	14
H Education and Skills Funding Agency	83	137	123	74	89	96
I Apprenticeships	1,919	1,863	2,455	2,464	2,512	2,663
J Grants to Local Authority Schools	29,560	31,469	32,101	33,906	35,600	37,626
K Grants to Academies	22,904	25,252	27,177	29,581	32,662	33,930
L Higher Education	16,331	7,247	2,331	(8,623)	6,710	8,912
M Further Education	4,867	5,196	5,319	5,923	6,067	6,727
N Higher Education (ALB) (net)	1,582	1,599	1,612	1,654	1,711	1,771
O Further Education (ALB) (net)	19	21	23	28	29	31
Total resource DEL	**79,409**	**75,220**	**72,946**	**67,155**	**87,627**	**94,864**
Of which:						
staff costs	563	606	659	727	746	622
purchase of goods and services	697	614	868	1,003	1,152	1,489
income from sale of goods and services	(210)	(139)	(82)	(82)	(85)	(93)
current grants to central government (net)	30,411	25,854	27,540	29,928	38,645	41,142
current grants to local government (net)	32,022	32,127	32,595	34,767	36,418	40,556
current grants to persons and non-profit bodies (net)	–	9,272	9,724	10,180	4,785	2,971
current grants abroad (net)	(134)	(108)	(104)	(100)	–	–
subsidies to private sector companies	13	–	–	–	–	–
rentals	15	16	25	5	–	60

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Outturn (Restated)	Outturn (Restated)	Outturn (Restated)	Outturn (Restated)	Outturn	Plans
	£m	£m	£m	£m	£m	£m
depreciation	96	64	75	91	92	139
impairment	–	(8)	–	–		
student loan impairment	–	6,614	1,647	(9,390)	5,908	8,075
interest payable to private sector	–	53	48	42	39	–
take up of provisions	97	124	–	7	2	–
profit/loss on disposal of assets	–	5	–	58	8	–
other resource	15,839	126	(49)	(81)	(83)	(97)
Resource AME						
P Activities to Support all Functions (Department)	11	46	15	35	2	5
P Activities to Support all Functions (ALB)	5	–	–	–	–	–
Q Executive Agencies	(13)	1	(15)	14	(7)	–
R Higher Education	(1,725)	1,778	(5,170)	(14,277)	(3,320)	(2,982)
S Further Education	(6)	(4)	(42)	(78)	(20)	1
T Higher Education (ALB) (net)	(54)	(2)	1	1	1	1
U Further Education (ALB) (net)	43	(51)	31	(9)	17	18
Total resource AME	**(1,739)**	**1,768**	**(5,180)**	**(14,314)**	**(3,327)**	**(2,957)**
Of which:						
staff costs	43	48	39	44	52	57
purchase of goods and services	112	9	24	30	22	21
income from sales of goods and services	(268)	–	–	–	–	–
current grants to central government (net)	–	(4)	–	–	–	–
current grants to persons and non-profit bodies (net)	148	97	101	66	148	172
subsidies to private sector companies	4	–	–	–	–	–
rentals	2	1	1	1	1	–
depreciation	(1,704)	1	1	1	1	–
impairment	–	49	(1,727)	(5,457)	9,694	16,041
student loan impairment	–	1,771	1,427	(177)	2,356	322
levies, licences and regulatory fee income	–	(220)	(137)	(196)	(227)	(223)

	2019-20 Outturn (Restated)	2020-21 Outturn (Restated)	2021-22 Outturn (Restated)	2022-23 Outturn (Restated)	2023-24 Outturn	2024-25 Plans
	£m	£m	£m	£m	£m	£m
fees and charges	–	(1)	(1)	(1)	(1)	–
take up of provisions	50	17	(47)	6	36	(12)
release of provisions	(95)	–	–	–	–	–
unwinding of discount on provisions	–	(2)	(3)	(12)	2	2
change in pension scheme liabilities	(42)	–	–	–	–	–
unwinding of the discount rate on pension scheme liabilities	10	–	–	–	–	–
interest payable to private sector (net)	–	(3)	(4,862)	(8,652)	(15,137)	(19,342)
profit/loss on disposal of assets (net)	–	2	–	–	–	–
other resource	1	3	4	33	(274)	15
Total resource budget	**77,670**	**76,988**	**67,766**	**52,841**	**84,300**	**91,907**

Capital spending

	2019-20 Outturn (Restated £m	2020-21 Outturn (Restated) £m	2021-22 Outturn (Restated) £m	2022-23 Outturn (Restated) £m	2023-24 Outturn £m	2024-25 Plans £m
Capital DEL						
A Activities to Support all Functions	72	33	58	119	167	129
B Other School Funding (Department)	1,835	2,122	1,430	1,190	1,702	1,949
C Other School Funding (ALB) (net)	(32)	(30)	(29)	(33)	(25)	(9)
D Families and Children Services (Department)	17	3	3	19	141	111
E Families and Children Services (ALB) (net)	3	2	2	3	2	2
F Standards and Testing Agency	3	2	1	4	4	9
H Education and Skills Funding Agency	30	9	4	7	10	12
I Apprenticeships	7	2	5	4	4	5
J Grants to Local Authority Schools	1,846	1,126	1,888	2,695	2,481	1,315
K Grants to Academies	819	1,041	1,032	1,334	1,115	1,184
L Higher Education	16	13	41	30	25	15
M Further Education	101	307	211	449	773	1,178
N Higher Education (ALB) (net)	147	199	151	125	237	193
O Further Education (ALB) (net)	1	1	1	2	–	2
Total capital DEL	**4,865**	**4,830**	**4,798**	**5,948**	**6,636**	**6,095**
Of which:						
staff costs	–	3	4	4	7	5
purchase of goods and services	12	2	7	11	9	19
capital support for central government (net)	–	3,062	2,405	2,397	3,123	4,715
capital support for local government (net)	2,055	1,292	1,998	2,648	2,623	629
capital grants to persons and non-profit bodies (net)	2,714	606	404	707	368	12
capital grants to private sector companies (net)	214	114	18	11	(7)	412
purchase of assets	(54)	(222)	35	232	471	180
net lending to the private sector and abroad	(23)	(42)	(50)	(46)	(40)	(30)
other capital	(53)	15	(23)	(16)	82	153

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Outturn (Restated	Outturn (Restated)	Outturn (Restated)	Outturn (Restated)	Outturn	Plans
	£m	£m	£m	£m	£m	£m
Capital AME						
P Activities to Support all Functions (Department)	–	–	–	2	3	2
R Higher Education	19,717	20,942	21,708	24,680	30,789	35,790
S Further Education	212	203	159	145	118	121
U Further Education (ALB) (net)	18	(1)	(4)	1	3	38
Total capital AME	**19,947**	**21,144**	**21,863**	**24,828**	**30,913**	**35,951**
Of which:						
purchase of assets	–	(1)	(1)	2	7	38
net lending to the private sector and abroad	19,950	21,146	21,867	24,824	30,905	35,911
other capital	(3)	(1)	(3)	2	1	2
Total capital budget	**24,812**	**25,974**	**26,661**	**30,776**	**37,549**	**42,046**

Depreciation in the table above also includes amortisation, non-financial instrument 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.

Total departmental staff costs within the table differs from those published elsewhere in this ARA, because staff costs 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 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 include costs arising from an NDPB pension scheme, which have been presented differently elsewhere in this ARA.

Table 2: Administration costs

	2019-20 Outturn (Restated)	2020-21 Outturn (Restated)	2021-22 Outturn (Restated)	2022-23 Outturn (Restated)	2023-24 Outturn	2024-25 Plans
	£m	£m	£m	£m	£m	£m
Resource DEL						
A Activities to Support all Functions	336	370	396	429	407	439
C Other School Funding (ALB) (net)	2	1	2	3	6	7
E Families and Children Services (ALB) (net)	2	2	2	2	4	4
F Standards and Testing Agency	3	2	2	3	3	3
H Education and Skills Funding Agency	81	75	72	47	49	49
N Higher Education (ALB) (net)	56	48	56	51	50	50
O Further Education (ALB) (net)	10	11	10	11	11	10
Total administration budget	**490**	**509**	**540**	**546**	**530**	**562**
Of which:						
staff costs	368	386	414	426	426	419
purchase of goods and services	143	125	119	118	106	119
income from sales of goods and services	(1)	(1)	(3)	(3)	(43)	–
rentals	11	14	23	11	7	11
depreciation	36	35	33	48	51	71
other resource	(68)	(50)	(46)	(54)	(17)	(58)

Annex E – Analysed performance reporting

Body	Total operating income	Total operating expenditure	Other expenditure	Net expenditure for the year (including financing)	Permanently employed staff: Number of employees	Permanently employed staff: Staff costs	Other staff: Number of employees	Other staff: Staff costs
	£m	£m	£m	£m	Number	£m	Number	£m
Department	(310)	13,861	2,636	16,187	6,713	430	273	28
Executive agencies								
Education and Skills Funding Agency	–	72,156	(7)	72,149	708	45	6	1
Standards and Testing Agency	–	50	–	50	125	8	–	–
Teaching Regulation Agency	–	16	–	16	90	5	6	–
Non-departmental public bodies								
Aggregator Vehicle Plc	–	1	(1)	–	–	–	–	–
Children's Commissioner's Office*	–	3	–	3	26	2	6	–
Construction Industry Training Board*	(248)	266	–	18	748	43	15	3
Engineering Construction Industry Training Board	(32)	33	(1)	–	89	6	1	–
Institute for Apprenticeships and Technical Education*	–	29	–	29	326	24	6	–
Located Property Limited*	–	8	–	8	54	5	1	–
Oak National Academy*	–	10	–	10	71	7	25	–
Office for Students*	(31)	1,636	–	1,605	461	31	–	–
Student Loans Company Limited*	(3)	285	5	287	3,398	143	–	–
Social Work England*	(10)	26	–	16	222	11	8	1
Group	**(634)**	**88,380**	**2,632**	**90,378**	**13,031**	**760**	**347**	**33**

The balances show current year Group balances dis-aggregated across Group bodies based on their published ARAs. 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 ARA.

Group bodies marked with an asterisk in the table have not yet finalised their ARAs at the date this Group ARA was published. In such instances draft numbers are included for those bodies. Management does not consider the use and disclosure of unaudited balances in these limited circumstances to have a material impact on reported Group performance or balances.

Annex F – 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
AHfS	Assets held for sale
AI	Artificial intelligence
ALB	Arm's length body, another term for a non-departmental public body
AME/CAME/RAME	Annually managed expenditure (capital/resource)
AP	Alternative provision
ARA	Annual report and accounts
ARC	Audit and Risk Committee
ATs	Academy trusts: the charitable companies that operate all types of academy schools
AuC	Asset under construction
BAME	Black, Asian and minority ethnic
BARs	Business appointment rules
C&AG	Comptroller and Auditor General
CARD	Corporate, Assurance and Restructuring Directorate
CBG	Consolidated Budgeting Guidance
CCO	Children's Commissioner's Office, an NDPB of the Department
CETV	Cash equivalent transfer value
CFER	Consolidated Fund Extra Receipt
CITB	Construction Industry Training Board, an NDPB of the Department
COVID-19	Coronavirus disease 2019
CPI	Consumer Prices Index
CSC	Children's social care
CSO	Chief Sustainability Officer
CSOPS	Civil Servant and Other Pension Scheme
DDT	Digital, Data, Technology
DEL/CDEL/RDEL	Departmental expenditure limit (capital/resource)
Department, DfE	The core Department for Education, excluding executive agencies, non-departmental public bodies, academy trusts and FE colleges
Department and 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
DG	Director General
DLUHC	Department for Levelling Up, Housing and Communities
DSG	Dedicated schools grant
EA	Executive Assistant
EBacc	English Baccalaureate
ECITB	Engineering Construction Industry Training Board, an NDPB of the Department
ECT	Early career teacher
EHC plan	Education health and care plan
EIA	Education investment area
ERB	Employer representative body
ESFA	Education and Skills Funding Agency, an executive agency of the Department

Abbreviation or term	Description
Estimates	Group funding, as approved by HM Treasury and subject to specific limits by category of spending
FE	Further education
FReM	Financial Reporting Manual, issued by HM Treasury
FSM	Free school meals
FTE	Full time equivalent
FVTPL	Fair value through profit or loss
GCIA	Group Chief Internal Auditor
GCSE	General Certificate of Secondary Education
GGC	Greening Government Commitment
GHG	Greenhouse gas
GIAA	Government Internal Audit Agency
GPA	Government Property Agency
GRAA	Government Resources and Accounts Act 2000
HAF	Holiday activities and food programme
HE	Higher education
HEO	Higher Executive Officer
HESA	Higher Education Statistics Agency
HMRC	HM Revenue & Customs
HMT	HM Treasury
HTQ	Higher technical qualification
IAS	International Accounting Standard
ICO	Information Commissioner’s Office
ICT	Information and communications technology
IfATE	Institute for Apprenticeships and Technical Education, an NDPB of the Department
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standard
IR35	Intermediaries rules, off-payroll working rules
ISA	Individual savings account
ITT	Initial teacher training
KPI	Key performance indicator
KWh	Kilowatt-hour
LEAF	Linking Environment and Farming
LLE	Lifelong learning entitlement
LocatED	Located Property Limited, an NDPB of the Department
LSIF	Local skills improvement fund
LSIP	Local skills improvement plan
MAT	Multi-academy trust
NAO	National Audit Office
NASUWT	The Teachers’ Union
NDPB	Non-departmental public body
NEU	National Education Union
NFF	National funding formula
NM	Not a member of a committee
NPQ	National professional qualification
NTP	National Tutoring Programme
Oak	Oak National Academy Limited, an NDPB of the Department
OBR	Office for Budget Responsibility
ODP	Outcome delivery plan

Abbreviation or term	Description
ODPO	Office of Data Protection Officer
OECD	The Organisation for Economic Co-operation and Development
OfS	Office for Students, an NDPB of the Department
ONS	Office for National Statistics
OIG	Operations and Infrastructure Group, a business group of the Department
OSCAR	HMT's Online System for Central Accounting and Reporting
PAC	Public Accounts Committee
PAYE	Pay as you earn
PCPF	Parliamentary Contributory Pension Fund
PCSPS	Principal Civil Service Pension Scheme
PF2	Private Finance 2
PFI	Private finance initiative
PGITT	Postgraduate initial teacher training
PIRLS	Progress in International Reading Literacy Study
PO	Priority outcome
PPE	Property, plant and equipment
PRC	Performance and Risk Committee
PSBP	Priority school building programme, a programme to address the needs of the schools most in need of urgent repair
PSFA	Public Sector Fraud Authority
QA	Quality assurance
RAAC	Reinforced autoclaved aerated concrete
RBA	Reception baseline assessment
RPA	Risk Protection Arrangement
RPI	Retail Price Index
SAFE	Support, attend, fulfil, exceed
SARA	Sector annual report and accounts, the standalone annual report and accounts for the academy sector
SCS	Senior Civil Service
SEN	Special educational needs
SEND	Special educational needs and disability
SEO	Senior Executive Officer
SFPC	Strengthening Families, Protecting Children
SL	Student loans
SLC	Student Loans Company Limited, an NDPB of the Department
SME	Small and medium-sized enterprise
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
SPPI	Solely payments of principal and interest
SRG	Sustainability Reporting Guidance
SRO	Senior Responsible Officer
SSRB	Senior Salaries Review Body
STA	Standards and Testing Agency, an executive agency of the Department
STEM	Science, technology, engineering and mathematics
STRB	School Teachers' Review Body
SWE	Social Work England, an NDPB of the Department

Abbreviation or term	Description
TCFD	Taskforce on Climate-related Financial Disclosures
TME	Total managed expenditure
TRA	Teaching Regulation Agency, an executive agency of the Department
TWM	Teacher workforce model
UN SDGs	UN Sustainable Development Goals
USS	Universities Superannuation Scheme
UTC	University technical college
VAT	Value added tax
WWC	What Works Centre(s)
2022-23 and 2023-24	Financial years, ending on 31 March
2022/23 and 2023/24	Academic years, ending on 31 August

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